

PENSION FUND BOARD



Date: Thursday, 28 April 2016

Democratic and Members' Services

Quentin Baker

LGSS Director: Law, Procurement and Governance

Shire Hall

Castle Hill

Cambridge

CB3 0AP

10:00hr

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

- | | | |
|----------|--|----------------|
| 1 | Apologies and Declarations of Interest | |
| | <i>Guidance for Councillors on declaring interests is available at http://tinyurl.com/ccc-dec-of-interests</i> | |
| 2 | Minutes & Action Log – 20th January 2016 | 3 - 12 |
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| 4 | Pension Fund Annual Business Plan and Medium Term Strategy, 2016-17 to 2018-19 | 23 - 28 |
| 5 | Results of the Pensions Regulator's survey of public survey governance and administration and compliance with the code of practice-Appendix 1 | 29 - 46 |
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8	Investment Training	
9	Board Work Plan	79 - 80

The Pension Fund Board comprises the following members:

Councillor Mac McGuire (Chairman) Mr Barry O'Sullivan (Vice-Chairman)

Mr David Brooks Mr Ian Dewar and Mr John Stokes and Councillor Lucy Nethsingha

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Daniel Snowdon

Clerk Telephone: 01223 699177

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LOCAL PENSION BOARD

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Wednesday, 20th January 2015

Members of the Board:

Employers – Ian Dewar and Councillor M McGuire (Chairman)

Scheme Members - B O’Sullivan (Vice Chairman) and J Stokes

Officers in attendance:

M Oakensen –Governance Officer

D Snowdon – Democratic Services Officer

M Rowe – Democratic Services Manager

J Walton – Governance and Regulations Manager

M Whitby - Head of Pensions

Time: 2.00pm. to 3.40 p.m.

Place: Shire Hall, Cambridge

Action

20. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies received for Mr David Brooks, and no declarations of interest.

21. MINUTES AND ACTION LOG – 21st OCTOBER 2015

The minutes of the meeting of 21st October 2015 were approved as a correct record and signed by the Chairman; the Action Log was noted. In relation to item 14 it was explained further that a company name could remain as a legal entity despite having been taken over by another organisation.

22. PROCEDURE FOR FUTURE APPOINTMENTS TO THE LOCAL PENSIONS BOARD.

The Board received a report that set out the process for appointing future members to the Board. Board members were reminded of the difficulties experienced in attracting applicants and noted the desire to retain the current membership given the considerable investment made in training and development. The Board was also reminded that at its meeting on 16 July 2015 it was agreed that substitute members were not required as the Democratic Services Officer would do his upmost to ensure mutually convenient dates were arranged for the meetings which might require the cancelling and rearranging of some meetings.

During discussion Board members:

- emphasised the importance of establishing the presence of the Board through existing communications to scheme members such as the Pensioner Newsletter and Active Member Newsletter. It was questioned whether the website for the pension scheme was mentioned in communications, particularly on payslips. Officers confirmed that there was sign posting to the website on communications but possibly not on payslips. The Board noted that the Council was moving to a new payroll system and it was something that could be developed as part of that work. JW/MW
- suggested that if officers were successful in building a waiting list of potentially interested applicants via a link on the website that it would be beneficial for them to be enrolled on the first training course Board members attended as an introduction. Officers confirmed that this training course had been run for the introduction of Local Pension Boards only. However, it was suggested that an in-house presentation could be delivered to prospective members. It was also highlighted that the Pension Fund Board meetings were public meetings and prospective members could therefore attend to gain an understanding of the work of the Board. JW/MW
- clarified the process for appointing new members to the Board. It was explained that Full Council would appoint Councillors to the Board. It was agreed to seek advice on the appointment process for other members from the Local Government Pension Scheme (LGPS) Advisory Board and the Council's Monitoring Officer. JW/MR

It was resolved:

To consider arrangements to address the issue of substitute members, succession planning and the length of service for Board members.

23. EXECUTIVE SUMMARY OF STANDING ITEMS PRESENTED TO THE PENSIONS COMMITTEE HELD IN OCTOBER AND DECEMBER 2015

A report was presented to the Board that contained standing reports presented to the October and December 2015 Pension Committee meeting: The Business Plan Update Report; Overpayment of Pensions Report; Employers Admissions and Cessations Report; and the Governance and Legislation Report.

It was resolved to note the contents of the report.

24. REVIEW OF ADMISSION BODIES, SCHEME EMPLOYERS AND BULK TRANSFER POLICY 2015.

The Board received the policy for Admission Bodies, Scheme Employers and Bulk Transfer. The policy had been presented and approved at the Pension Committee meeting that took place on 22 October 2015. It had been revised following an exercise to streamline the policy and amend a number of technical terms following the introduction of the Local Government Pension Scheme Regulations 2013. Officers explained that there was no statutory requirement to have a policy but it was regarded as good governance and practice.

During discussion Board members:

- Expressed surprise that there was no statutory requirement for the policy to be in place.
- Raised an issue regarding Parish Councils, where because it was becoming mandatory for employees to become members of a pension scheme, issues regarding possible discrimination and Parish Clerks offering pension advice to Parish Council employees, something that they were not qualified or regulated to do, had arisen. There appeared to be little guidance produced and that was further compounding the issue. Officers confirmed that changes were being made to the assessment process and clearer communication was being produced for Parish Councils to enable them to better understand their funding position.
- Confirmed that the contribution levels for new Parish Councils who joined the LGPS was lower and that they were not expected to contribute toward addressing past deficits.

It was resolved to review the policy and make recommendations to the Pension Committee where appropriate.

25. REVIEW OF EMPLOYEE AND EMPLOYER CONTRIBUTIONS 2015.

The Payment of Employee and Employer Pension Contributions Policy was presented to the Board. The policy was designed to ensure that both Scheme Employers and officers of the Fund had a clear process for dealing with non-compliance and to provide further strength and evidence to the Pensions Regulator that as a Fund, all the relevant controls were in place. Officers highlighted the escalation process for late or non- payment of contributions. The Board was informed that the policy was approved by the Pensions Committee on 17th December and would become effective from April 2016.

During discussion Board members:

- Questioned whether the late payment fee represented a significant deterrent. Officers explained that the impact of the fee would be relative to the size of the organisation making the late payment. The fee was not meant to be punitive but cover the administration costs involved. It was noted that interest was also applied. The Board was informed that late payments tended to be made by smaller admission bodies rather than large employers.
- Confirmed that a copy of the action taken to recover late payments was sent to senior management at the organisations where payments were made late. It was confirmed that the late payment rate was around 2.5% and the final step in recovery action would be taking a Scheme Employer to court to recover the money.

- Confirmed that there had not been a situation where debts had had to be written off. Details were received of an employer that was struggling to pay contributions and the advice of the Pensions Committee was then sought as to whether to terminate the employers' membership of the scheme.
- Questioned the implications for Scheme Members if a Scheme Employers' membership of the Pension Scheme was terminated. It was explained that members would receive what they were entitled to up to the point of termination but responsibility for the future pension arrangements of members would rest with the former Scheme Employer.
- Highlighted that with greater austerity and the increased outsourcing of services, pensions were often not a major consideration when taking over services and might present issues in the future. Officers confirmed that the position was improving and education was important in order to mitigate issues.

It was resolved to review the policy and make recommendations to the Pension Committee where appropriate.

26. STATEMENT OF INVESTMENT PRINCIPLES

The Board received the Statement of Investment Principles July 2015. The Local Government Pension Scheme regulations required every administering authority to prepare, maintain and publish a written statement of the principles that governed its decisions about the investment of Fund money. Officers drew the attention of Board members to amendments that were effective from July 2013 and July 2015 following the approval of the Pension Committee.

During discussion Board members clarified their understanding of the benchmark targets and noted that they were presented in greater detail within other reports that were considered by the Pension Committee and the Local Pension Fund Board.

It was resolved to review the Statement of Investment Principles July 2015 and make recommendations to the Pension Committee where appropriate.

27. AGENDA PLAN

The agenda plan was presented to the Board.

Board members agreed that a draft of the Local Pension Board, which might be included within the Pension Committee Annual Report, be presented to the April meeting of the Board.

MR

The Board requested that Democratic Services check to ensure that the agenda and associated reports for the Pension Committee were being circulated to Board members. (Note: this action had been completed in the Action Log, item 12).

Board members also queried when a report would be produced on the

JW

progress of the Cambridgeshire Bank. Officers agreed to update Board members on when a report was likely to be produced.

It was resolved to note the agenda plan including the addition of the draft Local Pension Board Annual Report to the meeting on 28 April 2016.

28. EXCLUSION OF PRESS AND PUBLIC

It was resolved to:

Exclude the press and public from the meeting for the following item of business on the grounds that the contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial affairs of any particular person (including the authority holding that information).

29. ASSET POOLING IN THE LOCAL GOVERNMENT PENSIONS SCHEME

Members of the Board received a presentation regarding asset pooling in the Local Government Pension Scheme (LGPS). Officers informed Board members that the Government had invited LGPS Administering Authorities to come forward with proposals to invest their assets through pools of at least £25 billion to achieve cost savings and the benefits of scale.

It was resolved to note the presentation delivered to the Board.

Chairman

**Cambridgeshire Local
Pension Board****Minutes - Action Log****Introduction:**

This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Committee to update Members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 29th March 2016.

