

PENSION FUND COMMITTEE



Date: Thursday, 19 October 2017

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

10:00hr

Shire Hall

Castle Hill

Cambridge

CB3 0AP

Kreis Viersen Room

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. Election of Chairman and Vice Chairman of the Pension Fund Committee

Please note that once elected the Chairman and Vice Chairman will automatically become the Chairman and Vice Chairman of the Investment Sub Committee - see item 2 below.

2. Appointment of Chairman and Vice Chairman of the Pension Fund Committee Investment Sub-Committee

3. Apologies for absence and declarations of interest

Guidance on declaring interests is available at

<http://tinyurl.com/cc-conduct-code>

4. Minutes of the Pension Fund Committee 27th July 2017 **5 - 16**

5. Governance and Legislation report **17 - 26**

6. Pensions for cohabiting partners without nomination (2008-2014) **27 - 40**

7. Annual Allowance - Voluntary Scheme Pays **41 - 48**

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| 8. | Business Plan Update | 49 - 68 |
| 9. | Governance Policy and Governance Compliance Statement | 69 - 100 |
| 10. | Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy | 101 - 114 |
| 11. | Payment of Employee and Employer Pension Contribution Policy Review | 115 - 124 |
| 12. | Employer Admissions and Cessations Report | 125 - 132 |
| 13. | Exclusion of Press and Public

<i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains 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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> | |
| 14. | III Health Review
<i>- separately enclosed</i> | |
| 15. | Asset Pooling Update
<i>- verbal item</i> | |
| 16. | Date of Next Meeting | |

The Pension Fund Committee comprises the following members:

Mr Gareth Deeble Councillor Andrew Fraser Mr Matthew Pink Councillor David Seaton and Mr John Walker Councillor Peter Downes Councillor Anne Hay Councillor Roger Hickford Councillor Terence Rogers Councillor Josh Schumann and Councillor Mike Shellens

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@cambridgeshire.gov.uk

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccf-film-record>.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <https://tinyurl.com/CCCprocedure>.

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MINUTES OF THE PENSION COMMITTEE

Date: Thursday 27th July 2017

Time: 10:00-12:20

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members

present: County Councillors Downes, Hay, Hickford (Chairman), Rogers (Vice Chairman), Schumann and Shellens; District Councillor A Fraser; Peterborough City Councillor D Seaton; L Brennan, J Walker and T Roden

Officers: D Cave, S Heywood, C Mason (item 7 onwards), R Perry, P Tysoe and M Whitby; J Holden

Apologies: Clive Mason (arriving late), Matthew Pink

18. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS, his son was a deferred member, and his daughter-in-law was an active member.

Councillor Hay declared a personal interest as her husband was member of the LGPS scheme.

Tracy Roden declared a personal interest as an active and deferred member of LGPS.

19. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 29th JUNE 2017

The minutes of the Pension Fund Committee meeting held on 29th June 2017 were approved as a correct record and were signed by the Chairman.

Items 8 (Internal Audit Report/access by former staff) and 14 (Ill health insurance investigation) would be reported to the October Committee.

Item 110 (cost of LGSS pensions administration) was on the agenda for this meeting.

20. LOCAL PENSION BOARD ANNUAL REPORT

Members considered the Local Pension Board Fund Annual Report 2016-17, presented by the Board Chairman, Barry O'Sullivan.

Pension Fund Committee Members posed the following questions:

Observing that the Local Pension Board (LPB) was a relatively new body, the Chairman asked what was working well, and what was not working so well. Barry explained that because the LPB was so new, it had a steep learning curve. What worked well was the perspective of Board Members, who were coming from outside the Pensions field with a fresh perspective, looking at and questioning the work of both the Pension Fund Committee and the administering authority. What worked less well was that the Board did not have opportunity to comment on the Pension Fund Committee reports and decisions until after the event. He suggested that it would be helpful to be involved at an earlier stage so that any issues could be identified and comments fed into the process. The Chairman observed that the Board very much played a scrutiny role, and that the Board was more to do with governance rather than decision making. Mark Whitby advised that an element of “pre-scrutiny” had been introduced, with the LPB having sight of key reports before the PFC e.g. the Administration Strategy, and LPB comments had been included in the draft subsequently considered by the PFC, and officers felt that this had been a useful exercise. However, the role of the Pension Fund Committee as the decision making body should not be confused.

Barry advised that it was clear from an annual meeting of LPBs from across the country that there was a lot of variation on how LPBs operate: some almost had a quasi Pension Committee role, whereas others did not really have a role. The Cambridgeshire LPB was somewhere between these two extremes. It was also noted that some authorities had a joint Pension Fund Committee/LPB. Barry advised that the statutory guidance provided when LPBs were set up was at best woolly, and this was one of the reasons that there was such wide variation in the way LPBs operated. The guidance needed to be tightened up so that it was easier to interpret.

A Member commented that it was clear that the LPB had a very wide-ranging brief, but was disappointed that although there was 100% attendance from Scheme Members, attendance from Employers was poor. The Member asked if there was anything the Pension Fund Committee could do to promote greater attendance. Barry and Mark agreed that this had been an issue, and outlined the actions taken to date to try and resolve this. The Chairman offered to assist in promoting attendance from Councillors if that was an issue.

A Member asked what efforts were being made to publicise the role of the Board. Barry advised that there was little knowledge or information about the LPB. He suggested something could be included on pensioner payslips, or more coverage in member newsletters. In terms of recruitment of LPB members, Mark advised that this very much depended on whether it coincided with bulk circulation of communications. He added that he would continue to work with both the Board and Democratic Services to promote the role of the Board.

It was resolved unanimously to comment on and note the Local Pension Fund Board Annual Report 2016-17.

21. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Committee considered the draft Annual Report and Statement of Accounts (SOA) of the Pension Fund for the 2016-17 financial year. The main changes to the pro forma accounts, in line with regulatory guidance, were noted.

The Annual Report sets out the activities of the Committee, and the structure and content of the report was set out by CIPFA. The narrative provided information around the performance and administrative side of the Fund.

There had been issues with the External Auditors of the Pension Fund, BDO, last year, but BDO were addressing these issues, and the auditors were different, more pragmatic individuals. Whilst the auditors had not completed their field work, they had found nothing significant to date. The ISA260 (Communication with those charged with governance) would be produced in September.

The accounts were set out in a standard format. Members' attention was drawn to the section on Investment Management fees: CIPFA had issued guidance on greater transparency of Management fees charged to LGPS Funds. As a result, in 2016-17 the Fund now reported the fees that were deducted by managers from pooled funds and not invoiced or physically paid by the Fund, which had previously been netted against the profit or loss on investments. On a like for like basis there was an increase in fees as these are based on a percentage of asset values which had increased significantly over the year.

The increase in Employer contributions (from £119M to £125M) reflected small increases in employer rates: employees had actually paid slightly less. Benefits paid out had increased to £98M (from £92M). Transfers in from other Pension Funds had gone down by about £5M, but it was noted that this was a fluctuating figure which was basically outside the control of the Committee.

It was noted that whilst the totals for Investment Management Expenses had not changed much (£12.526M compared to £12.446M in the previous year), the breakdown had e.g. management fees had increased but performance related fees had reduced. Fee increases included around £1M each for Dodge & Cox and Schroders. There was a discussion around management fees and performance related fees, with the Chairman pointing out that the Committee was willing to pay more for good performance but not rewarding mediocre or poor performance. Paul explained that the standard fee approach being used rewarded good managers, and could save the Fund £2-3M if managers delivered the levels expected. This decision had been made by the Committee some time ago, in an attempt to unpick the existing multi asset arrangements. Members expressed some disquiet, and queried what measures the Fund had to mitigate against poor performance with this approach. The Chairman reiterated that fees should reward good performance, and suggested that too much time was spent on fees, which were not a major part of the Fund, percentage-wise: the big decisions were about allocations and the managers selected.

Members noted the significant increase in "Oversight and governance costs" to £419K, from £219K in the previous year. This was partly due to CIPFA recategorising costs, e.g. audit and actuarial costs, and partly due to the actuarial valuation of the Fund within the year. Noting that officers needed complete an analysis to provide accurate figures on how much the actuarial valuation had cost, the Chairman commented that there should be a better handle on costs, and such information should easily be accessible on request. Other Members agreed, pointing out that management and running costs should be controllable as they were very much within the Committee's remit.

A Member pointed out that that the document was difficult to navigate, and whilst much of the information was in there, it was difficult to find. Officers reiterated that the structure of the

accounts was out of the control of officers, it was a format prescribed by CIPFA, and External Audit required accounts to be completed in a certain way. It was agreed that officers would raise concerns on these presentational and formatting issues. **Action required.** It was also suggested that officers could explore how to present more user-friendly information within the confines of the requirements, e.g. with narrative, footnotes and cross-references.

Councillor Shellens advised, as Chairman of the Audit and Accounts Committee, that last year had been disastrous in terms of external audit, resulting in a failure by the County Council to meet the statutory deadline for signing accounts. The Auditors had been encouraged to adopt processes to make the make whole process run more smoothly e.g. regular progress meetings, Gantt charts, etc, and they were more or less on schedule this year.

There was a lengthy discussion about Administrative Management Performance, with some Members indicating they were unhappy that some targets were not being met, on an ongoing basis. Mark explained that this was reported to Committee through the Business Plan updates each quarter. Most shortfalls were due to resource issues, which were being addressed but had not been resolved. The specific problems with attracting and recruiting suitably qualified and experienced candidates were noted, and that this was a national issue. Officers explained how complex and technical the work involved was, and how candidates required in-depth knowledge of the regulations. It was confirmed that when good temporary staff were employed, they were offered permanent contracts. The Chairman asked officers to report back to the next Committee meeting. **Action required.**

A Member queried why investment income from equity investments was down, specifically, if the Fund had more equities, why was it getting less money? Officers advised that the Fund did not have more equities, but those it did have were worth more. Additionally, given the highs of the equity markets, whilst the share values had increased, dividends had not increased commensurately i.e. the bulk of increase in value was from the market value, not dividend income: companies do not generate more profits because the market value of their equities increases, so dividend yield goes down as the market value goes up.

There was a discussion on future estimates of “Transfers Out” and it was agreed that whilst this was demand led and difficult to estimate, it may be more prudent to base it on the estimated outturn, although it was acknowledged that this was difficult to predict.

(Cllr Downes left the meeting)

A Member commented that there were multiple statements throughout the report saying that the Fund was cash positive. However, that appeared to be predicated on continuing large numbers of County Council staff, which may not be the case going forward. Officers advised that whilst the County Council was the largest employer in the Fund, much of the Fund was now made up of other employers, and the numbers of those employers was increasing. Therefore the view that the Fund was very much cash positive was accurate.

A Member queried the process for approving the accounts, in that the General Purposes Committee and Audit and Accounts Committee had already see the draft general accounts for the Council, which included the Pension Fund statement of accounts. He suggested that the Pension Fund Committee should see them at the same time. The Chairman observed that the approval of the Pension Fund Annual Report was separate from the approval of the statement of accounts, and were not integral to the general accounts. The Chairman highlighted that the

recommendation enabled him to sign off the Annual Report, providing any amendments arising from the completion of the external audit were immaterial: if any significant amendments were required, he would call a special meeting of the Committee. Officers also commented that the external audit of the Pension Fund would usually be complete by now.

It was resolved to:

- 1) Approve the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2016-17 financial year;
- 2) Approve that the Chairman agrees with officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.

22. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

23. ANNUAL REVIEW OF THE FUND'S INVESTMENT MANAGERS

The Committee received a presentation from Jo Holden on the Fund's Investment Managers.

It was resolved to note the Annual Review of the Fund's Investment Managers.

(Clive Mason joined the meeting)

24. INVESTMENT MANAGER FEE REVIEW

The Committee received a report on the fees paid by the Fund to its Investment Managers over the three year period to 31st March 2017.

It was resolved to note the review of the fees paid by the Fund to its investment managers.

(Cllr Schumann left the meeting)

25. CUSTODIAN MONITORING REPORT

The Committee considered a report on the performance of the Fund's Custodian, focusing on the efficiency of its Investment Managers for the year to 31st March 2017.

It was resolved to note the Annual Custodian monitoring report.

26. LGSS PENSION SERVICES COST REVIEW

Members considered a presentation on the review of LGSS Pension Services costs.

It was resolved to note the contents of the report.

