

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 25 January 2017

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Agenda items from the October and December 2016 Pension Committee Meetings</b>
<b>Purpose of the Report</b>	<a href="#">To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the October and December Pension Committee meetings.</a>
<b>Recommendations</b>	<b>That the Pension Fund Board note the contents of this report.</b>
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**1. Background**

1.1 This report is an executive summary of the items discussed at the October and December 2016 meetings 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 Reports
- Employer Admissions and Cessations Report

1.3 The full reports can be found at the link detailed in section 11 of this report.

**2. Governance and Legislation Report**

2.1 The following sections summarise the information relating to the Governance and Legislation Report.

## **2.2 Scheme Advisory Board Update**

- 2.2.1 The Scheme Advisory Board met on 1 August 2016 and considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.
- 2.2.2 Also at this meeting Scheme Advisory Board agreed to proceed with the selection process to fill the vacant non-voting member seat which has been allocated to practitioners. Seven nominations were received by the closing date for nominations and so an election process was carried out to complete the process. Each LGPS administering authority with an open fund was invited to cast one vote for their preferred candidate. A vote was held in August with Nicola Mark of Norfolk Pension Fund being the preferred candidate.
- 2.2.3 The final result issued on 20 September 2016 was for Nicola Mark to fill the non-voting practitioner member seat on the Local Government Pension Scheme Advisory Board.

## **2.3 Legal opinion on LGPS and application of Financial Services Markets Act 2000**

- 2.3.1 The LGA has obtained a legal opinion from Nigel Giffin QC on the extent to which a local authority or other body which is the administering authority of an LGPS fund might in that connection be subject to regulation by the Financial Conduct Authority ("FCA") pursuant to the Financial Services and Markets Act 2000 ("FSMA").
- 2.3.2 In the opinion, Mr Giffin concluded that, in managing an LGPS fund, the administering authority is not carrying out a regulated activity, and does not require FSMA authorisation.
- 2.3.3 The full legal opinion can be found on the Scheme Advisory Board website at the following link;

<http://www.lgpsboard.org/index.php/board-publications/legal-opinions>

## **2.4 Investment Fees – Code of Transparency**

- 2.4.1 The move toward investment fee transparency and consistency is seen by the Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.
- 2.4.2 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Scheme Advisory Board is working to develop a voluntary Code of Transparency for LGPS asset managers. As part of this work a consultation meeting was held on 21 September 2016 with representative fund accountants. The minutes of this meeting can be found at the following link;

<http://www.lgpsboard.org/images/Consultations/NoMfund%20accountants210916.pdf>

## **2.5 The Pensions Regulator – Prosecution Policy**

- 2.5.1 There are a number of criminal offences concerned specifically with workplace pensions. The Pensions Regulator has the power to prosecute these offences, as well as other offences that form part of the same facts or events or are otherwise connected to enforcement functions.
- 2.5.2 The Pensions Regulator has produced a policy that identifies a risk-based approach to prosecution decisions, considers each case on its particular facts and explains how they will use their prosecution powers. The annex of the policy lists the criminal offences under workplace pension's legislation and can be found at –

<http://www.thepensionsregulator.gov.uk/docs/prosecution-policy.pdf>

## **2.6 The Pensions Regulator – Annual Scheme Return**

- 2.6.1 The Pensions Regulator issued its annual scheme return for public service pension schemes, which each LGPS fund has a legal duty to complete. The return was submitted on behalf of Cambridgeshire Pension Fund ahead of the 11 August 2016 deadline.

## **2.7 The Pensions Regulator - Self-assessment tool for public service pension schemes**

- 2.7.1 The Pensions Regulator (TPR) has published a self-assessment tool for those involved in running public service pension schemes to assess how they are getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's code of practice number 14 – governance and administration of public service pension schemes.
- 2.7.2 The tool sets out a range of processes, tools and actions that TPR expects to see in a well-run scheme and, upon completion, the tool provides schemes with indicative risk ratings in certain key areas.
- 2.7.3 LGSS Pensions had previously tested the tool and provided feedback to TPR regarding its functionality.

## **2.8 The Pensions Regulator - Survey of public service pension schemes**

- 2.8.1 Following last year's survey of the governance and administration of public service pension schemes, the Pensions Regulator issued the 2016 survey. The survey builds on the content of last year's survey, but with a greater emphasis on record-keeping, internal controls and communications
- 2.8.2 The survey was completed in conjunction with the Chairman of the Pension Fund Board in line with the direction received from the Pensions Regulator.

## **2.9 Pensions and Lifetime Savings Association (PLSA) survey of LGPS pension funds**

- 2.9.1 In August 2016 the Pensions and Lifetime Savings Association undertook its annual survey of LGPS pension funds with the aim of obtaining insights into the changing landscape in which pension schemes operate. The results of the survey will be shared once they become available.
- 2.9.2 In addition, the Pensions and Lifetime Saving Association have issued the first of a series of guides for employers participating in the LGPS:
  - Guide for employers participating in the LGPS: An introduction to the LGPS for scheduled bodies; and;
  - Guide for employers participating in the LGPS navigating entry into the LGPS: for local government contractors.