Minutes of 20th January 2016

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
22.	Procedure for Future Appointments to the Local Pensions Board.	M Rowe/ J Walton	The Board highlighted the importance of communications and requested the Pension website be placed on payslips as part of the ongoing development work regarding the Payroll system		
22.	Procedure for Future Appointments to the Local Pensions Board.	J Walton/ M Oakensen	The Board suggested an introductory presentation be developed for potential future Board Members.		

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
22.	Procedure for Future Appointments to the Local Pensions Board	M Rowe/ J Walton	It was agreed for advice to be sought on the appointment process for other members from the Local Government Pension Scheme (LGPS) Advisory Board and the Council's Monitoring Officer		
27.	Agenda Plan	D Snowdon	Board members agreed that a draft of the Local Pension Board, which might be included within the Pension Committee Annual Report, be presented to the April meeting of the Board	Added to the Agenda Plan for the April meeting of the Board.	Completed
27.	Agenda Plan	J Walton/ M Whitby	Board members also queried when a report would be produced on the progress of the Cambridgeshire Bank. Officers agreed to update Board members on when a report was likely to be produced.		
29.	Asset Pooling in the Local Government Pension Scheme	J Walton/ M Whitby	It was confirmed that a progress report would be presented to the February meeting of the Pension Committee and the Local Pension Fund Board would provide an overview and scrutiny function to the process.		

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
29.	Asset Pooling in the Local Government Pension Scheme	J Walton/M Whitby	Board members were informed that professional advice regarding the formation of the Pool was being sought and it was agreed for it to be circulated to Board members		

Minutes of 21st October 2015

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
12.	Cambridgeshire Local Pension Board – Terms of Reference, Standing Orders & Code of Conduct.	M Rowe/ D Snowdon	The Board to consider the outcome of the Local Government Scheme Advisory Board review of the newly formed Local Pensions Boards.		Ongoing.
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/ M Whitby	High level quarterly update report to be circulated to Board members	LPB members have access, on request, to confidential Investment Sub-Committee papers. Officers, on request, can provide reports to Board members directly.	Ongoing.

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/ M Whitby	Further details of the unit cost per member would be circulated to the Board at a later date.	To be covered in the training session on the 28 April regarding unit costs and manager fees.	Ongoing.
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/M Whitby	The Board agreed to investigate why there were variations in investment manager fees.	To be covered in the training session on the 28 April regarding unit costs and manager fees.	Ongoing.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 28 April 2016

Report by: Head of Pensions

Subject:	Agenda items from March 2016 Pension Committee meeting
Purpose of the Report	To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the March 2016 Pension Committee meeting.
Recommendations	That the Pension Fund Board note the contents of this report.
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 This report is an executive summary of the items discussed at the March 2016 meeting of the Pension Committee which are not addressed through other reports to the Pension Fund Board at this meeting.
- 1.2 The agenda items which are covered in this report are:
 - Governance and Legislation Report – section 2
 - Government's Investment Reform Agenda – section 3
 - Employers Admissions and Cessations Report – section 4
 - Risk Strategy – section 5
- 1.3 The full reports can be found at the link detailed in section 13 of this report.

2. Governance and Legislation Report

The following sections summarise the information contained within the Governance and Legislation report presented to the Pension Committee in March 2016.

2.1 Appointment of Scheme Advisory Board Chairman

- 2.1.2 The LGPS Scheme Advisory Board (SAB) has been notified that the Secretary of State has appointed Councillor Roger Phillips, a lead LGA member on workforce and pay negotiations, to the position of Chair. Councillor Phillips is currently vice chairman of the Board, has chaired the UK Local Government Pensions Committee (LGPC) for the last two years. He is a member and former leader of Herefordshire Council and chaired the LGPS2014 Project Board.

2.2 Queen's Counsel opinion on status of local pension boards

- 2.2.1 At the 25 January 2016 meeting of the Scheme Advisory Board of England and Wales, the Queen's Counsel opinion of the status of local pension boards within local authorities was considered. Whilst the detail of the opinion has not been made publically available it has been reported that there may be some implications for the instances where a fund has set up a joint committee and board. In the meantime, the Scheme Advisory Board guidance on the creation and operation of local pension boards is being reviewed in line with the Queen's Counsel opinion.

2.3 The Pensions Regulator – Annual Benefit Statements

- 2.3.1 All LGPS funds have a statutory requirement to produce an Annual Benefit Statement to all active scheme members by 31 August each year. Last year a large number of funds were unable to produce benefit statements by this date largely due to the quality and timeliness of data being supplied by the scheme employers. The Pensions Regulator has been in contact with a number of funds who reported their inability to meet this statutory requirement (considered by the Pensions Regulator as a breach in the law) to discuss improvement plans to enable these funds to meet the statutory deadline this year.
- 2.3.2 The Pensions Regulator has reported that they have received a number of high quality improvement plans that they are considering sharing with the rest of the LGPS community, via the LGA, subject to approval of the funds concerned.
- 2.3.3 The Pensions Regulator has recognised the problems most funds have had with receiving timely and accurate data from scheme employers. Although the Pensions Regulator's powers under the Public Service Pension Act 2013 do not extend to scheme employers he is considering producing guidance on the expectations on scheme employers to enable scheme managers (administering authorities) to fulfil their statutory obligations. Should the Pensions Regulator determine that this guidance is appropriate it will be issued in spring 2016.

2.4 Public sector exit payment recovery regulations

- 2.4.1 On 20 December 2015, the government released a short consultation on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015, which will allow for the recovery of exit payments when an individual earning in excess of £80,000 per annum returns to the public sector within a year of leaving their previous employment from which they received an exit payment.
- 2.4.2 The Government has modified some elements of their proposal since it was last consulted on. These changes include bringing into scope those that re-enter a different part of public service from that which they left, reducing the minimum salary at which the provisions apply from £100,000 to £80,000 per annum, tapering the amount to be repaid relative to the length of break between employments and employer pension strain costs are now being included as part of the exit payment that is subject to the recovery provisions.
- 2.4.3 The consultation closed on 25 January 2016 and further information can be found at the following link:

<https://www.gov.uk/government/consultations/public-sector-exit-payment-recovery-regulations>

2.5 Reforms to public sector exit payments

- 2.5.1 On 5 February 2016, HM Treasury released a public consultation on reforms to public sector exit payments. This follows the announcement in the Spending Review and Autumn Statement 2015 that the government will continue to modernise the terms and conditions of public sector workers by taking forward targeted reforms in areas where the public sector has more generous rights than most of the private sector. As part of this the government committed to consulting on further cross-public sector action on exit payment terms to reduce the costs of redundancy payments and ensure greater consistency between workers.
- 2.5.2 The consultation sets out the options to make public sector exit compensation terms fairer, more modern and more consistent as follows;
- Setting the maximum tariff or calculating exit payments at 3 weeks' pay per year of service
 - Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.
 - Setting a maximum salary for the calculation of exit payments (possibly £80,000)
 - Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong or could belong in that employment.
 - Reducing the cost of employer-funded pension top-up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them and/or increasing the minimum age at which employee is able to receive an employer funded pension top up.
- 2.5.3 The closing date for responses is the 3 May 2016. The full consultation can be found at the following link;

<https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments>

3. Government's Investment Reform Agenda

At the March 2016 Pension Committee meeting an update was provided on the ACCESS asset pooling project and associated governance and funding matters that will enable the Fund to meet the July Government submission deadline for joint and individual pooling proposals.

3.1 February 2016 submission to Government

- 3.1.1 As requested by Government joint submission on initial asset pooling proposals was submitted by Suffolk County Council on behalf of the ACCESS pool by the 19 February 2016 deadline. At this point the ACCESS pool consisted of 10 Funds with combined assets of approximately £30bn (as at 31 March 2015).
- 3.1.2 Shortly after the February submission, the Pension Committee of Hertfordshire County Council confirmed their recommendation to join the ACCESS pool, subject to final approval by Full Council. This brings the pool to £33.5bn in combined assets as set out in the table below:

	Authority £m
Cambridgeshire County Council	2,268
East Sussex County Council	2,740
Essex County Council	4,906
Hampshire County Council	5,111
Isle of Wight Council	483
Kent County Council	4,515
Norfolk County Council	2,930
Northamptonshire County Council	1,850
Suffolk County Council	2,193
West Sussex County Council	2,964
Hertfordshire County Council	3,560
	33,520

3.2 July 2016 submission to Government

- 3.2.1 By 15 July 2016 refined and completed submissions must be delivered to Government that fully address the detailed asset pooling criteria set out in DCLG's "Local Government Pension Scheme: Investment Reform Criteria and Guidance" of November 2015.
- 3.2.2 An Officer Working Group has been formed with representatives from each Fund which is responsible for the overall delivery of the various components of the July submission.