27. DATE OF NEXT MEETING 10am Thursday 19th October 2017

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Agenda Item: 4(b)

Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 27 July 2017 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 10 October 2017

Outstanding actions from 27 July 2017 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
21.	Pension Fund Annual Report and Statement of Accounts	Mark Whitby	There was a lengthy discussion about Administrative Management Performance, with some Members indicating they were unhappy that some targets were not being met, on an ongoing basis. Mark explained that this was reported to Committee through the Business Plan updates each quarter. Most shortfalls were due to resource issues, which were being addressed but had not been resolved. The specific problems with attracting and recruiting suitably qualified and experienced candidates were noted, and that this was a national issue. Officers explained how complex and technical the work involved was, and how candidates required in-depth knowledge of the regulations. It was confirmed that when good temporary staff were employed, they were offered permanent contracts. The Chairman asked officers to report back to the next Committee meeting.	Completed – Is being delivered as part of the Business Plan Update at this meeting. Also formed part of the Administration Strategy consultation.
23.	Annual review of the Fund's Investment Managers	Mark Whitby	Schroders UK Equity had had a phenomenal year, and had consistently beat the benchmark over a five year period, outperforming by a good degree, which was particularly impressive over a period when Value managers had not done well. It was agreed that performance for Value Managers would be better compared to benchmarks/metrics for similar value funds and these would be included in future reports.	Noted for future reports

Outstanding actions from 29 June 2017 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
8.	Internal Audit Report	Mark Whitby	There was a lengthy debate around the two members of staff who had left not had their access removed. Despite reassurances, and noting the Substantial Assurance given in the Internal Audit report, Members commented that this type of system failure was unacceptable, and asked officers what they felt could be done in addition, and specifically whether they felt the six monthly checks with managers was adequate. Officers confirmed that both they and Internal Auditors felt six months was sufficient. Members suggested three months would be a more suitable interval, with evidence of positive action on any changes e.g. identifying how many staff had left and confirming their access had been withdrawn. Members supported this proposed course of action as a way forward	Completed – Please see appendix to this action log
8.	Internal Audit Report	Joanne Walton	The Committee would like an update on the progress against actions on the Internal Audit Report.	Completed – Please see appendix to this action log.
14.	Ill Health Insurance	Mark Whitby	The Committee agreed to have a further investigation as to the viability of alternative approaches, with officers reporting back to the next meeting	Completed – report being presented at this meeting.

Appendix 1 – Internal Audit - progress against actions

Area Risk Level	Key Findings	Audit Recommendations	Management Agreed Actions	Timescale/ Owner
M	New Pensioners - Sample testing of new pensioners identified one case in relation to dependent pensioners; TY10xxxxB where the death occurred in May 2016 and payments had still not been made by early January. When the case was investigated, there was no obvious reason for the significant delay in payments being made. Internal Audit have been advised that the dependent pension had now been actioned and paid.	A review of the task Management reports available should be completed to identify if the process from confirmation of death to payment can be tracked and monitored.	Priority casework from workflow will have appropriate management oversight to ensure payments are made in a timely manner.	Akhtar Pepper 31/3/17
Current Status – Complete Monthly workflow monitoring is in place to ensure payments are made in a timely manner.				
M	Transfers In - Sample testing of transfers into the pension schemes identified two cases; NA98xxxxD where a transfer has been actioned, but the membership record on Altair had not been updated to record the receipt of monies and the service credit awarded to the member.	A review should take place to identify if there is a task management report which will identify when a transfer in is actioned and whether the receipt and service credit had been recorded.	This is a lower priority area of casework relevant to others workflow can be used to identify the outstanding cases and in the normal run of events there would be enough resource to deal with these in a timely manner. There have been increased pressures on the team in 2016/2017 due to the implementation of payroll and staff changes. The outstanding cases will be reviewed and an appropriate plan will be drawn up.	Akhtar Pepper 31/3/17
Current Status - Complete Team Leader check in place to ensure service credit has been recorded.				
M	Transfers Out - Sample testing of transfers out of the pension schemes highlighted one case (JK35xxxxC) where although there was evidence that the member had made enquiries about transferring their pension and a transfer payment had been made, a completed election form signed by the member was not on file.	Transfers out of the pension fund should not be processed unless the member has completed and signed an election form to confirm that this is his/her wish. A copy of the form should be retained on file for evidence.	Team Leaders will be advised at next team meeting to ensure appropriate checks are completed and evidence is on file before transfers out are actioned.	Akhtar Pepper 1/4/17
Current Status – Complete				

L	Uploading of Employer Contributions Data - The Pensions Service is reliant on employers submitting data correctly based on an agreed pro forma (Pen18 return). Testing of fifteen returns for June 2016 identified three returns (Peterborough Culture and Leisure, Cambourne PC Greenwich Leisure) where errors were identified. The impact of this is that the information had been uploaded to incorrect codes on the general ledger, e.g. amount for normal employers contributions had been posted to the 50:50 or APC codes. These errors were identified by Internal Audit because they were substantial values being posted to codes which normally would be low in value.	The impact of these errors should be reviewed and assurance gained that the errors are not more widespread across returns processed in 2016/17. Checks should be built into the data upload process in order to gain assurance that obvious errors have not been made in employers returns.	The process will be reviewed to include automated check son the values to ensure they are correct.	Ben Barlow 1/8/17
Current Status – Complete A number of procedures now in place to monitor these issues – 1. Automatic journal update from the PEN18 return - this ensures that the correct amounts are picked up. A journal to the holding account and the correct employer is created. 2. Reconciliation Apps - this reconciliation is done daily and makes sure that the payment balances with the amount on the holding account. This is monitored closely, and data provided to management at the end of each week. 3. PEN/GL reconciliation - this reconciliation is run monthly and checks the GL against the PENs received. Any discrepancies are investigated and corrected. Any outstanding issues are reported. This completes the three way check between Return-Payment-GL				
M	Payroll and Altair Reconciliation - The 2015/2016 audit report contained details of the work to date on the reconciliation of historic payroll and Altair records, the variances identified and investigations that had taken place. There has been almost no progress in this work during the intervening period. The Pension Service has appointed an external third party to complete a new reconciliation exercise so that an up to date position could be obtained on the issues that require consideration. A report has now been received on the findings of this exercise and this is currently being reviewed by the Governance Regulations Manager.	An action plan should be developed to ensure that the findings of the recent reconciliation exercise of historical payroll and Altair records are identified and investigated on a timely basis.	The result of the third party analysis was 2,355 cases (CPF=1,614 cases, NPF=667 cases) with an apparent variance of +/- £100 pa when comparing payroll and Altair records. By 24 March 2017, after two weeks of investigation by officers, 286 cases (12%) had been cleared.	Jo Walton 31/12/17 Ongoing – please refer to Business Plan Update for further information.

L	User Access - A review of users with access to the Altair System identified two employees (P & S) who were no longer employed in the Pension Service. Assurance however was provided that neither had accessed the system since their leaving date.	User access should be periodically reviewed with evidence retained to demonstrate the outcome of such reviews.	All line managers will be required to inform the systems team when staff members leave. The systems team will also be required to send a list of users to the managers for checking every six months.	All line managers 1/4/17 Mansha 1/4/17
<p>Current Status – Ongoing</p> <p>An e-mail was sent to Payroll, Customer Service and Pensions Administration to confirm new users and leavers for July, August and September. As a result of this, it was found that two ex-employees still had user accounts, one user access was never issued and was no risk to the Fund and one user who had access disabled within 11 days of leaving employment. No activity had been undertaken but the LGSS Pensions Service will monitor on a monthly basis for the next three months to ensure access is disabled immediately after an employee leaves. Increasing this up to 3 months once satisfied after the period and to 6 months when the criteria is successfully being met consistently.</p> <p>Heywood's added an additional comment –</p> <p>“It would not be possible for anybody to access Altair account once their citrix account is removed then they could not log in to their citrix desktop to be able to launch Altair in the first place. This is somewhat akin to a person having their account removed from a windows desktop computer, they cannot open any of the applications on that computer unless they first log onto said machine. Equally the url for the application itself (Altair) cannot be used unless opened from a web browser from the citrix desktop - the address will not resolve from an open internet connection”.</p> <p>As a result of this, a template has been designed, which will allow team leaders to review access for all their users every time they request a new licence.</p> <p>User licences have also been cross checked between Heywoods and our internal control sheet.</p>				
M	Overseas Pensioners - The 2015/16 audit report included a recommendation that the Pensions Service should establish a system to verify if elderly pensioners and those living abroad are still alive. Whilst work has been undertaken in order to verify if elderly pensioners are still alive, work is currently ongoing with a third party supplier to put in place a mechanism to gain assurance in respect of overseas pensioners.	The process for confirming if overseas pensioners are still alive should be agreed and implemented.	Western Union have now been appointed to undertake proof of life checks of overseas pensioners. The first check will be undertaken in 2017/18 and every two years thereafter.	Jo Walton 30/4/17 An update on the current status of the proof of life exercise can be found in the Business Plan Update.

**CAMBRIDGESHIRE PENSION
FUND**



Pension Fund Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Governance and Legislation Report
Purpose of the Report	To provide the Pension Fund Committee with: 1) Information on potential, new or amending legislation affecting the LGPS; 2) Information on other pensions legislation; 3) Activities of the LGPS Scheme Advisory Board England and Wales and Pensions Regulator; 4) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and 5) Skills and knowledge opportunities.
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. Potential changes to LGPS Regulations

2.1 Cohabiting partner's pensions

- 2.1.1 The UK's Supreme Court previously ruled that a provision in Northern Ireland's Local Government Pension Scheme (LGPS) that prevented the cohabiting partner from receiving a survivor's pension, unless the member had nominated her, unlawfully infringed upon her human rights. The ruling could have direct implications for other public-service pension schemes, such as the LGPS for England and Wales, many of which have similar nomination requirements.

- 2.1.2 Following on from this, the Department of Communities and Local Government have recently issued guidance and in conjunction with legal advice obtained from the Cambridgeshire Pension Fund a full report is being provided to the Pension Fund Committee on the findings and action to be undertaken.

2.2 Exit payment reform update

2.2.1 Following June's general election, it is understood that there is no policy change in respect of the various exit payment reforms that the 2015-2017 Government were in the process of introducing prior to the snap election. However, given the focus on Brexit in the coming period and the new Government's minority status, it is unclear the extent to which pursuing each reform will be a priority for the Government. It is also unclear the implementation timescales the Government plan to adopt for each reform. The understanding of the current position on each reform is as follows:

2.2.2 **1. Exit payment recovery** – the draft regulations issued under the Small Business, Enterprise and Employment Act 2015 proposed that where an individual with a salary of £80,000 or more leaves a public sector employment and returns to work in the public sector within 12 months, they will be required to pay back some or all of the exit payments (including strain cost) received.

Prior to the announcement of the general election the final HM Treasury regulations that would have enacted the recovery provisions were expected "soon". If and when issued, the regulations will be overriding meaning that it will not be necessary to amend the LGPS regulations for exit payment recovery to have effect. The legislation is subject to the affirmative procedure meaning that it will require the formal approval of both Houses of Parliament before it becomes law – this is expected to take 3-4 weeks from the publication of the final regulations.

2.2.3 **2. Exit Cap** – where an individual leaves a public sector employment, the total exit payments that their employer can make in respect of that exit will be capped at £95k. This cap includes the strain cost payable in respect of an LGPS pension coming into payment early.

Subject to the Government proceeding with its plans in this area, it is anticipated that there will be further consultation (draft HM Treasury regulations) on how the cap will work in practice. The consultation is expected to last for 6-8 weeks. Discussion with regard to how the 'strain on fund' cost would be calculated for the purposes of the exit payment cap are ongoing.

Once final Treasury regulations are laid they will enact the relevant parts of the Enterprise Act 2016 which will amend the LGPS regulations. HM Treasury are also expected to publish guidance on the circumstances when the cap can be waived these circumstances will be prescriptive and set out the specific situations in which HMT think it would be acceptable to waive the cap.

2.2.4 **3. Exit payments further reform** – proposals looking at the overall severance packages payable from public sector bodies following a Government consultation on this topic, undertaken in February 2016. HM Treasury issued its formal response to the consultation in September 2016 setting out broad criteria within which they expected responsible departments to reform the exit packages of their workforces.

Subject to the Government proceeding with its plans in this area, it is expected that DCLG will publish a consultation on the proposed package for local government.