Both documents are available on the PLSA's website and later this year there are plans to issue further guides for employers, focusing on participating and leaving the scheme.

<http://www.plsa.co.uk/PolicyandResearch/DB/Employers-participating-in-the-LGPS.aspx>

### **3. Consultations**

#### **3.1 Local Government Pension Scheme Regulations**

3.1.1 On 27 May 2016 the Department for Communities and Local Government issued a 12 week consultation on a number of changes to the Local Government Pension Scheme in England and Wales.

3.1.2 The consultation focussed on the long awaited changes being proposed to accommodate New Fair Deal as well as specific draft regulations that would provide members with more options for using their Additional Voluntary Contributions in the scheme following the introduction of the Government's policy of Freedom and Choice in Pensions. The consultation also addressed draft regulations on how the scheme operates within the Public Sector Transfer Club and a number of draft amending regulations that are intended to improve the administration of the scheme.

3.1.3 The consultation closed on 20 August 2016. LGSS Pensions did not have capacity to respond to this consultation on this occasion, however, the response from the Local Government Association can be found at the following link;

<http://lgpsregs.org/images/Drafts/2016-05LGPSAmendsConsResponse.pdf>

#### **3.2 Government publish response to college insolvency consultation**

3.2.1 Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England (see articles in bulletins 148 and 149), the Department for Education has published its formal response.

3.2.2 The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS. In particular, the Government's views are as follows:

- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
- However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pensions deficit as there would be a merger with, or transfer to, another provider.
- Pension funds should nevertheless assess the strength of each employer's covenant.

- Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does provide a limited guarantee, is therefore not fitting because academies are public bodies.
- During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

3.2.3 The Government will now take forward their plans via primary legislation when parliamentary time permits.

## **4. Legislation**

### **4.1 Guidance on Preparing and Maintaining an Investment Strategy Statement**

4.1.1 On the 15 September DCLG issued the above new guidance. New investment regulations published on 23 September 2016 include a requirement for administering authorities to publish new Investment Strategy Statements by 1 April 2017 in accordance with this new guidance. Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force from 1 November 2016. An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

### **4.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016**

4.2.1 These Regulations, which come into effect on 1 November 2016, make provision in relation to the management and investment of pension funds held by administering authorities required to maintain such funds by the Local Government Pension Scheme Regulations 2013.

4.2.2 The most significant amendment surrounds Regulations 7 and 8 which respectively require authorities to publish an investment strategy in accordance with guidance issued by the Secretary of State and enable the Secretary of State to issue a direction to any authority which fails to comply with its statutory obligations as regards its pension fund or which fails to act in accordance with the guidance.

### **4.3 Debate following e-petition on LGPS investment regulations**

4.3.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:

- the proposed Government intervention power in scheme investments,
- the requirement for an improved capacity for investment in infrastructure, and
- ensuring that investments be made in the interests of scheme members.

4.3.2 As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available at:

<https://hansard.parliament.uk/commons/2016-10-24/debates/A7FADB91-3C81-4C9D-A6C9-791C57EEC3B2/LocalGovernmentPensionScheme>

#### **4.4 Early Day Motion to annul LGPS Investment Regulations 2016**

4.4.1 On 25 October, MPs from the Labour Party submitted an Early Day Motion (EDM) praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion had been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above).

4.4.2 The EDM was not successful in annulling the legislation.

#### **4.5 Publication of LGPS (England and Wales) statistics 2015/16**

4.5.1 Following the completion of the 2015/16 SF3 data collection forms by LGPS administering authorities in England and Wales, DCLG have published the results.

4.5.2 The key points from the England release are:

- Total LGPS expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1% compared to 2014-15.
- Total LGPS income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4% compared to 2014-15.
- Employers' contributions to the LGPS in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
- The market value of LGPS funds in England at the end of March 2016 was just over £200 billion.
- The LGPS in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future.

4.5.3 It should be noted when looking at the figures that:

- Comparisons on a fund level from 2012/13 to 2015/16 may be difficult given the transfer of probation staff to Greater Manchester Pension Fund in 2014/15.

- There have been changes in the way that administration costs are now recorded, meaning that historical comparisons may also be difficult in respect of the costs of the scheme.

4.5.4 The full report can be found at the following link;

<https://www.gov.uk/government/collections/local-government-pension-scheme>

## **5. Employer Admissions and Cessations Report – October & December 2016**

### **5.1 New Scheduled Bodies**

- 5.1.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes “a proprietor of an Academy” as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.
- 5.1.2 The LGPS Regulations recognise the proprietor of the Academy as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported as they are therefore not recognised as new scheme employers.
- 5.1.3 At the October meeting, the admission of the University of Cambridge Primary School (a MAT) with effect from 1 September 2015 was noted.

### **5.2 New Admission Bodies**

- 5.2.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 5.2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states *“The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations.”*



5.2.3 A body which falls under paragraph 1(a) of Part 3 of Schedule 2 is an admission body that is a body which provides a public service in the United Kingdom which operates otherwise than for the purpose of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest. The committee has discretion over allowing entry to a body that falls under this paragraph.