3.3 Progress to date

- 3.3.1 The ACCESS pool has agreed to use Hymans Robertson to fulfil a temporary project management function in order to assist administering authorities in delivering the required joint and, where possible, individual submissions by the July 2016 deadline. Hymans Robertson was chosen as a result of their independence to the Funds, as well as their recent work on Project POOL. A procurement exercise will be undertaken should external services in this area be required beyond the July submission.
- 3.3.2 Work streams have been created to deliver the content required for each of the criteria and associated sub criteria. The work streams are formed of Officers from the Funds within the ACCESS pool, each with a designated work stream lead. LGSS Officers are at present involved in all of the work streams with the exception of infrastructure work stream. Each work stream will report into the Officer Working Group.
- 3.3.3 An outline project plan to deliver the July submission has been drafted and was included with the February submission. More detailed project planning is being undertaken to finalise the project plans for each work stream including critical paths and dependencies. This project planning is identifying all of the key decision points throughout the project.
- 3.3.4 A series of meetings have been set up for the Chairman/Vice-Chairman of each Pension Fund Committee within the ACCESS pool. The initial meetings have been scheduled for 29 March 2016, 22 April 2016 and 23 May 2016 and the Chairman and Vice-Chairman of each Fund have been invited to attend. Further meetings will be diarised in due course.

- 3.3.5 A Memorandum of Understanding has been drafted setting out a variety of matters in connection with this project, including the principles of collaboration, roles and responsibilities and expected behaviours.
- 3.3.6 Legal advice has been sought from Eversheds and Squire Patton Boggs on the legal structures under which administering authorities could work collectively to pool investments. These structures are:
- A Collective Investment Vehicle (CIV) primarily through an Authorised Contractual Scheme (ACS) whereby ownership of the assets is transferred to the ACS (or other vehicle). The authorities may directly own the ACS or rent a platform from an existing CIV operator.
 - A Collective Asset Pool (CAP) that enables founding Administering Authorities to collectively manage their investments without establishing a CIV or using an ACS, but pooling and unitising investments appropriately and investments remaining in the beneficial ownership of the participating authorities.
- 3.3.7 A series of Information Days for work stream participants were held in March 2016 to help inform the work of the project. The ACCESS pool asked a variety of attendees to these days, including legal experts, ACS Operators and practitioners from other pools.
- 3.3.8 Intra-pool conference calls and meetings have been arranged in order to understand progress within other pools, learn from the experiences of others, share costs where common advice is sought and where appropriate, enable the local government universe to speak with a strong, collective voice.

3.4 Governance and decision making

- 3.4.1 A draft of the July submissions (joint and individual) will be brought to the June 2016 Pension Committee meeting for approval. Due to the extremely tight timescales involved in this project it is possible that further iterations of the submissions will be required after this date. As a result it was recommended and approved that the Committee delegate the power of final approval of the July submissions to the Chairman of the Pension Committee in consultation with the Head of Pensions, with the caveat that if there are any major revisions after this Committee date an updated version will be circulated to all members of the Pension Fund Committee for further feedback.
- 3.4.2 It is envisaged that the Chairman/Vice-Chairman meetings will enable the Chairman, Vice-Chairman or other representatives of the Funds to make key decisions in connection with the July submission on behalf of the ACCESS pool and therefore effectively steer the content of the submission.
- 3.4.3 It is vital that Pension Committee and Pension Fund Board members are engaged in this project during this critical period and able to collectively have a voice in the shape of the ACCESS pool. It was approved that a Task and Finish Group be set up to meet in between each Chairman/Vice-Chairman meeting. Each Task and Finish Group meeting would discuss all pertinent matters at that time and would be able to feedback to the ACCESS pool via the representative attending the Chairman/Vice-Chairman meeting and/or through Officers.

- 3.4.4 The Task and Finish Group will meet each month throughout the process of the formulation of the July submission and for such period required thereafter. Membership would consist of any member of the Pensions Fund Committee and Pension Fund Board with the capacity to meet over this critical period.

3.5 Full Council approval

- 3.5.1 The County Council's Scheme of Delegation to the Pension Fund Committee understandably does not include any specific powers relating to decisions around asset pooling. However in light of the unparalleled scope of the asset pooling project it was agreed that a paper is presented to Full Council seeking approval of the proposal to pool with ACCESS.

3.6 Costs

- 3.6.1 The costs of the asset pooling project will be ultimately determined by the legal structure chosen by the ACCESS pool. Likewise, the savings profile is an output of the project itself and will be contingent on a variety of factors including the chosen path of transition.
- 3.6.2 However, at this stage there is a need to incur costs in order to progress the pooling project and deliver the July submission. As such, the Pensions Fund Committee approved expenditure of £60k in order to undertake the required project activity including that required to prepare the July submission. Cost estimates will be refined as the project progresses and at all times collective bargaining will be undertaken where possible, reflecting the fact that similar advice is required from many of the formative pools.

4. Employers Admissions and Cessations Report

- 4.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 4.2 The Employers Admissions and Cessations Report provides an update of bodies that are admitted and requests Pension Committee approval to admit certain admission bodies to the scheme.
- 4.3 At the March 2016 Pension Committee meeting the admission of VISIT Cambridge and Beyond was approved and 16 members of the LGPS have been transferred from Cambridge City Council. Cambridge City Council has provided a guarantee in respect of this admission which satisfies the requirements of the Fund's Admission policy. In addition, the Committee noted the admissions of Spring Common School, Bar Hill Parish Council, Easy Clean Contractors Ltd (Fordham Primary School), Aspens Services Ltd (Huntingdon Primary School) and Aspens Services Ltd (Hemingford Grey School) and the cessation of Easy Clean Contractors Ltd (Fenstanton School).

5. Risk Strategy

- 5.1 At the March 2016 meeting of the Pension Committee a Risk Strategy was presented to the Committee and subsequently approved.

- 5.2 Good governance ensures that the Fund has an appropriate Risk Strategy which details the Fund's approach to managing risk. It outlines the risk philosophy, how risk management is implemented, responsibilities, procedures and internal controls to ensure risk is identified, analysed, controlled and monitored effectively.
- 5.3 Cambridgeshire Pension Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities.
- 5.4 The process involves identifying risk and looking at being proactive and reactive; looking for potential risks and by learning from past experiences. Risks can be identified through a number of means such as monitoring against the Fund's business plan. Once the potential risks have been identified, the next stage is to analyse and profile each risk. Risks are assessed by considering the likelihood of the risk occurring and the effect if it does occur, the risk rating and controls in place will be summarised on the risk register using a heat pad method.
- 5.5 Controlling the risks requires continual review to determine whether any further action is required such as the likelihood of a risk decreasing.
- 5.6 Officers are responsible for ensuring the Cambridgeshire Pension Fund Risk Management process is carried out, subject to the oversight of the Pensions Committee and Pension Fund Board. It is the role of the Pensions Committee to control and monitor the risk and ascertain whether any further action is required from updates and recommendations made by Officers.
- 5.7 The risk register will be presented for approval at the June 2016 meeting of the Pensions Committee for approval. The risk register will then be presented to the Pension Fund Board for any further comments or considerations.
- 5.8 The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee and Pension Fund Board. The Pension Committee and Pension Fund Board will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

6. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. (<i>Objective 1</i>)
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. (<i>Objective 3</i>)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (<i>Objective 5</i>)

7. Finance & Resources Implications

7.1 Not applicable.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

9. Communication Implications

9.1 Not applicable.

10. Legal Implications

10.1 Not applicable.

11. Consultation with Key Advisers

11.1 Not applicable.

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Link to reports from the 24 March 2016 meeting of the Pension Committee:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=86>

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/4/2016
Has this report been cleared by Legal Services?	Not applicable

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 28 April 2016

Report by: Head of LGSS Pensions

Subject:	Pension Fund Annual Business Plan and Medium Term Strategy, 2016-17 to 2018-19
Purpose of the Report	To outline the Fund's objectives for 2016-17 and provide a plan of action as to how key priorities will be achieved.
Recommendations	The Board are asked to note the attached Pension Fund Business Plan for 2016-17 provided in the appendix to this report.
Enquiries to:	Jo Walton, LGSS Governance and Regulations Manager Tel - 01604 367030 E-mail - jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance dictates that each Pension Fund should adopt a Business Plan detailing the Fund's objectives and setting out key priorities for the 2016-17 and in some cases, subsequent years.
- 1.2 The proposed Business Plan is attached in **Appendix 1**.

2. The Business Plan 2016-17

2.1 Executive summary

- 2.1.1 The executive summary explains the challenges that the Fund has faced and will continue to face over recent and forthcoming years. These challenges range from the extended powers of the Pension Regulator to asset pooling in the LGPS.

2.2 Purpose and scope of the Fund

- 2.2.1 This section provides a high level overview of how the Fund operates in terms of its relationship with the Administering Authority through delegated responsibilities to the Pension Committee, the Scheme's administration arrangements with LGSS, the role of the Local Pension Board and the relationship with its stakeholders.

2.3 Contextual information on the Cambridgeshire Pension Fund

- 2.3.1 This section provides the Fund's membership, assets and liabilities and investment information as at 31 December 2015 in order to provide the context behind the content of the Business Plan.

2.3.2 The section also shows cash flow projections which demonstrate that estimated contribution income is expected to exceed expenditure for the period 1 April 2015 to 31 March 2033. The section also details estimates of the fund account, investment income and expenditure and administration expenses for the period 2016-17 to 2018-19.