The full response to the initial consultation can be found - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf

3. Other impacting legislation

3.1 MIFID2 – publication of FCA policy statement

- 3.1.1 In early July, the Financial Conduct Authority (FCA) published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.
- 3.1.2 Upon coming into force, MIFID2 will re-designate local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the Scheme Advisory Board England and Wales (SABEW) with the FCA.
- 3.1.3 It will be possible for Funds to "opt up" to *elective professional* status, and thereby attain similar status under MiFID II that prevailed under MiFID I.
- 3.1.4 The original proposals gave cause for concern that "opting up" may be problematic. Whilst most LGPS Funds would have passed the *£15m financial instruments* threshold, few, including Cambridgeshire, would have completed *10 transactions per quarter* as the Fund does not manage money internally. Furthermore the initial draft policy on *client experience* was felt to give insufficient recognition to the decision making role of Members on s101 committees, such as the ISC, who have a regulatory obligation to take advice. Ambiguity on that test was considered to have a likely knock on impact in how the Investment Managers undertook their own qualitative assessment.
- 3.1.5 Many Funds responded to the FCA's consultation in late 2016. Furthermore FCA officials engaged with the LGA, the Investment Association (IA) and British Venture Capital Association (BVCA). In January two FCA officers attended the Cross Pool Collaboration Group (CPCG) officer meeting chaired by ACCESS, and further dialogue was held in February.
- 3.1.6 The outcome of this engagement is a revised set of criteria. Critically an additional test – proposed by CPCG – has been added, which reflects the regulatory obligation for an LGPS Fund to take advice when making investment decisions. Furthermore the expanded policy wording in relation to the qualitative assessment reinforces this point. In addition to lowering the financial instruments threshold from £15m to £10m, which may assist smaller Funds.
- 3.1.7 The LGA, in consultation with the IA and BVCA has developed a template designed to capture the information that an LGPS Fund will need to provide in order to demonstrate that it passes two of the four quantitative test and relevant background for Investment Managers to undertake the qualitative assessment. The relevant background emphasises the importance of each Fund's governance structure, committee membership and training. All of which must be evidenced at individual and Committee level, including supporting officers of the Fund.

- 3.1.8 Officers have commenced completion of the templates and will seek Mercer feedback before circulating the completed draft template to Investment Managers by mid to late September. This will allow Investment Managers to feed back to the Fund before a final submission is made in November 2017, facilitating Investment Managers to confirm opt ups ahead of the January 2018 deadline.

4. Activities of the LGPS Scheme Advisory Board England and Wales (SABEW)

4.1 Launch of SABEW Investment Transparency Code

- 4.1.1 The Pensions and Lifetime Savings Association local authority conference saw the launch of the SABEW Investment Transparency Code. The Code has been issued to assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis.
- 4.1.2 The move toward investment fee transparency and consistency is seen by the SABEW 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 was included in the government's criteria for pooling investment.

More details on the code can be found -

<http://www.lgpsboard.org/index.php/structure-reform/cost-transparency>

4.2 Local pension board survey

- 4.2.1 On 26 May SABEW commenced a survey to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of local pension boards and interaction with their administering authority.
- 4.2.2 The survey deadline has since been extended from 28 July 2017 to 29 September 2017 due to lack of responses. Following its completion the SABEW will be writing to DCLG with their findings and, if applicable, their recommendations for any regulatory changes they consider necessary. The survey was sent to the Chairman of the Pension Fund Committee and Chairman of the Local Pension Board for completion in June this year.

4.3 Publication of PwC academies report

- 4.3.1 The SABEW have published the PwC report, "Options for Academies in the LGPS", on their website. The report was commissioned by the SABEW in 2016 to look into the issues associated with the participation of academies in the LGPS.
- 4.3.2 Publication of the report will enable the SABEW to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration.

The report can be found - <http://www.lgpsboard.org/index.php/structure-reform/review-of-academies>

4.4 Consultation on academies objectives

- 4.4.1 The SABEW have commenced a consultation on the development of options for academies. The consultation is open to all interested parties and was open until 29 September 2017.
- 4.4.2 The proposed draft objectives that the SABEW are seeking views upon are as follows:
- Protect the benefits of scheme members through continued access to the LGPS;
 - Ring fence local taxpayers and other scheme employers from the liabilities of the academy trust sector;
 - Improve the efficiency and effectiveness of administrative practices; and
 - Increase the accuracy and reliability of data.
- 4.4.3 However, in achieving the objectives, the SABEW do not believe the changes should:
- Significantly alter cash flow at the fund level; or
 - Significantly alter assets at the pool level
- 4.4.4 The consultation can be found - <http://www.lgpsboard.org/index.php/board-publications/board-consultations> a response was submitted by LGSS Pensions Service agreeing with the objectives as stated in 4.4.2.

4.5 Consultation on pooling forum

- 4.5.1 The SABEW have also commenced a consultation on the development of a national Cross Pool Information Forum (CPF) for the LGPS in England and Wales.
- 4.5.2 The SABEW propose that the CPF is established to receive, share and disseminate information on the pooling of LGPS assets as well as provide a platform to exchange best practice and items of cross pool interest. However, it should not have decision making powers, nor should its discussions be technical in nature. It is proposed that the CPF would consist of up to three members from each pool, nominated by the member administering authorities of each pool.
- 4.5.3 Views from LGPS Pension Committee Chairmen/women are sought on the proposals and the consultation closed on 29 September 2017.
- 4.5.4 The consultation can be found - <http://www.lgpsboard.org/index.php/board-publications/board-consultations> and a response was submitted on behalf of the ACCESS pool by the cross pool collaboration group.

4.6 Local Pension Board Liability Insurance

- 4.6.1 According to the legal opinion obtained by the LGA from James Goudie QC, the Pension Board itself is not a council committee and therefore there is uncertainty as to whether members of the board are officials who fall within the scope of the councils own indemnity provisions.

- 4.6.2 Many policies contain exclusions relating specifically to claims arising out of a breach of fiduciary duty, responsibility or obligation in connection with any employee benefit or pension plan, and there is some reluctance to extend the scope of cover.
- 4.6.3 As such officers have sought advice from the Council's insurance department and obtained an external insurance quote for the Local Pension Board to be covered for incidents such as public relation expenses and prosecution costs. This quote is currently with the Council's insurance department for review and an update will be provided when available.

5. Activities of the Pensions Regulator

5.1 The Pensions Regulator's Annual Scheme Return

- 5.1.1 The Pensions Regulator (TPR) issued the Annual Scheme Return for the Cambridgeshire Pension Fund. This was completed and returned to the Pensions Regulator ahead of the 26 October 2017 deadline. Failure to have done so would have been a breach of the Pensions Act 2004.
- 5.1.3 It has recently been confirmed that an LGPS fund has been fined £1,000 by TPR for its failure to complete its annual scheme return.

6. Other activity

6.1 Pension Ombudsman Service

- 6.1.1 Following discussions with Government ministers, it has been agreed that the Pensions Ombudsman service will at some point in the future take over the informal dispute resolution service currently provided by the Pensions Advisory Service (tPAS).
- 6.1.2 To assist with their plans for the merger of the formal and informal resolution processes, the Pensions Ombudsman service have recently commenced a project to look into the services provided by both organisations and are seeking views from pension scheme administrators to feed into this. Specifically, the Pensions Ombudsman service were asking for views on what works well about both services (in terms of both quality and delivery), what could be improved, and what administrators believe are the risks and opportunities of merging the services.
- 6.1.3 There was only a short window of opportunity to feed into this with a closing date of 2 August 2017.

6.2 State pension age review

- 6.2.1 The rise in the pension age to 68 will now be phased in between 2037 and 2039, rather than from 2044 as was originally proposed and those affected are currently between the ages of 39 and 47.

7. Skills and knowledge opportunities.

7.1. Training Events

- 7.1.2 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 Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 7.1.3 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, appendix 1 lists all events that are deemed useful and appropriate.
- 7.1.4 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.

8. 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

9. Finance & Resources Implications

- 9.1 Not applicable

10. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

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

Risk	Risk Rating
That the Committee are ill-informed about important consultations and changes affecting the Fund they are responsible for administering	Green

11. 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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12. Legal Implications

12.1 There are no legal implications connected to the contents of this report.

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 There are no alternative options to be considered.

15. Background Papers

15.1 Not applicable

16. Appendices

16.1 Appendix 1 - List of training events/conferences.

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 Section 151 Officer?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Appendix 1 - Internal/External training and events 2017-18

Date	Event	Training Credits	Target Audience	Website Link
28 June 2017	Local Pension Board – Two years on Conference	2	Board Members	http://www.cipfa.org/training//lqps-local-pension-boards-2-years-on-20170628-london
29-30 June 2017	14 th Annual LGPS Trustees Conference	4	Officers, Committee/ Board Members	https://lgaevents.local.gov.uk/lga/frontend/reg/thome.csp?pageID=119663&eventID=365&eventID=365&CSPCHD=000001000000FwL8fgemsOYHjsa3Y3JGLpBRbsB9_DnGyxF3sT
4-5 July 2017	CLASS Annual Conference	2	Officers	
4-6 July 2017	LGA Annual Conference & Exhibition	4	Officers, Committee/ Board Members	https://lgaevents.local.gov.uk/lga/frontend/reg/thome.csp?pageID=68680&eventID=228&eventID=228
5 July 2017	LGSS Pensions Information Day	2	Officers, Committee/ Board Members	Internal
12 July 2017	CIPFA Pensions Network – Governance in a changing environment	2	Officers	http://www.cipfa.org/training/g/governance-in-a-changing-environment-london
12-13 July 2017	CIPFA Annual Conference	4	Officers, Committee/ Board Members	http://cipfaannualconference.org.uk/home-cipfa-annual-conference-2017/
3 September 2017	Schroders Trustee Training – Advanced	2	Officers, Committee/ Board Members	http://www.schroders.com/en/uk/pensions/events/
7-8 September 2017	LGC Investment Summit	4	Officers, Committee/ Board Members	https://investmentsummit.lgcplus.com/
4 October 2017	LGSS Pensions Information Day	2	Officers, Committee/ Board Members	Internal
18-20 October 2017	PLSA Annual Conference and Exhibition	4	Officers, Committee/ Board Members	http://www.plsa.co.uk/Conferences_and_Seminars/Annual_Conference_And_Exhibition.aspx

Appendix 1 - Internal/External training and events 2017-18

Date	Event	Training Credits	Target Audience	Website Link
7 November 2017	UBS First steps seminar	2	Officers, Committee/ Board Members	https://www.ubs.com/uk/en/asset_management/institutional/client_events/steps_seminars.html
8 November 2017	Local Pension Board Seminar	2	Board Members	http://www.plsa.co.uk/Training/Pension-Practitioners/LGPS_Pension-Boards.aspx
21-22 November 2017	Pension Managers Annual Conference	4	Officers, Committee/ Board Members	http://southwest-ra.gov.uk/nqcontent.cfm?a_id=339&tt=swra&displayMode=PDF&eventStatus=list&eventAction=view&eventId=1271
22 November 2017	LGSS Pensions Information Day	2	Officers, Committee/ Board Members	Internal
22 November 2017	UBS Second steps seminar	2	Officers, Committee/ Board Members	https://www.ubs.com/uk/en/asset_management/institutional/client_events/steps_seminars.html
6-8 December 2017	LAPFF Annual Conference	4	Officers, Committee/ Board Members	http://www.lapfforum.org/events/lapff-conference/
7 February 2018	LGSS Pensions Information Day	2	Officers, Committee/ Board Members	Internal

The list of training events will be updated as we become aware of definitive dates and new events. We will also continue to email details of the training events as soon as we are notified where we feel members of the Pension Committee, Investment Sub-Committee and Local Pension Board will benefit from attending.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Pensions for cohabiting partners without nomination (2008-2014)
Purpose of the Report	To present the committee with an update on a matter included within the Governance and Legislation Report presented at the 29 June 2017 meeting.
Recommendations	The Committee are asked to note the content of the report
Enquiries to:	Name – Jo Walton, Governance and Regulations Manager E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Pension entitlement for surviving nominated cohabiting partners of members with active membership of the Local Government Pension Scheme in England and Wales (LGPS) on or after 1 April 2008 was introduced from that date.
- 1.2 The need for such members to nominate a cohabiting partner in order for them to be entitled to a survivor pension was removed for deaths on or after 1 April 2014.
- 1.3 Similar provisions were introduced for the Local Government Pension Scheme in Northern Ireland (LGPSNI) from 1 April 2009.
- 1.4 Ms Brewster, a surviving cohabiting partner of a member of the LGPSNI who died in December 2009 without having made a nomination, challenged the decision not to award her a survivor pension on the basis that the absolute requirement of nomination constituted unlawful discrimination.
- 1.5 On 8 February 2017 the Supreme Court gave their judgement in Ms Brewster's favour, concluding that the requirement for a nomination be disapplied, and that Ms Brewster was entitled to receive a survivor's pension under the scheme as she met all other qualifying criteria.
- 1.6 The judgement itself changed nothing for the LGPS. Government, however, had to consider what, if any, impact there should be for all public service pension schemes.

