

Cambridgeshire Pension Fund



Pension Fund Committee

19th March 2020

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report:	To provide the Pension Fund Committee with information on the activities of : 1) The Scheme Advisory Board (section 2) 2) Local pension issues (section 3) 3) National pension issues and (section 4) 4) Skills and knowledge opportunities (section 5).
Recommendations:	That the Pension Fund Committee notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: jwalton@northamptonshire.gov.uk

1. Background

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and also potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. The Scheme Advisory Board

2.1 Guidance on Responsible Investment Guidance

- 2.1.1 On 22nd November 2019 the Scheme Advisory Board issued the first part of guidance on responsible investment which was open for consultation until 11th January 2020, which can be found in **appendix 2**. The aim of the first part of the guidance is to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG (environmental, social and governance) policies as part of investment strategy statements.
- 2.1.2 The Scheme Advisory Board has made it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must remain a matter for local consideration and agreement in accordance with Ministry of Housing, Local Government and Communities' (MHCLG) statutory guidance.

2.1.3 The Scheme Advisory Board has commenced work on drafting part two of the guidance of which the aim is to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their investment strategy. It is anticipated that the working draft of the part two guidance will be considered by the Scheme Advisory Board at the meeting of 3rd February 2020.

2.1.4 ACCESS funds collectively sought legal advice on the Draft Guidance which was fed into a joint response to the Scheme Advisory Board which can be found in **private appendix 3**.

3. Transfer of AVC policies from Equitable Life to Utmost Life and Pensions

3.1 Following the High Court hearings on 22 and 25 November 2019, court approval to transfer the business of Equitable Life to Utmost Life and Pensions was received on 4 December 2019 effective 1 January 2020.

3.2 Uplifts have now been applied to with-profits policies and subsequently converted to unit-linked policies. Members with these AVC policies have been written to confirming the transfer has taken place and have been given details of the alternative investment strategies other than the default investment option selected by the Fund.

4. Pension Schemes Bill

4.1 On 19 December, in the Queen's Speech, it was announced that the Pension Schemes Bill will be reintroduced. The Bill will create a legislative framework for the introduction of pension dashboards, to strengthen the Pensions Regulator's powers to take action against employers and introduce regulations covering the right to a pension transfer.

5. Skills and knowledge opportunities – training events

5.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.

5.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, **Appendix 1** lists the main events that are deemed useful and appropriate.

5.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

6. Relevant Pension Fund Objectives

To 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>
To 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>
To ensure that 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>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

7. Risk Management

7.1 The Pension Fund Committee are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

7.2 The risks associated with the Pension Fund Committee not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

Risk No	Risk	Residual risk rating
7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green

7.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

8. Finance & Resources Implications

8.1 There are no financial or resource implications connected to the contents of this report is for information only.

9. Communication Implications

Training	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
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10. Legal Implications

10.1 There are no legal implications connected to the contents of this report as this report is for information only.

11. Consultation with Key Advisers

11.1 There has been no requirement to consult with advisers over the content of this report.

12. Alternative Options Considered

12.1 There are no alternative options to be considered.

13. Background Papers

13.1 None.

14. Appendices

14.1 Appendix 1 – Internal/external training and events 2020-21

14.2 Appendix 2 – Scheme Advisory Board draft responsible investment guidance

14.3 **Private Appendix 3** – ACCESS response to Scheme Advisory Board draft responsible guidance

Checklist of Key Approvals	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 27 th February 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 14 th February 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers– 4 th March 2020
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 25 th February 2020