2.4 Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning.
(objective 4)

2.5 Key Fund activities 2016-17

2.5.1 This section details the key activities that the Fund will undertake during 2016-17. The activities are split into high level categories with a link to the relevant objective or multiple objectives as detailed below:

Activity	
Ensuring and maintaining regulatory compliance/best practice	<ul style="list-style-type: none"> • Ensure and maintain compliance with the Pensions Regulator's code of practice: governance and administration of public service pension schemes and the Public Service Pension Act 2013 • Ensure Pension Committee, Pension Fund Board and Officers of the Fund have appropriate knowledge to inform and make decisions about the Fund.
Ensuring and maintaining data quality	<ul style="list-style-type: none"> • Review, improve and maintain data quality.
Utilising technological solutions	<ul style="list-style-type: none"> • Utilise Altair to provide self service facilities to scheme members and scheme employers to enable faster and more efficient exchanges of information • Implement and fully exploit Altair Pensioner Payroll and Immediate Payment functionality to achieve cost savings, efficient processes and increased quality of service to scheme members and other stakeholders. • Reduce the reliability on manual functions in favour of automated solutions.
Utilising collaboration	<ul style="list-style-type: none"> • Proactively participate in the creation of a multi asset pool to meet the government's investment pooling agenda • Procurement of actuarial, governance and benefits consultancy service (in conjunction with Cambridgeshire Pension Fund to achieve economies of scale).
Managing risk	<ul style="list-style-type: none"> • Development of a Fund Risk Register that identifies all risks facing the Fund in the short, medium and long term, tracks and highlights movement in risks and links to the Fund's

	<p>objectives.</p> <ul style="list-style-type: none"> Managing the risks associated with the increasing volume and diversity of scheme employers and ensures that these risks are reflected in the funding approach for each scheme employer
Managing Fund performance – administration	<ul style="list-style-type: none"> Undertake full review of the Administration Strategy to enable a more streamlined approach to managing poor performing employers). Monitor and improve stakeholder satisfaction Monitor and deliver required levels of administration performance for scheme employers and the service.
Maintain appropriate cash flow	<ul style="list-style-type: none"> Ensure employee and employer contributions are received on time for each scheme employer. Ensure all overpayments of pension benefits are managed in a cost effective and timely manner.
Ensuring effective communications	<ul style="list-style-type: none"> Deliver plain English communications Deliver effective and timely communications to scheme members and scheme employers, including collaborating with other LGPS Funds where appropriate.
Maintaining long-term Fund solvency	<ul style="list-style-type: none"> Undertake the 2016 triennial valuation of the Fund. Regularly monitor the funding level.
Maintaining value for money	<ul style="list-style-type: none"> Demonstrate that the Fund is operating in a manner that achieves value for money.

2.6 Performance Indicators

2.6.1 Section 5 of the Business Plan details the key performance indicators that the LGSS Pensions Service will report on during 2016-17 as agreed in the Fund's Administration Strategy.

3. Finance & Resources Implications

3.1 Performance against the estimates of the fund account, investment income and expenditure and administration expenses estimates will be reported quarterly to the Pension Committee via the Business Plan updates.

4. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
No risk as it is best practice that the Fund has an approved business plan.	N/A	N/A

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not have a Business Plan the Fund will have significant lack of direction, control and structure in the management of its business.	Red

5. Communication Implications

Direct Communications	The Business Plan will be presented to the Pension Committee at its quarterly business meetings.
Website	The Business Plan will be published on the Fund's website.

6. Legal Implications

6.1 Not applicable.

7. Consultation with Key Advisors

7.1 The Fund's key advisers have been consulted in the Business Plan where necessary.

8. Alternative Options Considered

8.1 The alternative of not having a Business Plan is not considered an acceptable alternative for the Fund.

9. Background Papers

9.1 Not applicable.

10. Appendices

10.1 **Appendix 1** Annual Business Plan and Medium Term Strategy 2016-17

Checklist of Key Approvals	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/4/2016

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 28 April 2016

Report by: Head of Pensions

Subject:	Results of the Pensions Regulator's survey of public survey governance and administration and compliance with the code of practice.
Purpose of the Report	To inform the Pension Fund Board of the survey results and the extent to which the Cambridgeshire Pension Fund has achieved compliance with the Pensions Regulator's code of practice.
Recommendations	That the Pension Fund Board notes the content of the report and approves the proposed course of action to achieve full compliance with the Pensions Regulator's code of practice.
Enquiries to:	Name: Jo Walton – Governance and Regulations Manager Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Following the introduction of the Public Service Pension Act 2013, with effect from 1 April 2015 the Pensions Regulator became responsible for regulating the governance and administration of public service pension schemes and issued a code of practice for schemes to follow.
- 1.2 The code of practice sets out the legal requirements and provides practical guidance and standards that the Pensions Regulator expects of those in charge of the governance and administration of public service pension schemes.
- 1.3 Between July and November 2015 the Pensions Regulator conducted a survey of all public service pension schemes to baseline the standard to which they are being run in accordance with the code of practice.
- 1.4 It is important to note that participation in the survey was voluntary and that only 48% of schemes responded. Officers of LGSS did submit a response on behalf of the Cambridgeshire Pension Fund.
- 1.5 The Pensions Regulator will be using the information collected through the survey for regulatory purposes and will develop individual scheme risk profiles.
- 1.6 The Pensions Regulator has now published the findings from this survey which are detailed in section 2 of this report alongside the level of compliance against the code of practice as demonstrated by the Cambridgeshire Pension Fund.

2. The Pensions Regulator's public service governance and administration survey results

- 2.1 The survey results show that on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding both the governance and administration requirements introduced by the Acts and the code of practice. The results and the current level of compliance as demonstrated by the Cambridgeshire Pension Fund are detailed below along with the course of action officers will take to reach full compliance.

Survey results	Extent of compliance at Cambridgeshire Pension Fund	Comments
90% have established a pension fund board	Fully compliant	The Cambridgeshire Pension Fund Board held its first meeting on 7 July 2015 and has met again in October and January with the next meeting scheduled for April 2016.
78% have policies to help members acquire and retain knowledge	Fully compliant	Pension Committee - Knowledge Management Policy (2013) in place – to be reviewed and presented to Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Knowledge Management Policy specific to Pension Fund Board members was approved in July 2015 and will be reviewed during 2016-17.
87% have a conflicts policy and procedure for board members	Partially compliant	Pension Committee - Potential conflicts of interest are noted at the beginning of each meeting for non-county councillor representatives. County Councillors declare potential conflicts of interest annually and this is recorded and published by Democratic Services. A Fund specific Conflicts of Interest policy will be presented to the Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Conflicts of Interest policy established at the October 2015 meeting of the Pension Fund Board.
87% have procedures for publishing information (about the Pension Fund Board)	Not compliant	Information is published about the Pension Fund Board but there is no set procedure in place for doing this. This will be explored during 2016-17.

<p>76% have documented procedures for assessing and managing risk</p> <p>82% have a risk register</p> <p>56% assess their risks at least quarterly</p>	Partially compliant	<p>A formal Risk Strategy will be presented at the Pension Committee for approval at the March 2016 meeting.</p> <p>A revised and comprehensive Risk Register will be presented for approval at the June 2016 meeting of the Pension Committee.</p> <p>Every report presented to the Pension Committee details the risks associated with undertaking or not undertaking the proposed recommendation(s).</p>
77% have record-keeping policies and procedures for all members	Partially compliant	A formal policy will be developed during 2016-17 following the production of the Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee.
97% have a process for monitoring payment of contributions	Fully compliant	The Payment of Employee and Employer Contributions Policy was approved at the December 2015 meeting of the Pension Committee and will be effective for scheme employers with effect from 1 April 2016.
55% have procedures for identifying and assessing law breaches	Fully compliant	The Reporting Breaches of the Law to the Pensions Regulator Policy was approved following the October 2015 meeting of the Pension Committee.
<p><50% have reviewed their scheme against the standards (detailed in the code of practice)</p> <p><33% have a plan in place to secure compliance with the Public Service Pension Act 2013</p>	Not complaint	A full review of the Fund's compliance with the Pensions Regulator's code of practice and the Public Service Pension Act 2013 will be presented to the Pension Committee at the June 2016 meeting.
44% have measured against the record keeping requirements	Not compliant	Although informal measurements have been undertaken a complete assessment will form part of the report to be presented to Pension Committee in December 2016 which will demonstrate the level of compliance with The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

27% have carried out data cleansing	Partially compliant	<p>Pensioner membership data is currently being reconciled as a result of the end of contracting out and to enable a smooth transition from Oracle payroll to Altair payroll in August 2016.</p> <p>The Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee will address how active and deferred membership data will be reconciled.</p>
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3. The Pensions Regulator's powers in respect of non-compliance

- 3.1 In June 2015 the Pensions Regulator issued a document entitled "Compliance and enforcement policy for public service pension schemes".
- 3.2 The policy sets out the Pensions Regulator's expectations for compliance with relevant legal requirements as set out in the code of practice and how the Pensions Regulator will proceed in cases of non-compliance and when it may use its enforcement powers.
- 3.3 Where the Pensions Regulator identifies non-compliance the initial focus will be on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements.
- 3.4 Where those responsible for the governance and administration of public service pension schemes fail to address poor standards resulting in non-compliance with the law, the Pensions Regulator may consider escalating their activities and taking enforcement action.
- 3.5 Depending on the nature of the non-compliance the Pensions Regulator has within its powers the ability to implement the following enforcement action which can range from:
 - 3.5.1 Statutory Compliance Notices - in the form of improvement notices which require specific action to be taken within a certain time and third party notices which require specific action to be taken or indeed ceased within a certain time if a contravention of pensions legislation is a direct result of a third party. Non-compliance with a statutory notice may result in a financial penalty.
 - 3.5.2 Civil Penalties – the Pensions Regulator has the power to impose penalties (under section 10 of the Pensions Act 1995) up to the value of £5,000 per breach in the case of an individual and up to £50,000 in any other case.