2. Details and position to the point of the Supreme Court Judgement

- 2.1 Prior to the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (the 2007 Regulations) coming into effect on 1 April 2008 there was no survivor pension provision for cohabiting partners in the event of the death of an LGPS member.
- 2.2 The 2007 Regulations extended survivor pension provision from spouses and civil partners to also include nominated cohabiting partners.
- 2.3 The extended provision did not apply to members that had left active membership of the LGPS prior to 1 April 2008 however, so long as they had active membership on or after that date, the provision applied to members that died while active, deferred or pensioner members.
- 2.4 Regulation 25 of the 2007 Regulations set out the meaning of nominated cohabiting partner. The full Regulation is reproduced in Appendix 1 for context, but in order for a cohabiting partner to be entitled to a pension upon a member's death, the following would all have to apply:
 - the member had nominated the partner to receive a survivor benefit
 - the nomination had been given to the administering authority and included a declaration, signed by both the member and the partner that "the condition" was satisfied and had been satisfied for a continuous period of at least 2 years
 - The nomination had effect when it was made and had not ceased to have effect, and
 - The surviving partner satisfies the administering authority that "the condition" was satisfied for a continuous period of at least 2 years immediately prior to the member's death.

"The condition" is as set out in subparagraph (3) of Regulation 25. All four aspects must be met for the condition to be satisfied, and they are:

- the member is able to marry, or form a civil partnership, with the partner,
 - they are living together as if they were husband and wife or as if they were civil partners,
 - neither is living with a third person as if they were husband and wife or as if they were civil partners, and
 - the member's partner is financially dependent on them, or they are financially interdependent.
- 2.5 Similar provisions came into effect for the Local Government Pension Scheme in Northern Ireland (LGPSNI) from 1 April 2009, and the nomination requirement aspect has been successfully challenged by Ms Brewster, a surviving cohabiting partner of a member, Mr McMullen, who died in December 2009 without having made a nomination.

- 2.6 Ms Brewster had challenged the decision of the Northern Ireland Local Government Officers' Superannuation Committee, the relevant administering body, not to award her a survivor's pension and applied for judicial review on the basis that the absolute requirement of nomination imposed upon unmarried partners as a condition of eligibility for a survivor's pension constituted unlawful discrimination contrary to Article 14 of the European Convention on Human Rights and Fundamental Freedoms when read in conjunction with article 1 of the First Protocol to the European Convention on Human Rights and Fundamental Freedoms.
- 2.7 On 8 February 2017 the Supreme Court gave their judgement in Ms Brewster's application for judicial review relating to the position for the LGPSNI. The conclusion was that the requirement in the 2009 Regulations that the member and the partner should have made a nomination be disappplied, and that Ms Brewster was entitled to receive a survivor's pension under the scheme as she met the other qualifying criteria.
- 2.8 The judgement did not directly affect the position for the LGPS in England and Wales or other Public Service Pension Schemes that had nomination requirements and therefore Government, and in particular HM Treasury, had to consider the impact of the judgement and any action that would be required.
- 2.9 As a result of changes to the LGPS from 1 April 2014, the potential impact in relation to the nomination requirement can only affect cases where a member died on a date between 1 April 2008 and 31 March 2014 (inclusive).
- 3. Position following the Supreme Court Judgement**
- 3.1 Without knowing where the Government would draw the lines regarding scope of any impact for the LGPS, no work to identify potential cases was undertaken by LGSS Pensions Service following the Judgement in favour of Ms Brewster.
- 3.2 A cohabiting partner of a member of the Cambridgeshire Fund who died while an active member in May 2011 without having made a nomination made contact with LGSS Pensions Service in February 2017, one week after the Supreme Court Judgement was given.
- 3.3 It was expected that the DCLG would be drafting amending legislation and/or issuing statutory guidance in due course once the Government position had been determined on the impact of the judgement, and this is what the potential beneficiary was told.
- 3.4 LGSS Pensions Service were routinely in contact with the Secretariat to the Local Government Pensions Committee to check on progress. DCLG were contacted directly on 25 April 2017, and on several occasions subsequently, in an attempt to establish the process being followed and when a resolution was to be expected; their responses were non-committal and cited the calling of the General Election as a factor delaying matters.

- 3.5 In May 2017 the cohabiting partner of the member that died in May 2011 made an application through her solicitors for adjudication of a disagreement under Stage 1 of the administering authority's Internal Dispute Resolution Procedure (IDRP) claiming that she should be awarded a survivor pension in light of the Supreme Court Judgement. Agreement was reached that the standard 2 month period for the adjudicator to make a decision be extended given that the matter was being considered by Government.
- 3.6 On 17 August 2017 Chris Megainey from Local Tax and Pensions at DCLG issued a letter headed 'Implications for the Local Government Pension Scheme of Brewster Decision'. This letter is reproduced in Appendix 2.
- 3.7 The letter said that it was intended to provide "some guidance" however was absolutely explicit that it constituted neither statutory guidance nor legal advice and should not be construed as such. It put forward that

"Most public sector pension schemes that have, or have had, such a nomination requirement for unmarried partners, are now taking the view that scheme managers can rely on this judgment and section 3 of the Human Rights Act 1998 as the legal basis for not requiring that a surviving adult partner be nominated in order to receive survivor benefits. This section of the Act provides that, as far as possible, regulations such as those covering the LGPS must be read and given effect in a way which is compatible with the European Convention on Human Rights. This approach is also being applied to applications which have previously been rejected. In these circumstances, schemes are also being encouraged not to require survivors to claim within any specific limitation period.

We consider that this approach is reasonable in the circumstances and that LGPS funds should give careful consideration to adopting a similar approach to relevant cases".

- 3.8 In light of the letter from DCLG providing suggestions rather than the statutory guidance or the definitive legislative way forward that was anticipated, LGSS Pensions Service sought independent legal advice on two specific questions on behalf of both the Cambridgeshire and Northamptonshire Funds:
1. Does section 3 of the Human Rights Act 1998 have the overriding effect of giving an administering authority the vires to award, and make payment from the fund it administers of a survivor's pension under Regulations 24, 33 or 36 of The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 to a person that has not been nominated but otherwise meets all other requirements to satisfy the meaning of "nominated cohabiting partner" as set out in Regulation 25?
 2. Where no survivor's pension is payable to a surviving spouse, nominated cohabiting partner or civil partner, any child's pension is payable at a greater rate than would have been the case had a survivor's pension also been awarded. If a pension were now to be awarded retrospectively to a "nominated co-habiting partner" that had not been nominated, does the administering authority have the vires:
 - a) To reduce the current level of child's pension to the rate it would have been had the survivor's pension been awarded at the outset, and
 - b) Regardless of whether the child's pension is still in payment or has ceased, to seek recovery of the overpayment of child's pension.

3.9 LGSS Law sought advice from a barrister with a specialist pensions and employment law practice Outer Temple Chambers. They reported back Counsel's opinion to LGSS Pensions Service on the questions posed and the record of this is attached as Appendix 3.

3.10 The opinion received makes it clear that there is no statutory basis for making the award of a survivor's pension in the surviving cohabiting partner that had made contact, since there was no nomination in place, and this requirement is not altered by Section 3 of the Human Rights Act 1998, since that Section is counteracted in the case of public authorities by Section 6(2)(b). Section 6(1) and (2) of the Act read as follows:

"6 Acts of public authorities

- (1) It is unlawful for a public authority to act in a way which is incompatible with a Convention right.*
- (2) Subsection (1) does not apply to an act if--*
 - (a) as the result of one or more provisions of primary legislation, the authority could not have acted differently; or*
 - (b) in the case of one or more provisions of, or made under, primary legislation which cannot be read or given effect in a way which is compatible with the Convention rights, the authority was acting so as to give effect to or enforce those provisions."*

3.11 Following receipt of this opinion, the Secretariat to the Local Government Pensions Committee were consulted by LGSS Pensions Service. It is understood that the Secretariat are considering how to take the matter forward with DCLG, potentially with the involvement of the Scheme Advisory Board.

3.12 LGSS Pensions Service also contacted DCLG, initially to ask if they would share the legal opinion that had led them to reference Section 3 of the Human Rights Act in their letter, but not the impact of Section 6. The request was refused.

3.13 Since independent legal advice has been obtained on behalf of the Cambridgeshire Fund which unequivocally states that the administering authority cannot make payment of a survivor's pension in the circumstances of the surviving cohabiting partner who had made the application under the IDRP within the terms of the legislation in place, and DCLG are not prepared to provide details that support an argument that this advice is not correct, the Head of Pensions as adjudicator made the stage 1 IDRP decision not to uphold the individual's appeal that she was now due a pension. The decision was notified in a letter dated 18 September 2017 and the individual has been told that if statutory provisions were to be put in place that alter the requirements that apply to her case, and others like it, the matter would of course be reviewed.

3.14 LGSS Pensions Service will continue to engage with the Secretariat to the Local Government Pensions Committee, and others as appropriate, in an attempt to resolve the position in a manner that meets what appears to be the Government's intention while not breaching the administering authority's statutory duty.

4. 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>

5. Finance & Resources Implications

5.1 Not applicable

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Report to note no proposal contained within		N/A

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

Risk	Risk Rating
No risk – acting within the Local Government Pension Scheme Regulations	Green

7. Communication Implications

Direct Communications	None
Website	None

8. Legal Implications

8.1 Not applicable

9. Consultation with Key Advisers

9.1 Legal advice obtained from LGSS Law and from Outer Temple Chambers.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Not applicable

12. Appendices

- 12.1 Appendix 1 - Extract from The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- 12.2 Appendix 2 - DCLG letter from Chris Megainey 17 August 2017
- 12.3 Appendix 3 - Counsel's opinion obtained by LGSS Law from Lydia Seymour, Outer Temple Chambers.

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?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Appendix 1

Extract from:

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

Meaning of “nominated cohabiting partner”

25.—(1) “Nominated cohabiting partner” means a person nominated by a member in accordance with the terms of this regulation.

(2) A member (A) may nominate another person (B) to receive benefits under the Scheme by giving to his administering authority a declaration signed by both A and B that the condition in paragraph (3) has been satisfied for a continuous period of at least 2 years which includes the day on which the declaration is signed.

(3) The condition is that—

- (a) A is able to marry, or form a civil partnership with, B,
- (b) A and B are living together as if they were husband and wife or as if they were civil partners,
- (c) neither A nor B is living with a third person as if they were husband and wife or as if they were civil partners, and
- (d) either B is financially dependent on A or A and B are financially interdependent.

(4) But a nomination has no effect if the condition in paragraph (3) has not been satisfied for a continuous period of at least 2 years which includes the day on which the declaration is signed.

(5) A nomination ceases to have effect if—

- (a) either A or B gives written notice of revocation to the administering authority,
- (b) A makes a subsequent nomination under this regulation,
- (c) either A or B marries, forms a civil partnership or lives with a third person as if they were husband and wife or as if they were civil partners, or
- (d) B dies.

(6) B is A’s surviving nominated partner if—

- (a) the nomination has effect at the date of A’s death, and
- (b) B satisfies the administering authority that the condition in paragraph (3) was satisfied for a continuous period of at least 2 years immediately prior to A’s death.

(7) For the purposes of this regulation, two people of the same sex are to be regarded as living together as if they were civil partners if they would be regarded as living together as husband and wife if they were not of the same sex.

(8) In this regulation, “member” means an active member or a former active member who has become a deferred or pensioner member in accordance with these Regulations.



Department for Communities and Local Government

17 August 2017

Dear Pensions Manager

Implications for the Local Government Pension Scheme of Brewster Decision

A number of funds have been in touch now regarding the implications of the Supreme Court's ruling earlier this year in the case of Brewster. This letter is intended to provide some guidance to those managing funds. It is not statutory guidance, as we have no power to issue statutory guidance on this point, and neither is it intended to be, and should not be construed as, legal advice. As you will appreciate, the correct interpretation of LGPS regulations is a matter for the courts and not government departments.

In the case of Denise Brewster, she successfully challenged the requirement in the Local Government Pension Scheme (Northern Ireland) that a surviving adult partner had to be formally nominated in order to be entitled to payment of survivor benefits. The Court ruled that this administrative requirement constituted unlawful discrimination and a breach of the European Convention on Human Rights. As the other underlying scheme conditions were met then it should be disapplied.

Most public sector pension schemes that have, or have had, such a nomination requirement for unmarried partners, are now taking the view that scheme managers can rely on this judgment and section 3 of the Human Rights Act 1998 as the legal basis for not requiring that a surviving adult partner be nominated in order to receive survivor benefits. This section of the Act provides that, as far as possible, regulations such as those covering the LGPS must be read and given effect in a way which is compatible with the European Convention on Human Rights. This approach is also being applied to applications which have previously been rejected. In these circumstances, schemes are also being encouraged not to require survivors to claim within any specific limitation period.