5.2.4 At the October meeting of the Pension Committee it was noted that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

<b>Date</b>	<b>New Admission Body</b>	<b>Background information</b>
01/09/2015	Accent Catering Limited (Fulbridge Academy)	Fulbridge Academy has outsourced its catering services to Accent Catering Limited and has transferred its catering staff as part of this arrangement.
01/10/2015	Action for Children (London Road Contract)	Action for Children have been awarded the contract to provide respite care services for children and young people at Haviland Way and Woodford Lodge. Cambridgeshire County Council staff have been transferred to Action for children as part of the arrangement.
01/06/2016	Easy Clean (Godmanchester Primary School)	Godmanchester Primary School has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff, to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Godmanchester Primary School remains responsible for the pension liabilities.
01/06/2016	NPS Property Consultants	Peterborough City Council and NPS Property Consultants entered into a joint venture initiative to provide property related services to Peterborough City Council. As a result of this arrangement a number of staff transferred from Peterborough City Council to NPS Property Consultants.
01/04/2016	Mountain Healthcare	Cambridgeshire Constabulary have outsourced their Sexual Assault referral services and Custodial Healthcare service. As a result a number of Cambridge Constabulary staff have been transferred under TUPE arrangements to Mountain Healthcare. This body is admitted under a Pass Through agreement meaning Cambridgeshire Constabulary remains responsible for the pension liabilities.
01/04/2016	Kealey HR Ltd	Peterborough City College have outsourced their HR services. As a result Peterborough City Council agreed a closed Pass Through admission of Kealey HR Ltd from Peterborough City Council. The body is admitted under meaning Peterborough City Council remains responsible for the pension liabilities. The staff transferred under TUPE arrangements to Kealey HR Ltd.

6.2.5 At the December meeting of the Pension Committee it was noted that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

<b>Date</b>	<b>New Admission Body</b>	<b>Background information</b>
10/10/2016	Easy Clean Contractors Ltd (Eastfield Infants)	Eastfield Infants, an LEA school, has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/01/2015	Lunchtime Company (Gorefield Primary School)	Gorefield Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
20/04/2016	Lunchtime Company (Over Primary School)	Over Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/09/2014	Lunchtime Company (St Matthew's Church of England Primary School)	St Matthew's Church of England Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
27/05/2015	Lunchtime Company (Swaffham Prior Church of England Primary School)	Swaffham Prior Church of England Primary School has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.

### **6.3 New Designating Body**

- 6.3.1 Regulation 3 (1) of the Regulations provides for a person, who is employed by a body listed in Part 2 of Schedule 2 and is designated, or belongs to a class of employees that is designated, by the body, to be an active member of the Local Government Pension Scheme.
- 6.3.2 The designating body has to pass a resolution to designate employees as being eligible for membership of the Local Government Pension Scheme.
- 6.3.3 At the December meeting of the Pension Committee it was noted that Melbourn Parish Council is a designating body by means of being a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 and has passed a resolution to allow employees of the Council to join the LGPS with effect from 1 January 2017.

### **6.4 Cessations**

- 6.4.1 We had previously reported to the Pension Committee the cessation of Indigo Spa Management which ceased as an employer in the Fund following the termination of its arrangement with Huntingdon District Council, due to Indigo Spa becoming financially insolvent. Pension contributions were outstanding at the point of cessation and all attempts to contact Indigo Spa Management had been unsuccessful.
- 6.4.2 Following further attempts to contact Indigo Spa Management, the outstanding pension contributions were paid in full by Huntingdonshire District Council on 23 August 2016.
- 6.4.3 As previously reported, the pension liabilities transferred back to Huntingdonshire District Council at cessation therefore the cessation of Indigo Spa Management has now been completed.
- 6.4.4 Easy Clean were admitted to the Fund under a pass through admission agreement on 1 August 2013, as a result of a contract to provide cleaning services at St Peters School. This resulted in the transfer of Cambridgeshire County Council employees, to Easy Clean under TUPE regulations.
- 6.4.5 The admission agreement has now ceased due to the last active LGPS member, under this contract, ceasing employment on the 20 April 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities will pass back to Cambridgeshire County Council, as the ceding employer. As a result there is no cessation payment to be made.

## 7. 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>

## 8. Finance & Resources Implications

8.1 Not applicable.

## 9. Risk Implications

a) Risk(s) associated with the proposal

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

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

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

## 10. Communication Implications

10.1 Not applicable.

## 11. Legal Implications

11.1 Not applicable.

## 12. Consultation with Key Advisers

12.1 Not applicable.

## 13. Alternative Options Considered

13.1 Not applicable

## 14. Background Papers

- 14.1 Link to reports from the 20 October and 8 December meetings of the Pension Committee:

<https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/215/Committee/16/Default.aspx>

<https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/216/Committee/16/Default.aspx>

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 Head of Pensions?	Mark Whitby – 22/12/2016