4. Next steps

- 4.1 To demonstrate the Fund's compliance with the requirements of the Pensions Regulator and the Public Service Pension Act 2013 a checklist will be produced by officers. The checklist will detail the approach to achieving and maintain compliance and when the levels of compliance will be reviewed. This will be presented to the Pension Committee for approval at the June 2016 meeting.

- 4.2 All the areas where the Fund has not achieved full compliance has been captured in the key activities in the Business Plan and Medium Term Strategy which has been approved at the 24 March 2016 meeting of the Pension Committee.
- 4.3 In addition, the Pensions Regulator will be issuing tools to assist schemes in their assessment of the extent to which they are complying with the code of practice during 2016.

5. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

6. Finance & Resources Implications

- 6.1 LGSS Pensions Service should not require any additional resources to carry out the activities detailed in section 2 of this report although advice from the Fund's governance consults may be required from time to time.

7. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with the plans to achieve full compliance with the requirements of the Pensions Regulator's code of practice and the requirements of the Scheme Advisory Board and Public Service Pension Act 2013.	N/A	N/A

- b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Failing to comply with the requirements of the Pensions Regulator, Scheme Advisory Board and Public Service Pension Act 2013 may result in the Pensions Regulator taking action to improve standards as detailed in section 3 of this report.	Red

8. Communication Implications

Induction	All new Pension Committee and Pension Fund Board members are provided with a copy of the Pensions Regulator's code of practice and associated policies belonging to Pension Committee.
Website	All policies are available on the LGSS Pensions Service website.

9. Legal Implications

- 9.1 Failing to comply with the Public Service Pension Act 2013 would be regarded as a breach of the law.

10. Consultation with Key Advisers

- 10.1 Not applicable for this report.

11. Alternative Options Considered

- 11.1 There are no alternative options to be considered.

12. Background Papers

- 12.1 The Pensions Regulator Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

- 12.2 Compliance and enforcement policy for public service pension schemes.

<http://www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf>

13. Appendices

- 13.1 **Appendix 1** - Public service governance and administration survey: summary of results and commentary

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 6/4/2016

Public service governance and administration survey

Summary of results and commentary

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.



Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.



Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

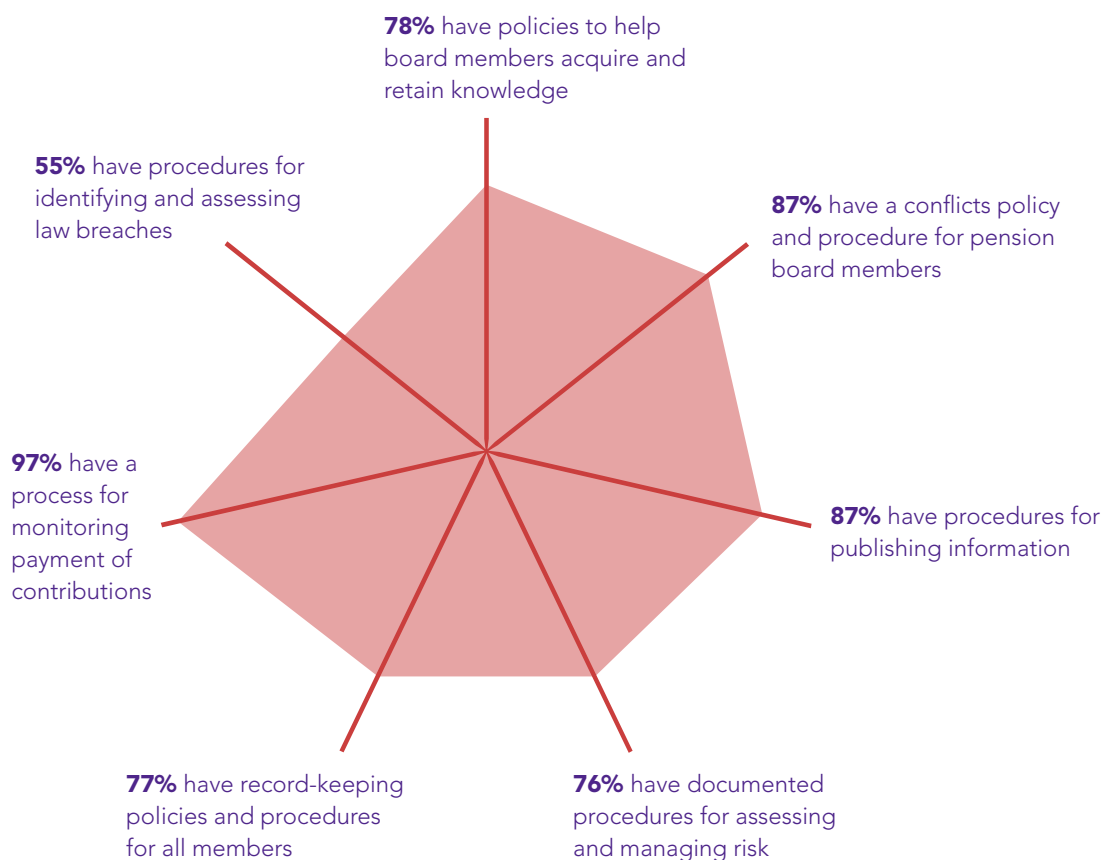
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- ▶ 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- ▶ 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- ▶ 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- ▶ 87% of schemes have a conflicts policy and procedure in place for pension board members.
- ▶ 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- ▶ 76% had documented procedures for assessing and managing risk.
- ▶ 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- ▶ 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

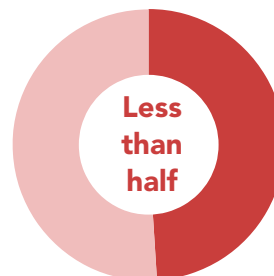
Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.



9/10

have established a pension board



have reviewed their scheme against the standards



Less than a third

have a plan in place to ensure compliance with the Public Service Pensions Act 2013



- ▶ 44% have measured against the record-keeping requirements
- ▶ just over a quarter have done data cleansing



76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- ▶ While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- ▶ Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- ▶ Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- ▶ Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- ▶ While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.



We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- ▶ fulfilled their requirement to register with us
- ▶ established their pension board
- ▶ published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- ▶ assessed themselves against the requirements set out in legislation
- ▶ assessed themselves against the standards set out in our code
- ▶ identified any gaps
- ▶ begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- ▶ the effectiveness of these processes and actions in driving good outcomes
- ▶ the efficiency and reliability of these processes
- ▶ how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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Free online learning for those running public service schemes

Public service governance and administration survey

Summary of results and commentary

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The Pensions
Regulator

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 28 April 2016

Report by: Head of Pensions

Subject:	LGSS Pensions Service Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board is asked to note the Administration Performance Report.
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 One of the core functions of the Pension Fund Board (the Local Pension Board) is to ensure the effective and efficient governance and administration of the Scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Administration Reporting

2.1 Receipt of Employee and Employer Contributions

- 2.1.1 The table on the next page shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late (after the 19th of the month following deduction) for the period 1 April 2015 to 29 February 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
April 2015	98.2	1.8	93.0	7.03
May 2015	97.7	2.3	94.7	5.3
June 2015	97.7	2.3	95.7	4.3
July 2015	97.9	2.1	96.6	3.4
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
Average for period	98	2	95.8	4.2

2.1.2 Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non compliance.

2.1.3 There has been one employer in the Fund who has persistently paid late and in recent months not paid at all. This employer has been reported to the Pensions Regulator on several occasions.

2.2 Overpayments of Pension

2.2.1 The table below shows all the overpayments of pension that have occurred, split by categories of explanation, during the period 1 April 2015 to 31 December 2015.

Overpayment Type	Action	Amount	Total
Retirement	Written off	£248.51	£422.23
	Recovery	£173.72	
	Recovered	£0	
Death of a Pensioner/Dependant	Written off	£7,563.93	£18,979.04
	Recovery	£5,336.40	
	Recovered	£4,368.20	
Eligibility to a child's pension ceasing	Written off	£0	£597.62
	Recovery	£597.62	
	Recovered	£0	

2.2.2 The overpayments of pension occurring as a result of a death of a scheme member are usually unavoidable and are a result of the notification of the death being received after the point in which it is possible to stop the pension payment for that particular month. In these circumstances an overpaid pension with a value of less than £250 is written off in line with the Overpayments of Pension Policy.

2.2.3 Invoices are raised for all overpayments on the death of a scheme member or dependant. Overpayments occurring in retirement are either recovered via an invoice or by reducing the value of the ongoing pension over the length of time the overpayment occurred or longer to ensure the member is not seriously financially disadvantaged.

2.3 Key Performance Indicators – LGSS Pensions Service

2.3.1 The Pension Committee has agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions Service.

2.3.2 The performance against the key performance indicators for the period 1 May 2015 to 29 February 2016 are detailed in the table below.