We consider that this approach is reasonable in the circumstances and that LGPS funds should give careful consideration to adopting a similar approach to relevant cases. In adopting this approach a fund accepts that a power to pay these benefits already exists in the LGPS regulations when read and given effect in a way which is compatible with Convention rights and that the tax status of them is no different from any other payments made under the scheme.

Chris Megainey
Local Tax and Pensions
Department for Communities and Local
Government

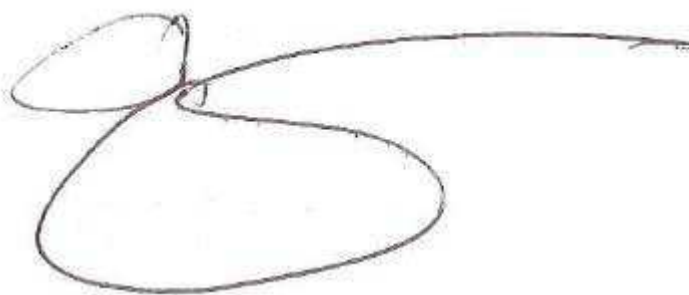
chris.megainey@communities.gsi.gov.uk
Tel : 0303 444 3145

We suggest that LGPS funds should consider the following:

- Relevant cases will be those in the period between 2008 and 2014 when a “nominated cohabiting partner” test was applied to restrict survivor benefits. Any relevant case presenting now for a survivor’s pension, who can demonstrate that they were, at the point of their partner’s death, in a relationship with an LGPS member and met all the underlying conditions apart from the nomination requirement, should be awarded a survivor’s pension, appropriately backdated;
- Funds should take reasonable steps to identify cases where an application for a survivor’s pension was rejected for want of a nomination. Such cases should be reviewed to check whether there is evidence that the underlying conditions may have been met at the time and whether a survivor’s pension should now be considered;
- Where a new claim for a survivor’s pension is accepted but a child’s pension was being paid at the higher rate (due to an adult survivor’s pension not being paid) the fund should advise as soon as possible the recipient of the child’s pension that its intention would be to reduce it once the adult survivor pension is being paid;
- In these circumstances, technically there will have been an element of overpayment in the child’s pension. Decisions on whether to attempt recovery should be handled sensitively, having regard to the need to avoid hardship or injustice, the fund’s own policy on overpayments and general guidance on the appropriate use of public money;
- We expect that funds will not be able to offset overpayments of a child’s pension against the adult survivor’s benefits given that they are separate individual entitlements.

Some cases will inevitably raise complex issues and it is not possible to provide guidance on the application of the judgment in all circumstances. Accordingly, scheme managers should seek their own independent legal advice if they are in any doubt as to how to proceed.

Yours sincerely,

A handwritten signature in dark ink, consisting of a large, stylized 'C' followed by a horizontal line that curves upwards and then back down to the 'C'.

Chris Megainey

Chris Megainey
Local Tax and Pensions
Department for Communities and Local
Government

chris.megainey@communities.gsi.gov.uk
Tel : 0303 444 3145

LGSS Law Ltd**Attendance Note**

Matter Number : LGS007/140
Client : LGSS Employee Services Pension
Matter Description : IDRP - Advice re Death Benefit Nomination Form
Date & Time of Attendance : 22 August 2017 at
Duration of Attendance : 20 minutes
Other Parties : Lydia Seymour, Outer Temple Chambers

Details:

Telephone call from Counsel. The solution currently is simple. While the Supreme Court may well rule that the nomination requirement in previous regulations is incompatible with a convention right that does not in itself mean that the provision requiring a nomination form is invalid – that is Section 6(2)(b). Section 6(1) and (2) reads

6 Acts of public authorities

- (1) It is unlawful for a public authority to act in a way which is incompatible with a Convention right.
- (2) Subsection (1) does not apply to an act if--
 - (a) as the result of one or more provisions of primary legislation, the authority could not have acted differently; or
 - (b) in the case of one or more provisions of, or made under, primary legislation which cannot be read or given effect in a way which is compatible with the Convention rights, the authority was acting so as to give effect to or enforce those provisions.

It follows then that, while the Administering Authority has sympathy for the Appellant it cannot make any payment to them under the legislation as it stood at the time. The Administering Authority is however awaiting guidance from HM Treasury and is prepared to review the matter again depending of course upon what it says.

The wording of Section 6(2)(b) gives CCC a defence against any claim brought because there is no breach of statutory duty and no unlawful act which would be the subject of any claim for judicial review (which would be out of time anyway – such claims need to be brought promptly and certainly no later than 3 months from the act complained of)

Counsel went on to consider what would happen if HM Treasury decide to do something to help claimants for whom there was no nomination form. She said it will depend upon how they do it: -

1. The creation of ex gratia set of rights; or
2. Retrospectively rewriting the regulations. The latter is complicated for public sector pensions and will need the consent of affected persons under Public sector Pensions Act 2005 section 23.

As to claiming against bereaved beneficiaries for overpaid pension counsel described it as expensive, difficult unmeritorious and unpalatable. An actuary should take a view on the prospects of that course.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Annual Allowance - Voluntary Scheme Pays
Purpose of the Report	To present the Pension Fund Committee with information about the Voluntary Scheme Pays option in relation to Annual Allowance Charges that may have been incurred by Local Government Pension Scheme members
Recommendations	The Committee are asked to agree to the introduction of a policy permitting members to use Voluntary Scheme Pays in specified circumstances.
Enquiries to:	Name – Jo Walton, Governance and Regulations Manager E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Annual Allowance is one of the limits set by the Government in relation to the level of an individual's pension savings, known as pension input, before a charge becomes due to HM Revenue and Customs (HMRC).
- 1.2 Scheme Pays has become the term used for the mechanism by which an individual who has incurred an annual allowance charge can elect to have a pension scheme pay the charge to HMRC on their behalf in return for a reduction, or offset, being applied to their eventual benefits.
- 1.3 Mandatory Scheme Pays (MSP) applies when a member's pension input in relation to a pension scheme in a tax year exceeds the standard annual allowance and they incur an annual allowance charge greater than £2,000 on those savings in that scheme.
- 1.4 Local Government Pension Scheme (LGPS) administering authorities have the power to grant a member's request to pay their annual allowance charge even if they do not meet the criteria for MSP to apply; this mechanism has become known as Voluntary Scheme Pays (VSP).
- 1.5 With the introduction of the Tapered Annual Allowance provisions from the beginning of the 2016/2017 tax year a member may now incur an annual allowance charge on LGPS pension savings of up to £30,000 that cannot be dealt with under MSP as explained in paragraph 2.4.

- 1.6 If VSP was not permitted, members may be in the position of having to settle potentially significant charges with HMRC themselves through the self-assessment tax return process.
- 1.7 This report sets out further details about the assessment of pension savings values, for annual allowance purposes, scheme pays and a suggested policy regarding when VSP should be permitted.

2. Annual Allowance and Scheme Pays

- 2.1 The LGPS is a defined benefit scheme and so the assessment of a member's pension savings that are to be measured against the annual allowance is based on the difference in relative value of their pension benefits at the beginning and end of a tax year. The value of £1 of annual pension is the equivalent of £16 for annual allowance purposes. Members who have longer periods of 'final salary' linked scheme membership, may have a pension input that is greater than the annual allowance if they are promoted or see a significant increase in their pensionable pay during a year.
- 2.2 The reduction in the level of Standard Annual Allowance over the years since its introduction in the 2006/2007 tax year at £215,000 to the £40,000 it currently stands at, the increase in the accrual rate in the main section of the LGPS from 1 April 2014 and now the introduction of Tapered Annual Allowance, have all increased the likelihood of members incurring an annual allowance charge.
- 2.3 Changes to the Finance Act 2004 that came into force on 19 July 2011 introduced the MSP provisions and prior to the 2016/2017 tax year they have enabled a handful of LGPS members in the Cambridgeshire Pension Fund to effectively manage their annual allowance charges in excess of £2,000 resulting from exceeding the standard annual allowance as a result of their LGPS membership by requesting that the charge be paid on their behalf from the pension fund in return for an offset against their eventual pension benefits.
- 2.4 It is mandatory to accede to a request that falls within the MSP provisions however, with the introduction of tapered annual allowances for 2016/2017, members are facing for the first time the possibility of incurring potentially significant annual allowance charges that do not fall within the scope of MSP since some or all of the charge does not relate to pension savings in excess of the standard annual allowance.
- 2.5 Where MSP cannot apply in relation to an annual allowance charge incurred by an individual, it is possible for a pension scheme to agree with a member that they will voluntarily pay some or all of any annual allowance charge on their behalf in return for a reduction, or offset, being applied to their eventual pension benefits. This has become known as Voluntary Scheme Pays (VSP) in order to distinguish it from MSP but has not been considered previously in relation to the LGPS.
- 2.6 The Standard Annual Allowance for the 2016/2017 tax year, and subsequent years, has been set at £40,000. From 2016/2017 onwards 'high earners' may have an individual Tapered Annual Allowance apply to them based upon their own circumstances; this Tapered Annual Allowance can be as low as £10,000.
- 2.7 For context, a high earner for this purpose is someone with:

- ‘Threshold Income’ (broadly, taxable income from all sources after the deduction of employee pension contributions) of more than £110,000, and
- ‘Adjusted income’ (broadly, threshold income plus pensions savings built up over the tax year in question) of more than £150,000.

- 2.8 The Tapered Annual Allowance provisions could, at present, result in a charge of up to £13,500 (i.e. the maximum taper of £30,000 charged at the additional tax rate of 45%) that would not fall within the scope of MSP. If VSP was not an option available the member would need to settle such a charge directly with HMRC via the self-assessment tax process by the 31 January following the end of the tax year in which the charge was incurred.
- 2.9 An example of how a Tapered Annual Allowance leading to an Annual Allowance Charge and the effect of VSP notice being permitted can be found in **appendix 1**.
- 2.10 The reporting of pension savings upon which an annual allowance charge is due is done via an individual’s self-assessment tax return. The administering authority must also report to HMRC details of members that have exceeded the standard annual allowance.
- 2.11 There is no specific time limit for making a VSP request, however until payment is made the member remains solely liable for the charge. They are also solely liable for any late payment penalties or interest charges incurred if payment is not received by HMRC by the standard self-assessment tax deadline of 31 January following the end of the tax year in which the charge was incurred.
- 2.12 It is recommended that VSP is made available to members of the Cambridgeshire Pension Fund and the policy set out in section 3 be adopted with immediate effect.

3. Policy on ‘Voluntary Scheme Pays’

- 3.1 Cambridgeshire County Council as the administering authority to the Cambridgeshire Pension Fund will accede to a request that they pay an amount of annual allowance charge to HMRC on behalf of a member on a voluntary basis in the following circumstances:
- 3.2 The member provides a signed form of request, obtained from the Pension Fund, which
- Specifies the amount of the annual allowance charge they wish to be paid from the Pension Fund, and the tax year in which it arose, and
 - Confirms that the actual charge incurred was greater than £2,000 if the amount they wish to be paid by the Pension Fund is less than £2,000.
 - Confirms the amount of the charge they have specified was incurred while a member of the Cambridgeshire Pension Fund and it results solely from an increase in pension savings attributable to a pension input amount within the LGPS with the Cambridgeshire Pension Fund, and the charge either:
 - results from the member being subject to a Tapered Annual Allowance, or

- could have been subject to a Mandatory Scheme Pays notice, but is now out of time.

- 3.3 Having acceded to such a request payment of the specified charge will be made to HM Revenue and Customs within 20 working days following receipt of the notice and, following payment, an appropriate adjustment to the member's pension benefits will be made. The adjustment, based on the specified charge paid will be assessed in accordance with guidance issued by the Department for Communities and Local Government and prepared for them by the Government Actuary's department.
- 3.4 The member is solely liable for payment of the annual allowance charge until such time as HM Revenue and Customs receive payment from the Cambridgeshire Pension Fund, and the member will still be liable for any interest and penalties that may apply if payment of the charge is not received by HM Revenue and Customs within the applicable self-assessment tax deadline.

4. 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>
Promote the Scheme as a valuable benefit. <i>Objective 12</i>

5. Finance & Resources Implications

- 5.1 Allowing scheme members to exercise their right to request an Annual Allowance Charge to be paid via Voluntary Scheme Pays will result in additional administration although the amount of members that might wish to exercise this right is expected to be of a low volume.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks in allowing a member to exercise their right to request an Annual Allowance Charge to be paid via Voluntary Scheme Pays. The Annual Allowance Charge remains the member's responsibility.	Not applicable	Not applicable

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

Risk	Risk Rating
The administering authority does not have to allow Voluntary Scheme Pays to scheme members who exceed their personal Tapered Annual Allowance. The Annual Allowance tax charge is the personal responsibility of the scheme member.	Green

7. Communication Implications

Direct Communications	Should the administering authority allow scheme members to pay their Annual Allowance tax charges via Voluntary Scheme Pays, scheme members will be notified of this option when they present and meet the conditions required.
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8. Legal Implications

8.1 There are no legal implications associated with this proposal.

9. Consultation with Key Advisers

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

10. Alternative Options Considered

10.1 The administering authority is entitled to not allow scheme members to utilise Voluntary Scheme Pays.

11. Background Papers

11.1 Not applicable

12. Appendices

12.1 Appendix 1 - Example of a Tapered Annual Allowance leading to Annual Allowance Charge and effect of Voluntary Scheme Pays notice being permitted.

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 Chief Finance Officer/Section 151 Officer?	Sent to Sarah Heywood – 6 October 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 06 October 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 6 October 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 6 October 2017

Appendix 1

Example:

Tapered Annual Allowance leading to Annual Allowance Charge and effect of Voluntary Scheme Pays notice being permitted

55 year old female member with 29 years 'final salary' related service pre 1 April 2014

Pensionable pay of £96,243.00

Standard Annual Allowance = £40,000.00

Tapered Annual Allowance provisions triggered due to taxable income from elsewhere

Tapered Annual Allowance that applies to member in 2016/2017 = £25,000.00

Pension Input for 2016/2017 from LGPS membership = £39,425.00

Available carry forward from previous years = £1,425.00

Pension Input is within the Standard Annual Allowance, however Pension Input exceeds the member's personal Tapered Annual Allowance.

Tapered Annual Allowance	£25,000.00
<u>Less Pension Input for 2016/2017</u>	<u>£39,425.00</u>
Excess over Tapered Annual Allowance	£14,425.00
Available Carry Forward	£1,425.00
Excess subject to Annual Allowance Charge	<u>£13,000.00</u>

If the member's marginal rate of tax was at 45%, an Annual Allowance Charge of £5,850.00 would be incurred by the member (£13,000.00 x 45%)

Mandatory Scheme Pays is not an available option since the standard annual allowance has not been exceeded.

If, however, Voluntary Scheme Pays were available, the member could give notice that they wished the Pension Fund to pay the charge of £5,850.00 to HMRC on their behalf in return for an appropriate adjustment to their pension benefits.

The initial 'offset', or reduction to their annual pension, assuming it were taken at Normal Pension Age (age 67), would be £473.56 calculated as shown on the next page.

Annual Allowance Tax Charge for which Scheme Pays election made £5,850.00 AATAX

Normal Pension Age (i.e. SPA) 67
Age at Relevant Date 55

Formula = $AATAX / (AAFAC \times AAADJ)$

AAFAC 13.88

AAADJ 0.89

combined factor 12.3532

Initial Annual Pension Offset = £473.56

The initial offset amount would be increased in accordance with relevant provisions of the LGPS Regulations 2013 during the period from 5 April 2017 to the member's date of retirement, and following their retirement it is their annual pension after the application of the offset that would be subject to cost of living increase under Pensions Increase provisions.

Should the member retire at a date other than that of their Normal Pension Age, the amount of the offset would be adjusted accordingly; if they retire earlier, the offset applied would be reduced, if they retire later, the offset applied would be increased. Normal Pension Age is set by their State Pension Age as at their date of retirement; this is currently this member's 67th birthday, but this subject to change.

Pensions payable to any survivors in the event of the member's death would not be affected by the pension offset.

A lump sum death grant payable should the member die in service would not be affected; one payable if they were to die either whilst their benefits were deferred or whilst a pension was in payment to them would, however, be affected since death grants in those circumstances are based on a multiple of their pension after deduction of the appropriate pension offset.

CAMBRIDGESHIRE PENSION FUND



Pension Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2017-18
Purpose of the Report	To present the Pension Fund Business Plan Update for the period May to August of the 2017-18 financial year to the Pension Fund Committee.
Recommendations	1) The Committee are asked to note the attached Pension Fund Business Plan Update for the period May to August of the 2017-18 financial year. 2) The Committee are asked to approve the change in target for completion of member requested estimates (2.14.4)
Enquiries to:	Name – Jo Walton, Governance and Regulations Manager E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the key activities during the period May 2017 to August 2017 and ensures that the Pension Fund's objectives are being met.

2. Business Plan Update

2.1. Payroll Reconciliation

- 2.1.1 Following the implementation of Altair pensioner payroll in October 2016 an exercise is being undertaken to reconcile the Altair pensioners' payroll records against Altair administration records to ensure that the correct rate of pension is in payment.
- 2.1.2 The exercise is making good progress with 93.53% of the 17,303 pensioner records being reconciled within agreed tolerances of up to £100pa. This exercise so far has identified 24 overpayments and 123 underpayments. None of the overpayments are of a significant value.
- 2.1.3 The reconciliation is scheduled to complete by 31 December 2017 after which the process of rectifying the over and underpayments will begin.
- 2.1.4 The Pension Fund Committee will continue to be updated with progress.

2.2 Guaranteed Minimum Pension Reconciliation

- 2.2.1 As reported in last Business Plan Update, the reconciliation of GMP liability held by the Fund compared with that held by HMRC has been outsourced to an external data audit company, ITM Limited.
- 2.2.2 ITM Limited have confirmed that 55.5% of the initial 79,624 records have been reconciled. This leaves a further 35,430 records to be reconciled.
- 2.2.3 ITM Limited have raised significant number of queries with HMRC in order to complete the reconciliation. HMRC have now introduced an automated service to respond to these queries and have closed their telephone lines to individual queries.
- 2.2.4 ITM Limited remain confident that they are on track to complete this project by 31 December 2017. Once ITM Limited have finished the reconciliation, LGSS Pensions will rectify any pensions in payment where a corrected GMP alters the value of the pension.
- 2.2.5 In December 2017, the Pension Fund Committee will be presented with a revised version of the current Overpayment of Pension Policy to approve which will incorporate the approach to how overpaid pensions as a result of a revised GMP will be treated.
- 2.2.6 The Pension Fund Committee will continue to be updated as to the progress made in this project through the Business Plan Update reports.

2.3 Overseas Pensioners – proof of existence exercise

- 2.3.1 It has been an internal audit recommendation that a proof of life exercise be conducted on scheme members that live overseas as they are not included in the biennial National Fraud Initiative conducted by the Cabinet Office.
- 2.3.2 As a result Western Union Business Solutions (WUBS) were appointed to carry out this proof of life exercise, being the one of very few providers of this service in the UK.
- 2.3.3 The Western Union Global Existence Transaction Service is used to provide proof of life for pensioner members that live overseas regardless if they continue to bank in the UK.
- 2.3.4 The Western Union Global Existence Transaction Service requires members to attend their nearest Western Union Agent location to collect a £10 currency equivalent that the Fund has sent to them. The £10 represents an appropriate amount of reimbursement of costs that they may have incurred in participating in this exercise. The member is required to produce photographic identification to claim the £10 equivalent which verifies that they are the rightful recipient. This in turn provides proof that the scheme member is alive and well.

- 2.3.5 As at 15 September, 206 of the 225 pensioners in scope of this exercise had completed the process. The remaining 19 pensioners have until the 31 October when the project closes. Any pensioners that have not completed the process by 31 October will have their pensions suspended with effect from 1 November if they have not made contact to explain why they cannot complete the process.
- 2.3.6 Those who do make contact and have a genuine reason why they cannot complete the process will be provided with an alternative method as agreed with internal audit. Any pensions that are suspended will be reinstated with arrears paid once the member has made contact and provided suitable evidence that they are alive and well.
- 2.3.7 A full report on the results of this exercise will be presented to the Pension Fund Committee at the December meeting.

2.4 Overpayment of Pensions

- 2.4.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 May 2017 to 31 August 2017. Further detail is provided in sections 2.4.2 to 2.4.4.

Overpayment Type	Action	Amount	Total
Death of a Pensioner/Dependent	Written off	£7,096.28 (98 cases)	£32,544.50 (125 cases)
	In the process of recovery	£25,448.22 (26 cases)	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

*Total Pensioner Payroll for the 16/17 financial year was £63,156,723.11

- 2.4.2 During the period 1 May 2017 to 31 August 2017, 125 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. Of the overpayments, 98 were automatically written off as the value of the overpayment was less than £250. The remaining 26 cases are currently being pursued for recovery of the overpayment.
- 2.4.3 In this period £139.26 has been recovered to date for the current financial year and £14,444.93 for the previous year across all overpayment types.

2.5 Timeliness of employer and employee pension contributions

- 2.5.1 The following table 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 August 2016 to 31 July 2017.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
August 2016	96.6	3.4	95.9	4.1
September 2016	97.1	2.9	97.3	2.7
October 2016	97.4	2.6	96.7	3.3
November 2016	98.0	2.0	96.8	3.2
December 2016	98.9	1.1	97.6	2.4
January 2017	98.0	2.0	95.0	5.0
February 2017	97.7	2.3	94.7	5.3
March 2017	98.0	2.0	94.4	5.6
April 2017	96.4	3.6	97.8	2.2
May 2017	97.7	2.3	91.7	8.3
June 2017	98.0	2.0	96.0	4.0
July 2017	95.3	4.7	94.3	5.7
Average for period	97.4	2.6	95.7	4.3

2.5.2 Details of late paying employers can be found in **appendix 1** of this report (**Private appendix**)

2.6 Variances against the forecast of investments and administration expenses

2.6.1 The table in appendix 2 provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2017 to 31 August 2017.

2.7 Procurement of actuarial, governance and benefits consultancy updates

2.7.1 The Request for Further Competition to appoint a supplier of Actuarial, Benefits and Governance Consultancy Services from the suppliers available through the National Frameworks was issued on 8 September 2017 with final responses required by 9 October 2017. The tender exercise is therefore on track to enable new contracts for these services to be in place from 1 April 2018.

2.7.2 At this stage all suppliers on the National Frameworks have expressed an interest in supplying services to the Cambridgeshire and Northamptonshire Funds. The exercise is being undertaken jointly between the two Funds with the winning bidder for each Lot entering into a contract with each Fund on identical terms.

2.8 Review of risk register

2.8.1 The risk register has been reviewed and cyber risk has been highlighted for inclusion. The information for this is currently being gathered and will be incorporated on the register by the end of the year.

2.9 LGSS Pensions Service Improvement Plan

- 2.9.1 The desired outcome of the service improvement plan is to – ‘Improve the quality of responses to complex, cross service customer queries. Ensuring that enquiries that require multiple LGSS services input are seamless and effective.’
- 2.9.2 In order to achieve this the service is proactively seeking feedback to establish areas for improvement in this area. As such, employer and member surveys were issued in August and the results of these are due shortly. The interim customer service excellence review and reviews on complaints will also provide valuable information on the timeliness and accuracy of information provided and will highlight any areas for improvement.

2.10 Customer Service Excellence Award

- 2.10.1 The interim Customer Service Excellence Standard review was held on 1 August 2017. Following the review, the assessor concluded that our two previous partial compliance scores could be removed and in addition gained two compliance plus scores.
- 2.10.2 The next interim review will be undertaken in August 2018 with the full assessment to be undertaken in August 2019.

2.11 Scheme employer survey

- 2.11.1 The employer survey was launched in August via survey monkey and closed on 30 September.
- 2.11.2 The results of the survey are currently being analysed and will be fed back to the Committee in December.

2.12 Delivery of communications against the plan

- 2.12.1 In June, deferred members had their annual benefit statements issued electronically for the first time. Statements were issued to 46,121 members (across both Funds) through the Member Self Service (MSS) facility.
- 2.12.2 A campaign was undertaken to ensure members were aware that annual benefit statements would be available in MSS, this entailed emails to employers, posters and intranet articles.
- 2.12.3 In August, 23,522 annual benefit statements were issued for active members via MSS. The 202 members who had opted out of electronic annual benefit statements had their paper statements posted in time to meet the statutory deadline.

2.13 Administration Strategy Consultation

- 2.13.1 The revised Administration Strategy was reviewed by both the Local Pension Board and the Pension Fund Committee and was approved for consultation. The consultation by scheme employers commenced in July 2017 and lasted 30 days, concluding on 11 August 2017.

2.13.2 The consultation was communicated to employers through the publication of the document on the latest news section of the website, the summer employer newsletter and also by direct email. No comments or further discussion was initiated from any employer.