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
Notify leavers of deferred benefit entitlement. (Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information)	90%	99%	94%	92%	90%	
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	95%	96%	99%	100%	100%	
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100%	99%	97%	100%	
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	90%	87%	77%	84%	89%	See 2.3.3
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	95%	69%	92%	100%	See 2.3.4

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	95%	100%	N/A	N/A	100%	
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	97.8%	N/A	N/A	N/A	See 2.3.5

- 2.3.3 The Fund experienced an 80% increase in estimate requests when compared to the same periods for the previous year and resourcing this exponential increase in volume with skilled staff has been a challenge. The amount of estimates being requested has now started to ease and this is reflected in the increased performance in this area.
- 2.3.4 Providing a transfer in quote to scheme members has also not reached the desired level for this year and this is due to an increase in workload on the team due to Freedom of Choice legislation. The volume of requests increased significantly prior to the legislation coming into force to allow decisions to be made without the regulatory need for members to obtain financial advice at the beginning of the year; this has had a knock on effect to the workload of the team. There was also staff rotation in this team leading to additional training and support needed to be provided for the long term sustainability for the section.
- 2.3.5 A small percentage of annual benefit statements were not issued due to inaccurate or non submission of year end data from the employer. A concentrated effort on obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being issued.

2.4 Key Performance Indicators – Scheme Employer Performance

2.4.1 The following key performance indicators, as agreed by the Pension Committee, are based on the performance of the scheme's employers for the period 1 May 2015 to 29 February 2016 are detailed in the table below.

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority. (Contributions to be received by individual employers by 19 th calendar day of month after deduction and statement/schedule were received by the same date as payment).	100%	95%	96.3%	98.3%	98.45%	See 2.4.2
Provide LGSS Pensions Service with accurate year end information in the prescribed format. (Accurate year end information to be provided for all scheme members by 30 April following contribution year end).	100%	9.91%	N/A	N/A	N/A	See 2.4.3
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority. (Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement / change if earlier where employer automatic enrolment duties apply).	95%	44%	66.7%	66.7%	66.7%	See 2.4.4

2.4.2 Employer performance continues to be managed by officers of the Fund and progress continues to be made. Close liaison with employers in regards to the timely submission of both payments and schedules in order for them to meet statutory compliance.

2.4.3 A total of 18.53% of year end submissions were received on time of which only 9.91% were on time and in the correct format. One large payroll provider who is responsible for submitting 68% of the Cambridgeshire Pension Fund contribution data did not submit their data until 5 May.

A concentrated effort in obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being able to be issued.

- 2.4.4 The pension service and the large payroll providers have been in discussions regarding the requirements for receiving new starter and variation information. This has resulted in progress in this area but continues to be managed to reach a satisfactory level.

2.5 Internal Audit Update 2015-16 and Plan 2016-17

- 2.5.1 At the March 2016 meeting of the Pension Committee, Neil Hunter, Head of Internal Audit, presented a report describing the internal audit work undertaken and in progress, covering process convergence and the adequacy of design and implementation of controls for the administration of the Pensions Services of Cambridgeshire and Northamptonshire Pension Funds.
- 2.5.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.
- 2.5.3 Internal Audit completed and reported to management their review of the design and operation of controls in the converged processes being shared by Cambridgeshire and Northamptonshire for 2014-15. The final report was issued and the results were shared with the external auditors to support their work on the financial statements and reported to this committee in June 2015. Whilst the testing did identify some cases of non-compliance, Internal Audit were satisfied overall with the design and application of controls. Based upon this they gave a substantial assurance opinion and agreed an action plan to strengthen further the controls and improve compliance. The results in each process area are summarised in the following table:

Process Area	2014-15
New members	Moderate
New pensioners	Substantial
Deferred pensioners	Substantial
Transfers in	Substantial
Transfers out	Substantial
Contributions	Moderate
Reconciliations	Moderate
Systems and User Access	Substantial
Overall Level of Assurance	Substantial

- 2.5.4 The implementation of the agreed actions arising from the 2014-15 report has been monitored during the year and all actions have been implemented. Effective implementation will be verified as part of the 2015-16 audit.

2.5.5 The 2015-16 audit is currently being undertaken. This will assess the design and operation of controls covering the administration of both the Cambridgeshire and Northamptonshire Pension Funds. Testing is designed to provide management with reasonable assurance that there are appropriate controls in place to effectively mitigate the following risk areas:

- Risk 1 – Pension payments are not made in accordance with the LGPS and council policy (including rates, annual uplift, lump sums, pensions, deferred pensions, early retirements, annual pension statements);
- Risk 2 – Pension payments are not recorded properly and not accounted for correctly;
- Risk 3 – New members are not set up on a timely basis and do not receive appropriate information;
- Risk 4 – Contributions and accompanying schedules are not received on time or are not correct; (includes employee and employer contributions and additional contributions from all scheme employers);
- Risk 5 – Transfers in and out of the scheme are not subject to appropriate checks and authorisation;
- Risk 6 – Reconciliations are not completed i.e. between Altair and Oracle and also for the Pensions bank account;
- Risk 7 – Performance of the service provided is not monitored and reviewed;
- Risk 8 – User access is not reviewed and so staff may have inappropriate access to the pensions system.

2.5.6 The finalised results of this audit will be reported to the June 2016 meeting of the Pension Committee and will also be shared with external auditors to support their work.

2.5.7 The next annual audit of the administration of the LGSS Pension Service will be undertaken during 2016-17. Testing will be undertaken in the final quarter of the 2016-17 financial year to give assurance on the operation of controls across the whole period.

2.5.8 The testing will be designed to satisfy the requirements of Cambridgeshire external auditors (BDO) and Northamptonshire external auditors (KPMG).

2.5.9 There is additional risk this year relating to the move from Oracle to the Altair payroll system. This is due to be implemented by August 2016. Internal Audit will undertake an additional audit of this project to provide assurance that the risks in the project are effectively managed and that the design of controls for the new system is adequate. Testing of the application of the new controls will then form part of the annual audit.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with managing the administration performance of the scheme.	Key areas of control to be reported to the Pension Committee and Pension Fund Board are highlighted in the Fund's Business Plan.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not monitor and report administration standards the Fund will not demonstrate that it has appropriate control over the management of its core functions.	Amber

6. Communication Implications

Direct Communications	The Fund publishes its performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.
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7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

8.1 Consultation with the Fund's advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/4/2016

CAMBRIDGESHIRE LOCAL PENSION BOARD ANNUAL REPORT 2015-16

To: **Cambridgeshire Local Pension Board**

Date: **28th April 2016**

From: **Democratic Services Manager**

Purpose: **To consider the Annual Report for the Cambridgeshire Local Pension Board.**

Recommendation: **The Cambridgeshire Local Pension Board is asked to approve its Annual Report 2015-16.**

<i>Officer contact:</i>	
Name:	Michelle Rowe
Post:	Democratic Services Manager
Email:	michelle.rowe@cambridgeshire.gov.uk
Tel:	01223 699180

1. BACKGROUND

- 1.1 Each Administering Authority has the prime responsibility for establishing its Local Pension Board and it is therefore appropriate and consistent with good governance for the Local Pension Board to report to the Administering Authority.
- 1.2 The reporting requirements will be for each Administering Authority to determine and could include reporting and communicating with a range of individuals and decision making bodies. This could include communication with internal and external audit as well as reporting to audit committee and full Council if appropriate. The agreed reporting requirements should be reflected in the Local Pension Board's terms of reference.
- 1.3 The Board have agreed, as part of its Standing Orders which are included in the Council's Constitution, that it will publish an annual report of its activities for that year.

2. ANNUAL REPORT

- 2.1 A copy of the draft Local Pension Board Annual Report which provides a summary of the work of the Board is attached at **Appendix A**. The Board is asked to consider the Annual Report and raise any comments accordingly.
- 2.2 Once finalised the Annual Report will be presented to the Pension Committee in May and full Council in October. The report will also be published on the Council's website and the Pension Fund website.

Source Documents	Location
Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales	Jo Walton, LGSS Pensions Service Governance and Regulations Manager Tel - 01604 367030 E-mail - jwalton@northamptonshire.gov.uk http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=87

Cambridgeshire Local Pension Board

Annual Report 2015-16

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Chairman's Foreword

It is my pleasure, as Chairman of the Cambridgeshire Local Pension Board, to introduce the first Cambridgeshire Local Pension Fund Board Annual Report for 2015-16. The Board is a new body established in accordance with the Public Service Pensions Act 2013. Our task is to assist Cambridgeshire County Council by making sure it is administering the Local Government Pension Scheme effectively and efficiently and is compliant with the law.

The Board has not been in existence for very long and it was not until 21st October 2015 that it actually had a full complement of members. We are very much aware of the difficulties experienced in attracting applications. We therefore believe that it is important that the current membership is retained given the considerable investment made in training and development. However, we are also keen to plan for the future when the four year term of office for the current membership expires.

We have established the presence of the Board throughout existing communications to scheme members via the Pensioner Newsletter in April 2016 and the active member Newsletter in August 2016. We have also posted our details on the website for the pension scheme, and our e-mail addresses are available on the website and all of these publications. We want to hear from scheme members and employers about any issue or issues which may be causing them concern so please feel free to contact any member of the Board.