2.13.3 The Administration Strategy can be found on the LGSS Pensions website and is effective from 12 August 2017.

2.14 LGSS Pensions Service and scheme employer key performance indicators

2.14.1 The performance for LGSS Pensions Service for the period 1 May 2017 to 31 August 2017 is as follows -

2.14.2 The full analysis of data for May, June, July and August statistics along with explanations on the lower than expected performance can be found in **appendix 2** of this report.

Key Performance Indicators	Target	Month			
		May	June	July	August
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%	100%	100%	100%	100%
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%	95%	95%	100%	99%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	92%	92%	96%	94%
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%	57%	75%	75%	83%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	66%	95%	96%	81%
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	50%	81%	100%	79%
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%	N/A	N/A	N/A	N/A
Issue annual benefit statements to active members as at 31 March. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	N/A	N/A	98.9% *

*1.1% of statements were not issued due to employers failing to submit year end information prior to the absolute deadline.

2.14.3 An analysis of other LGPS funds' targets in respect of turnaround times for the production of retirement estimates upon request of the scheme member has been undertaken. It was noted that other funds had a much lower and realistic target.

2.14.4 With the Pension Fund Committee's approval, it is recommended that the target for the KPI, "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)" be changed from 90% to 80% and within 15 working days increased from 10. It is proposed that the target be effective from September 2017.

2.14.5 Reducing the target will bring LGSS Pensions into line with the expected performance of other LGPS funds and help to balance competing priorities within the service.

2.14.6 The performance for scheme employers for the period 1 April 2017 to 31 July 2017 is as follows -

Key Performance Indicators	Target %	Month %			
		April	May	June	July
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.	100%	96.1%	97.4%	98%	95.3%
Employers to provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	36.8%*	n/a	n/a	n/a

*85.1% were received by 30 April 2017, however 48.3% of these were returned to respective employers as the quality of the data was inadequate.

3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning.
Objective 4

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 is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

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

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

6. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – (Private) Details of late paying employers

11.2 Appendix 2 - Variances against the forecast of investments and administration expenses

11.3 Appendix 3 – KPI supporting information

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 Section 151 Officer?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Appendix 2 - Variances against the forecast of investments and administration expenses

	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(123,500)	(128,000)	(4,500)	There has been an increase in active membership above levels originally expected
Transfers in from other pension funds:	(5,400)	(5,400)	-	Demand led
Total income	(128,900)	(133,400)	(4,500)	
Benefits payable	98,300	100,000	1,700	Slight increase in Pensioner numbers over expectations.
Payments to and on account of leavers:	(5,400)	(5,400)	-	Demand led
	103,700	105,400	1,700	
Management Expenses	8,156	8,156	-	No anticipated variance at this time.
Total income less expenditure	(17,044)	(19,844)	(2,800)	
Investment Income	(29,000)	(29,000)	-	No anticipated variance at this time.
Taxes on Income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	(£75,000)	-	No anticipated variance at this time
Net return on investments	(104,000)	(104,000)	-	
Net (increase)/decrease in the net assets available for benefits during the year	(121,044)	(123,844)	(2,800)	

Management Expenses	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,494	2,494	-	
Total Governance Expenses	432	432	-	
Total Investment Expenses	5,230	5,230	-	
TOTAL MANAGEMENT EXPENSES	8,156	8,156	-	

Administration Expenses Analysis	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
<i>Staff Related</i>	1,321	1,321	-	
<i>Altair System</i>	261	261	-	
<i>Altair payroll project</i>	0	0	-	
<i>GMP/Payroll Reconciliation Project</i>	150	150	-	<i>One-off cost for 2017/18</i>
<i>Communications</i>	54	54	-	
<i>Other Non-Pay and Income</i>	100	100	-	
<i>County Council Overhead Recovery</i>	608	608	-	
Total Administration Expenses	2,494	2,494	-	

Staff related expenses are forecast to increase from 2016/17 in line with inflationary expectations.

The GMP and Payroll Reconciliation project costs are intended to be a one-off expenditure in order to meet requirements of HMRC to ensure the scheme holds the correct GMP liability for its membership following the cessation of contracting out on 5 April 2016. External expertise is required to complete this project in the most effective manner

Appendix 3 – Key Performance Indicator analysis for May, June, July and August								
May 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	470	470	0	100	G	
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%	90	87	3	97	G	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	62	61	1	98	G	

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	132	66	66	50%	A	Cases outside of SLA target due to the prioritisation of work in other areas
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	26	8	18	31%	R	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	9	3	6	33%	A	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

June 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	413	413	0	100%	G	SLA target met.
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%	75	71	4	95%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	62	57	5	92%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due development of new team members.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	168	126	42	75%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.</p>
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	68	64	4	95%	G	SLA target met.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	16	13	3	81%	A	<p>Cases outside of SLA target are within the statutory target of 3 months.</p> <p>Low volume of case work in this area and this impacts the percentage if there are cases not within target.</p> <p>Cases outside of SLA target due to development of new team members.</p>

July 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	464	464	0	100%	G	SLA target met.
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%	53	53	0	100%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	46	44	2	96%	G	SLA target met.

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%	158	107	41	75%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	27	26	1	96%	G	SLA target met.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	6	6	0	100	G	SLA target met.

August 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	395	395	0	100%	G	SLA target met.
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%	116	115	1	99%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	43	40	3	94%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due to development of new team members

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	178	147	31	83%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.</p> <p>These cases impacted by staff concentrating on the high levels of retirement benefits from active employment. Team have also been dealing with Annual Allowance.</p>
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	80	65	15	81%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to development of new team members.</p>
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	24	19	5	79%	A	<p>Cases outside of SLA target are within the statutory target of 3 months.</p> <p>Increase in volume of tasks completed due to clearance of backlog.</p>

Green:

- Equal to or above SLA target.

Amber:

- If there is a statutory target - below SLA target, but all within statutory target.
- If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

Red:

- If there is a statutory target - below SLA target and all not within statutory target.
- If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Governance Policy & Governance Compliance Statement
Purpose of the Report	To present the revised Governance Policy & Governance Compliance Statement to the Pension Fund Committee.
Recommendations	The Committee are asked to approve the attached Governance Policy and Governance Compliance Statement provided in the appendix to this report
Enquiries to:	Name – Jo Walton, LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 It has been a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force.
- 1.2 The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.
- 1.3 The requirement for the Administering Authority to publish a Governance Policy and Compliance Statement remained in the Local Government Pension Scheme Regulations 2013 the Council (under regulation 55) and the previous review was undertaken in May 2015.
- 1.4 The Administering Authority must keep the policy and statement under review and if revisions are made it should be published and a copy must be sent to the Secretary of State for Communities and Local Government. As such the policy has been reviewed in light of the changes to the constitution to include the Joint Committee and changes in responsibility to the Pension Fund Committee and Investment Sub-Committee.
- 1.5 It is also a statutory requirement that the Governance Policy and Compliance Statement be published in full in the Fund's Annual Report.

2. Scheme of Delegation

- 2.1 The Governance Policy and Compliance Statement has been updated to reflect the new scheme of delegation, which was changed to facilitate asset pooling. This was presented to Full Council on 28 March 2017.
- 2.2 The revised Governance Policy and Compliance Statement (2017) can be found in appendix one.
- 2.3 A document noting changes between the 2015 and 2017 versions of the Governance Policy and Compliance Statement can be found in appendix two.

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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

4. Finance & Resources Implications

- 4.1 There are no financial or resource implications as a result of approving the Governance Policy and Compliance Statement.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no associated risk as the Regulations instruct the Fund to have an up to date Governance and Compliance Statement.	Approval of the revised Governance Policy and Compliance Statement.	Green

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

Risk	Risk Rating
The Governance Policy and Compliance Statement if not approved will result in the Fund not being compliant with LGPS Regulations.	Green
The Governance Policy and Compliance Statement if not approved means that the Fund will have a significant lack of direction, control and structure in the management and governance of its business.	Green

6. Communication Implications

Website	The Governance Policy and Compliance Statement will be published on the Fund's website once approved by the Pension Fund Committee.
Communications	The Governance Policy and Compliance Statement will be sent to the Secretary of State for Communities and Local Government.

7. Legal Implications

- 7.1 Consideration has been given to the requirements of the Local Government Pension Scheme Regulations 2013 in drafting the Governance Policy and Compliance Statement.

8. Consultation with Key Advisers

- 8.1 For the particular updates to this version of the Governance Policy and Compliance Statement, there has been no consultation with the Fund's professional advisers.

9. Alternative Options Considered

- 9.1 There is no alternative but to update the Governance Policy and Compliance Statement at this time as the Local Government Pension Scheme Regulations are clear that this statement must be updated upon every material change.

10. Background Papers

- 10.1 The current Governance Policy and Compliance Statement as approved by the Pension Committee in June 2015 and can be found on the LGSS Pensions Service website at the following link;

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/08/CPF-Governance-Policy-and-Compliance-Statement-June-2015.pdf>

11. Appendices

- 11.1 Appendix One – Governance Policy and Compliance Statement (October 2017)
- 11.2 Appendix Two – Governance Policy and Compliance Statement (June 2015) – comparison document

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 Section 151 Officer?	Sent to Sarah Heywood – 29/9/2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22/9/2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29/9/2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker - 29/9/2017

Cambridgeshire Local Government Pension Scheme (LGPS)

Governance Policy and Compliance Statement (October 2017)

Introduction

This Policy and Compliance Statement details the governance arrangements for the Cambridgeshire Pension Fund, which is maintained by Cambridgeshire County Council, as required by Regulation 53 of the Local Government Pension Scheme Regulations 2013.

Under Regulation 55 of that provision all LGPS Funds are required to produce a Governance Compliance Statement which must be published and revised upon any material change in delegation arrangements.

The statement must set out -

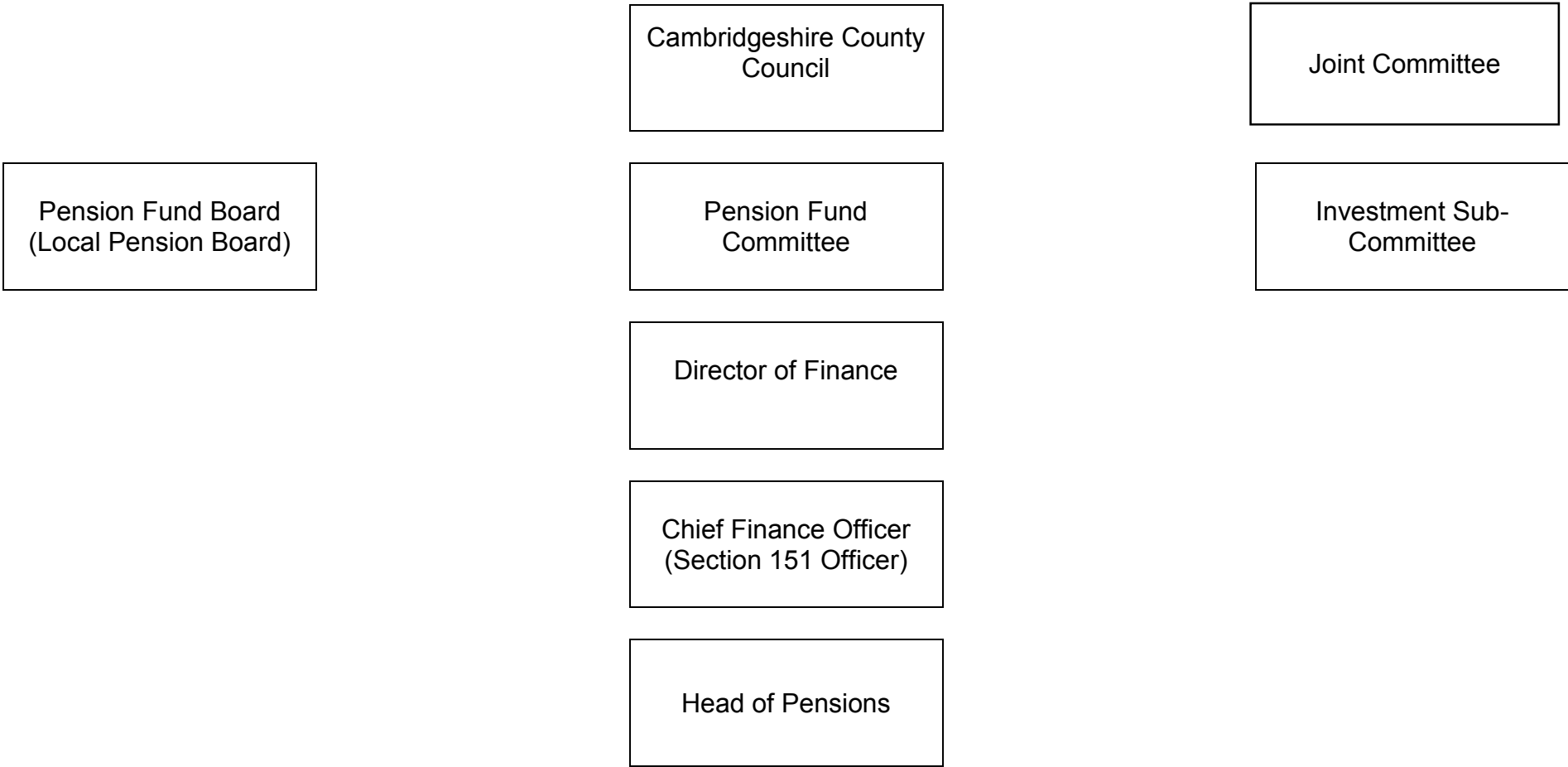
- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority:
- (b) if the authority does so –
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
- (c) the extent to which a delegation, or the absence 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
- (d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 53(4)

Each administering authority must –

- (a) keep the statement under review and make such revisions as are appropriate, following a material change,
- (b) in preparing and reviewing the statement, consult such persons as it considers appropriate,
- (c) publish its statement and any revised statement.