Given the timeframe much of the Board's activities to date have been occupied with putting in place the policies and procedures necessary for its satisfactory operation according to statutory requirements and guidance issued by the Pensions Regulator and the Local Government Scheme Advisory Board. As a result the Board's first annual report focuses on these areas in order to provide assurance to Cambridgeshire County Council that the Board is operating within the relevant statutory provisions and best practice principles.

As Board Members we have to absorb a lot of guidance from the Pensions Regulator and the Local Government Pension Scheme Advisory Board. We are required to be conversant with pensions' law and with a range of other regulatory material. As you would expect one of our first priorities was to establish a knowledge management policy and framework to deliver this requirement.

I am confident that the dedication and commitment of the current Board members will continue into 2016-17 in order to assist Cambridgeshire County Council in maintaining the high standards of the administration of the Fund.

Councillor Mac McGuire
Chairman of Cambridgeshire Local Pension Board

Background

The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board to assist the Administering Authority (Cambridgeshire County Council) to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The Cambridgeshire Local Pension Board is in addition to the existing Cambridgeshire Pension Fund Committee. It is a non-decision making body and is designed to act as a critical friend to the existing Committee and Investment Sub-Committee.

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 relating to the creation and ongoing operation of the local pension boards were laid before Parliament on 28th January 2015 and came into force on 20th February 2015.

The Local Pension Board had to be formalised in Cambridgeshire County Council's Constitution by 1st April 2015. Established in this context means that the Administering Authority must have approved the establishment of the Local Pension Board, its composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However, it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1st April 2015 (being no longer than 4 months).

The Cambridgeshire Local Pension Board was established by Cambridgeshire County Council (the administering authority) at its full Council meeting on 24th March 2015. The first meeting of the Board was held on 16th July 2015.

Role and Remit

The role and remit of the Cambridgeshire Local Pension Board is to assist Cambridgeshire County Council (the administering authority) by making sure it is administering the Local Government Pension Scheme effectively and efficiently and, in doing so, is complying with relevant laws and regulations. The Board does this by reviewing the policies and practices that Cambridgeshire County Council has adopted and checking them against the applicable regulations, as well as comparing them to examples of best practice elsewhere.

Governance Compliance Statement

Each Administering Authority must have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority. Where the Administering Authority does delegate its functions, the statement must include:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absences of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- **details of the terms, structure and operational procedures relating to the Local Pension Board.**

Constitution and Membership

Cambridgeshire County Council approved the terms of reference for the Cambridgeshire Local Pension Board on the basis that the Board is a stand-alone authority. With the assistance of the Local Pension Board, it has also approved standing orders for the Board. A copy of both documents is available at the following link

http://www.cambridgeshire.gov.uk/info/20050/council_structure/288/councils_constitution (see Part 3B - Responsibility for Functions, Committees of Council, Pension Fund Committee)




A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. At its meeting on 24th March 2015, Cambridgeshire County Council agreed to establish a Local Pension Board with three employer representatives and three scheme member representatives. The term of appointment for all members is four years or until qualification for membership ceases.

The method of appointment is two employer representatives to be appointed by Cambridgeshire County Council Full Council and all other members to be appointed via an open and transparent selection process. An application pack containing the terms of reference and an outline of the knowledge and understanding and capacity requirements was made available and advertised to employers and members within the Fund in a way that was compliant with the requirements set out in the Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer or his representative determined that the representative had the required attributes to carry out the role effectively.

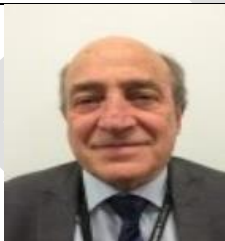


The first recruitment process led to the appointment of two scheme member representatives – Mr Barry O'Sullivan and Mr John Stokes. The Board was asked to consider how the appointments to the outstanding employer and scheme member vacancies should be made. It was resolved to re-advertise the vacant places, which resulted in the appointment of Mr Ian Dewar and Mr David Brooks.

The membership of the Board is as set out overleaf:

Employer Representatives

		
Councillor Mac McGuire Employer Representative	Councillor Lucy Nethsingha Employer Representative	Ian Dewar Employer Representative
Deputy Leader of Cambridgeshire County Council & Conservative Group	Leader of the Cambridgeshire County Council Liberal Democrat Group	Parish Councillor of Sutton Parish Council
Mac.McGuire@cambridgeshire.gov.uk	nethsingha@btinternet.com	ceo@capalc.org.uk
Appointed: 12 May 2015	Appointed: 12 May 2015	Appointed: 21 October 2015

Scheme Member Representatives

		
David Brooks Scheme Member Representative	Barry O'Sullivan Scheme Member Representative	John Stokes Scheme Member Representative
Former Vice- Principal – Business of The Thomas Deacon Academy	Cambridgeshire County Council Customer Service Advisor	Former Senior Architectural Technologist
david.jf.brooks@talk21.com	Barry.O'Sullivan@cambridgeshire.gov.uk	johnjstokes@btinternet.com
Appointed: 21 October 2015	Appointed: 16 July 2015	Appointed: 16 July 2015

The Chairman/woman and Vice-Chairman/woman of the Board is elected by the Board on annual basis.

The current Chairman is Councillor Mac McGuire and the Vice-Chairman is Mr Barry O'Sullivan.

The Board has met four times during the period of this Annual Report. The attendance record for members of the Board is detailed below:

Date	Cllr Mac McGuire	Cllr Lucy Nethsingha	Ian Dewar	David Brooks	Barry O'Sullivan	John Stokes
16/07/15	Attended	Attended	Not yet appointed	Not yet appointed	Attended	Attended
21/10/15	Attended	Attended	Attended	Attended	Attended	Attended
20/01/16	Attended	Not in attendance	Attended	Apologies	Attended	Attended
28/04/16						

Note – April information to be included.

Code of Conduct and Conflicts Policy

Cambridgeshire County Council (the Administering Authority) is required to prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the 'Seven Principles of Public Life' (known as the Nolan Principles).

The elected and co-opted members of a local authority are governed by their local authority's code of conduct for councillors. This code is required of every local authority by the Localism Act 2011 and sets out the standards of behaviour expected of individuals in their capacity as councillors. In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act. Both of these requirements apply to any members of a Local Pension Board who are also councillors of a local authority. They do not apply to members of a Local Pension Board who are not Councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Board.

The Cambridgeshire Local Pension Board has agreed formally, at its meeting on 21st October 2015, to adopt the Cambridgeshire County Council Code of Conduct for all members of the Board. A link to the completed code of conduct forms for Board members is available below:

http://www.cambridgeshire.gov.uk/info/20087/councillors_and_meetings/313/county_councillors/4

It is not anticipated that significant conflicts of interest will arise in the same way as would be the case if the Board was making decisions on a regular basis (compared, for example, to a Pensions Committee). However, officers will take steps to identify, monitor and manage conflicts effectively.

Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS)
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Each individual must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Cambridgeshire County Council (the Administering Authority) is required to make appropriate training to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training.

The Board is required to establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to its members.

Being conversant with the rules of the LGPS and any document recording policy about the administration of the Fund means having a working knowledge (i.e. a sufficient level of familiarity) of them so that members of a Local Pension Board can use them effectively when carrying out their role of assisting the County Council.

In particular members of a Local Pension Board need to understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.

In order to assist Cambridgeshire County Council, it is implicit that members of Cambridgeshire Local Pension Board understand the duties and obligations that apply to the Council as well as to themselves.

The rules of the LGPS would include:

- the Regulations;
- the Investment Regulations; and
- the Transitional Regulations (including any earlier Regulations as defined in the Transitional Regulations to the extent they remain applicable), and any statutory guidance referred to in these regulations.

A Local Pension Board is required to prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members. The LGSS Pensions Team has prepared such a list for Cambridgeshire Local Pension Board members, which is available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents>

The Board needs to be aware of the range and extent of overriding law which applies to the LGPS and have sufficient knowledge and understanding of the content and effect of that law to recognise when and how it impacts on their role, responsibilities and duties.

Given the role of the Cambridgeshire Local Pension Board is to assist Cambridgeshire County Council, members of a Board need to have sufficient knowledge and understanding to challenge any failure by the Council to comply with the Regulations and other legislation relating to the governance and administration of the LGPS (which is interpreted as including the Regulations and other legislation relating to investment and funding matters) and/or any failure to meet the standards and expectations set out the Code of Practice.

Members of the Board are required to have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice it is given. They must be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to their duty to assist the Council.

A Local Pension Board's knowledge management policy and framework provides for the acquisition and retention of knowledge and understanding for its members. Members of the Local Pension Board are aware that their knowledge and understanding responsibilities technically began from the date they first took up their post.

The knowledge management policy and framework requires its members to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

A personalised training plan is then be used to document and address these promptly. This would be supported by any person the Local Pension Board has designated to implement the knowledge and understanding policy and framework.

Learning programmes deliver the appropriate level of detail to ensure that Local Pension Board members have the required level of knowledge and understanding specific to the LGPS. The Pensions Regulator has provided an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. It is not anticipated that this e-learning module alone would provide the sufficient level of LGPS specific training required for Local Pension Board members. A number of members of the Cambridgeshire Local Pension Board have already completed the Pension Regulator's Toolkit, which is a compulsory requirement under the Knowledge Management Policy. Members who have not completed the Toolkit have been contacted with a reminder and provided with a link as follows:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>

The Knowledge Management Policy is established to assist the Pension Fund Board in performing and developing its individual role in accordance with the Terms of Reference with the ultimate aim of ensuring that Cambridgeshire Pension Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 also enforced by the Pensions Regulator.

The Knowledge Management Policy incorporates both the best practice as identified by the CIPFA Technical Knowledge and Skills Framework and the requirements of the Pensions Regulator.

The CIPFA framework covers eight areas of knowledge identified as the core requirements for effective management of a public sector pension fund. These are:

- pensions legislation;
- pensions governance;
- pensions administration;
- pension accounting and auditing standards;
- financial services procurement and relationship development;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The Pension Regulator's Code of Practice requires all members of the Local Pension Fund Board to maintain the necessary skills and knowledge to undertake their role effectively. Board members need to be conversant with the rules of the scheme and any document recording policy about the administration of the scheme; and to have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The framework is designed to improve knowledge and skills in all relevant areas of activity of a Pension Fund Board and assist Board members in achieving a degree of knowledge appropriate for the purpose of enabling individuals to properly exercise the functions of a member of a pension board.

The Knowledge Management Policy also recognises the requirement that skills and knowledge in the remit of a local pension board must be on an individual not collective basis. As such self- assessments will identify individual training needs following which appropriate training will be arranged.

The Policy sets out the methods by which the members of the Pension Fund Board will achieve and maintain the required knowledge and understanding and how this will be measured on an ongoing basis.

The Local Pension Board is required to keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps.

It is a statutory requirement to include details of the training undertaken by members of the Pension Fund Board in the Fund's Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time.

A schedule detailing the training undertaken by Cambridgeshire Local Pension Board members is detailed below:

Member	Event	Date
Cllr McGuire	LGA Local Pension Board Training	21/5/2015
Cllr Nethsingha	LGSS Joint Local Pension Board Training	1/9/2015
	LGSS Valuation Training	3/2/2016
Ian Dewar	LGSS Valuation Training	3/2/2016
Barry O'Sullivan	LGA Local Pension Board Training	21/5/2015
	LGSS Joint Local Pension Board Training	1/9/2015
	UBS First Steps	3/11/2015
	UBS Second Steps	3/11/2015
	LGSS Valuation Training	3/2/2016
	Completion of the Pension Regulator's Toolkit	
John Stokes	LGA Local Pension Board Training	21/5/2015
	LGSS Joint Local Pension Board Training	1/9/2015
	LGSS Joint Pensions Liability Driven Investment & Passive Investment Training Day	27/10/2015
	LGSS Valuation Training	3/2/2016
David Brooks	Completion of the Pension Regulator's Toolkit	

At its first meeting on 16th July 2015, the Board considered a proposal for developing and maintaining a policy and framework to address the knowledge and understanding requirements that apply to members of the Local Pension Board. It was agreed to delegate responsibility to the Democratic Services Manager and the LGSS Pensions Service Governance and Regulations Manager for ensuring that the knowledge and framework for the Local Pension Board was developed and implemented. Together

with the Pensions Team, the Board felt that Democratic Services should develop and maintain a training record for each Board member.

The Board received a copy of its draft Knowledge Management Policy at its second meeting on 21st October 2015. At the meeting it was noted that following discussions with Hymans Robertson further improvements to the policy would be made and that this was currently being worked on. The Board approved the Knowledge Management Policy for Cambridgeshire Pension Fund Board Members which is available at the following link (see *item 7*):

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1069>

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Reporting Breaches of the Law to the Pensions Regulator Policy

In accordance with section 70 of the Pensions Act 2004, certain individuals must report to the Pensions Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:

- a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any its functions.

This obligation directly applies to each individual who is a member of the Local Pension Board. The Local Pension Board must therefore have effective arrangements in place to meet its duty to report breaches of law.

At its meeting on 21st October 2015, the Cambridgeshire Local Pension Board was informed that, in line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes), the Fund has developed a policy that sets out the mechanism for reporting breaches of the law.

The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.

As the Cambridgeshire Local Pension Fund Board does not have decision making powers, the Board is not able to approve this policy. Instead it reviewed the Policy on 21st October 2015 before it was approved by the Pension Committee at its meeting on 22 October 2015.

A copy of the "Reporting Breaches of the Law to the Pensions Regulator Policy" is available at the following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1070>

Work Programme 2015-16

The Cambridgeshire Local Pension Board has met four times in 2015-16 on 16th July 2015, 21st October 2015, 20th January 2016 and 28th April 2016.

Board Meeting – 16th July 2015

At its first meeting on 16th July 2015, the Board received a presentation that provided background and context to the operation of the Cambridgeshire Pension Fund. Other issues considered by the Board at this meeting relate to the Board's Terms of Reference and Standing Orders and Knowledge and Understanding Policy Framework, which are covered separately in the Annual Report.

Also at this meeting the Board received a report setting out its priorities and work programme for 2015-16. The work programme is reviewed at every Board meeting in order to take account of issues that arise during the year and changes to Pension Fund Committee planning and decision-making timescales. The Board requested that the Governance and Regulations Manager in consultation with Democratic Services identify a work programme based upon the Pension Committee work programme.

Board Meeting – 21st October 2015

The Board reviewed the following three standing reports presented to the June 2015 Pension Committee meeting: The Business Plan Update Report; Employers Admissions and Cessations Report; and the Governance and Legislation Report. As part of its discussion on these reports, the Board focused on cessation deficits.

The Board received the Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15. In noting this report, the Board questioned investment management expenses, the unit cost per member and higher fees. The Board also considered the policy regarding breaches of the law to the Pensions Regulator which is covered elsewhere in the Annual Report.

Finally the Board considered, as a confidential item, the Annual General Meeting (AGM) of the Cambridgeshire Pension Fund 2014-15 catch-up report. The report provided an update of the topics discussed at the AGM that relate to the Fund financial performance during that period.

Board Meeting – 20th January 2016

The Board considered arrangements to address the issue of substitute members, succession and the length of service for Board members. As covered in the Chairman's Foreword, the Board has done much to promote itself to scheme members. It is proposed to build a waiting list of potentially interested applicants via a link on the website.

Following a request from the Board, it now receives at each meeting an executive summary of standing items presented to the Pensions Committee, which included the Business Plan Update Report; Overpayment of Pensions Report; Employers Admissions and Cessations Report; and the Governance and Legislation Report.

At this meeting, the Board received the policy for Admission Bodies, Scheme Employers and Bulk Transfer. The policy had been presented and approved at the Pension Committee meeting that took place on 22nd October 2015. It had been revised following an exercise to streamline the policy and amend a number of technical terms following the introduction of the Local Pension Scheme Regulations 2013. The Board expressed surprise that there was no statutory requirement for the policy to be in place even though it was regarded as good governance and practice.

The Payment of Employee and Employer Pension Contributions was presented to the Board. The policy was designed to ensure that both scheme employers and officers of the Fund had a clear process for dealing with non-compliance and to provide further strength and evidence to the Pensions Regulator that as a Fund, all the relevant controls were in place. The policy had been approved by the Pensions Committee on 17th December 2015 and would become effective from April 2016. The Board questioned whether the late payment fee represented a significant deterrent and asked questions about the action taken to recover late payments and the situation where debts had had to be written off. The Board also questioned the implications for scheme members if a scheme employers' membership of the Pension Scheme was terminated.

The Board received the Statement of Investment Principles July 2015. The Local Government Pension Scheme regulations required every administering authority to prepare, maintain and publish a written statement of the principles that governed its decisions about the investment of Fund money. During discussion Board members clarified their understanding of the benchmark targets.

Board Meeting – 28th April 2016

Note - This section to be revised when information available

The Board received an executive summary of standing items presented to the Pensions Committee, which included XXX.

Cambridgeshire Pension Fund Annual Business Plan 2016-17 and Medium Term Plan

Compliance with the Pensions Regulator's Code of Practice

Administration Performance Report

Annual Report

More detail is available in the agendas and minutes of the above Cambridgeshire Local Pension Board meetings which can be accessed via following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=87>

The Cambridgeshire Local Pension Board maintains an action log which is reported at each meeting to ensure that actions agreed at its meetings are followed up.

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Work Programme 2016-17

The Cambridgeshire Local Pension Board maintains a work programme (agenda plan) which is considered at every meeting. The Work Programme for 2016-17 is as set out below:

Add work programme when completed

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CAMBRIDGESHIRE LOCAL PENSION BOARD AGENDA PLAN



Cambridgeshire
County Council

Agenda Item No.9

Notes

Items shown in bold have or will be considered by the Pension Committee.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. seven clear working days before the meeting.
The agenda dispatch date is five clear working days before the meeting.

Committee date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
22/07/16 10.00am	1. Minutes – 28/04/16	D Snowdon		
	2. Administration Report (<i>includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report</i>)	J Walton		
26/10/16	1. Minutes – 22/07/16	D Snowdon		
	2. Administration Report (<i>includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report</i>)	J Walton		
25/01/17	1. Minutes 26/10/16	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report)	J Walton		
23/03/17	1. Minutes 25/01/17	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report)	J Walton		