Governance Structure

The Cambridgeshire Pension Fund governance structure is shown below.



Scheme of Delegations for the Cambridgeshire Pension Fund

Cambridgeshire County Council has delegated its functions in relation to the maintenance of the Cambridgeshire Pension Fund to its Committees and Local Pension Board as follows:

Pension Fund Committee

Power to set the Pension Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

- Funding Strategy – ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund. Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
- Investment Strategy – to determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite and to oversee the delivery of the investment strategy by the ACCESS Joint Committee.
- Administration Strategy – the administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
- Communications Strategy – determining the methods of communications with the various stakeholders including scheme members and employers.
- Discretions – determining how the various administering authority discretions are operated for the Fund.
- Governance – the key governance arrangements for the Fund, including representation.
- Risk Management Strategy – to include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

Authority to approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

Authority to agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.

Authority to consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myners Principles on an annual basis.

Appendix 1

Authority to develop and maintain a training policy for all Pension Fund Committee, Investment Sub-Committee and Pension Fund Board members and for all officers of the Fund, including:

- Determining the Fund's knowledge and skills framework;
- Identifying training requirements;
- developing training plans; and
- monitoring attendance at training events.

Authority to select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.

Authority to agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

Authority to consider and determine where necessary, alternative investment strategies for participating employers.

Authority to oversee the work of the Investment Sub-Committee and consider any matters put to them by the Investment Sub-Committee.

Authority to set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.

Authority to review and amend strategic investment policies on an appropriate regular basis, in consultation with the Section 151 Officer.

Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

Production of an annual report for consideration by the Council.

In relation to pooled asset arrangements under the ACCESS Joint Committee:

Determining the requirements of the Administering Authority in relation to the provision of services by ACCESS to enable it to execute its investment strategy effectively.

Receiving and considering reports from the ACCESS Joint Committee in order to ensure that the Fund's investor rights and views are represented appropriately.

Ensuring arrangements are in place to identify and manage the risks and costs associated with investment pooling.

Investment Sub-Committee

Authority to implement the Fund's investment strategy including setting benchmarks and targets for the investment pool operator and reviewing performance against those benchmarks.

Authority to review and maintain the asset allocation of the Fund within parameters agreed with the Pensions Committee

Authority to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary where this is not undertaken by the ACCESS Joint Committee.

Authority to appoint and monitor and where necessary terminate external advisors and service providers solely relating to investment matters, for example, the Fund Custodian, independent investment advisers, investment consultants and investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to set benchmarks and targets for the Fund's investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to monitor the risks inherent in the Fund's investment strategy in relation to the Fund's funding level.

Authority to monitor and review:

- Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
- The investment management fees paid by the Fund and to implement any actions deemed necessary;
- The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment providers as necessary;
- The investment provider's adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance with the UK Stewardship Code.

Authority to receive reports from investment providers.

Authority to undertake any task as delegated by the Pension Committee.

Pension Fund Board (Local Pension Board)

Authority to assisting the Administering Authority to secure compliance with:

- the Principal 2013 Regulations;
- other legislation relating to the governance and administration of the LGPS; and
- the requirements imposed by the Pensions Regulator in relation to the LGPS

Authority to assist the Administering Authority in ensuring effective and efficient governance and administration of the LGPS (including funding and investments).

Joint Committee

The Joint Committee shall exercise functions delegated by the Council, these functions include:

- The procurement, appointment and management of the operator for assets pooled under the joint arrangement;
- The appointment of professional advisors as required for the effective management of asset pools pooled under the joint arrangement;
- Functions related to the management of pooled assets;
- Functions concerning pool aligned assets; and
- Functions relating to the development of the annual business plan and budget relating to the management of assets pooled under the joint arrangement.

Authority to decide, in consultation with the Pensions Committee, the specification of services and functions that the operator will be required to deliver, including the sub-funds and classes of investments required to enable the Council to execute its investment strategy.

Authority to agree the method and process for the procurement and selection of the operator and to select an operator.

Responsibility for reviewing the performance of the operator and making arrangements to ensure that the Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:

- a) The performance of the operator against its contractual requirements and any other performance measures such as any Service Level Agreements (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;
- b) Sub-fund investment performance;
- c) Investment and operational costs;
- d) Performance against the strategic business plan agreed by Councils

Responsibility for making decisions on the termination or extension of the operator contract.

Authority to determine any other action to be taken to manage the operator contract including the giving of any instruction or the making of any recommendation to the operator including, but not restricted to, recommendations on investment managers (within any regulatory constraints that may apply).

Authority to appoint such professional advisors on such terms as the committee sees fit. Any procurement of advisors must comply with the Constitution of the Host Authority.

Functions in relation to management of Pool Assets, including making recommendations to the Council on the strategic plan for the transition of assets that are to be pooled.

Functions in relation to pool aligned assets, including reporting to the Council's about pool aligned assets (including proposals concerning the migration of investments – such as passive investments via life fund policies – to become Pool Aligned Assets).

Authority and duties related to business planning and budgeting of joint arrangements, including:

- 1) Reporting to the Council (through the Pensions Committee) about the annual strategic business plan for the Pool;
- 2) Determination of the budget necessary to implement that plan and meet the expenses of undertaking the specified functions;
- 3) Responsibility for reviewing the structure of the pooled arrangements and making recommendations to the Council about:
 - a) The future of the pool,
 - b) Any changes to the inter authority agreement; and
 - c) The merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the council party to the inter authority agreement.

Responsibility for reviewing the pool at least eighteen months prior to the expiry of each operator contract.

Statutory Functions –

Each authority is responsible for assigning the roles of Monitoring Officer and Chief Financial Officer to specific posts within their structures. These roles may be designated to LGSS officers but this need not be the case. For this reason, the powers and duties associated with these roles have been separated from those allocated to LGSS Officer.

The posts to which these roles are designated are set out in each authority's articles.

Director of Finance

Responsibility for the operational management of the Shared Services within the remit of the Pensions Service and in accordance with the requirements of the Pension Committee and Investment Sub-Committee, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions.

Chief Finance Officer (Section 151 Officer)

To determine all future applications to join CCC's superannuation fund as an admitted body after consultation with the Chairman/woman of the Pension Committee.

To determine any applications to CCC for recommencement of the payment of a widow's pension.

To determine future applications to CCC for the early payment of deferred pension rights.

To exercise discretion as to whom any lump sum death grant should be paid from the CCC Pension Fund.

Detailed implementation of the investment strategy as determined by the Pension Fund Committee and the issuing of any instructions to investment managers consistent with the strategy or required as a matter of urgency to safeguard CCC's/the Fund's position.

To agree any whole fund parameters and assumptions used by the Actuary for the triennial valuation and the phasing of any changes to employer contribution rates after consultation with the Chairman/woman of the Pension Fund Committee.

The Pension Fund Committee

The Pension Fund Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	6	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council.
All other Local Authorities, Police and Fire	2	4 years	Nominations determined by a leaders/chief executives group. Selection will be linked to the election cycle. Details of the process to be agreed by the Chairman/woman.
All other employers	1	4 years	Nominations to be determined by eligible employers. Details of the process to be agreed by the Chairman/woman.
Active Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible active members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Deferred and Pensioner Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible deferred and pensioner members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Total	11		

The Chairman/woman and Vice Chairman/woman of the Pension Fund Committee shall be elected by the Pension Fund Committee.

Full Council may appoint substitute members to the Pension Fund Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee is supported in the execution of its responsibilities by staff from LGSS Pensions (a shared service formed from the joint partnership of

Cambridgeshire County Council and Northamptonshire County Council). The Committee is also supported by professional advisers such e.g. the Fund Actuary.

The Board meets four times a year with an additional Annual General Meeting in July. Additional Task and Finish Groups can meet as necessary to consider and report on matters that require further consideration.

The Investment Sub-Committee

The Investment Sub-Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	4	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council. Details of process to be agreed by the Chairman/woman.
All other employers	2	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	Determined by non-Cambridgeshire County Council employer representatives on the Committee. Details of process to be agreed by the Chairman/woman.
Scheme members	1	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	By agreement between active and deferred pensioner representatives on the Committee. Details of the process to be agreed by the Chairman/woman.
Total	7		

All Investment Sub-Committee members shall be drawn from Pension Fund Committee membership. The Chairman/woman and Vice Chairman/woman of the Investment Sub-Committee shall be the Chairman/woman and Vice Chairman/woman of the Pension Fund Committee respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee may appoint substitute members to the Investment Sub-Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

Appendix 1

The Investment Sub-Committee is supported in the execution of its responsibilities by an institutional investment adviser.

The Investment Sub-Committee meets four times a year.

In addition special meetings of the Investment Sub-Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

The Pension Fund Board (Local Pension Board)

The Pension Fund Board is composed as follows:

Representing	No.	Term of Office	Method of Appointment
Scheme Employers	3	4 years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council. One representative appointed via an open and transparent selection process.
Scheme Members	3	4 years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

The Pension Fund Board has no decision making powers.

The Chairman/woman and Vice Chairman/woman of the Board shall be elected

There are no substitute members.

The Pension Fund Board meets at least twice per year.

The Pension Fund Board reports its activities at the end of each financial year to full Council.

The Joint Committee

The Joint Committee consists of one elected councillor appointed by each Council. The member so appointed must, at the time of the appointment, be an elected councillor serving as a member of the Committee of a Council which discharges the duties the functions of that Council as pension administering authority.

Each Council may appoint a substitute. Any substitute must meet the eligibility requirements in paragraph 1. The substitute may attend any meeting of the Joint Committee or any of its sub-Committees in place of that authority's principal member

Appendix 1

if notice that the substitute will attend is given to the Secretary of the Joint Committee by the Council concerned.

The Joint Committee meet at least four times each year.

The quorum of a meeting is at least 8 members who are entitled to attend and vote.

Each elected member has one vote.

Governance Compliance Statement

This section sets out the extent to which Cambridgeshire Pension Fund governance arrangements are compliant with the latest guidance issued by the Secretary of State for Communities and Local Government;

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.			✓
(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓
B. Representation			
(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include;			✓
(i) employing authorities (including non-scheme employers (e.g. admitted bodies)			✓
(ii) scheme members (including deferred and pensioner scheme members)			✓
(iii) independent professional observers			✓
(iv) expert advisers			✓
(b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓
C. Selection and role of lay members			
(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee			✓
(b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

D. Voting			
(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training/Facility time/Expenses			
(a) that in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.			✓
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.			✓
F. Meetings (frequency/quorum)			
(a) that the Administering Authority's main committee or committees meet at least quarterly.			✓
(b) that an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.			✓
(c) that Administering Authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.			N/A
G. Access			
(a) that subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) that administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

Appendix 2

Cambridgeshire Local Government Pension Scheme (LGPS)

Governance Policy and Compliance Statement (October 2017)

Introduction

This Policy and Compliance Statement details the governance arrangements for the Cambridgeshire Pension Fund, which is maintained by Cambridgeshire County Council, as required by Regulation 53 of the Local Government Pension Scheme Regulations 2013.

Under Regulation 55 of that provision all LGPS Funds are required to produce a Governance Compliance Statement which must be published and revised upon any material change in delegation arrangements.

The statement must set out -

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority:
- (b) if the authority does so –
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
- (c) the extent to which a delegation, or the absence 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
- (d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 53(4)

Each administering authority must –

- (a) keep the statement under review and make such revisions as are appropriate, following a material change,
- (b) in preparing and reviewing the statement, consult such persons as it considers appropriate,
- (c) publish its statement and any revised statement.

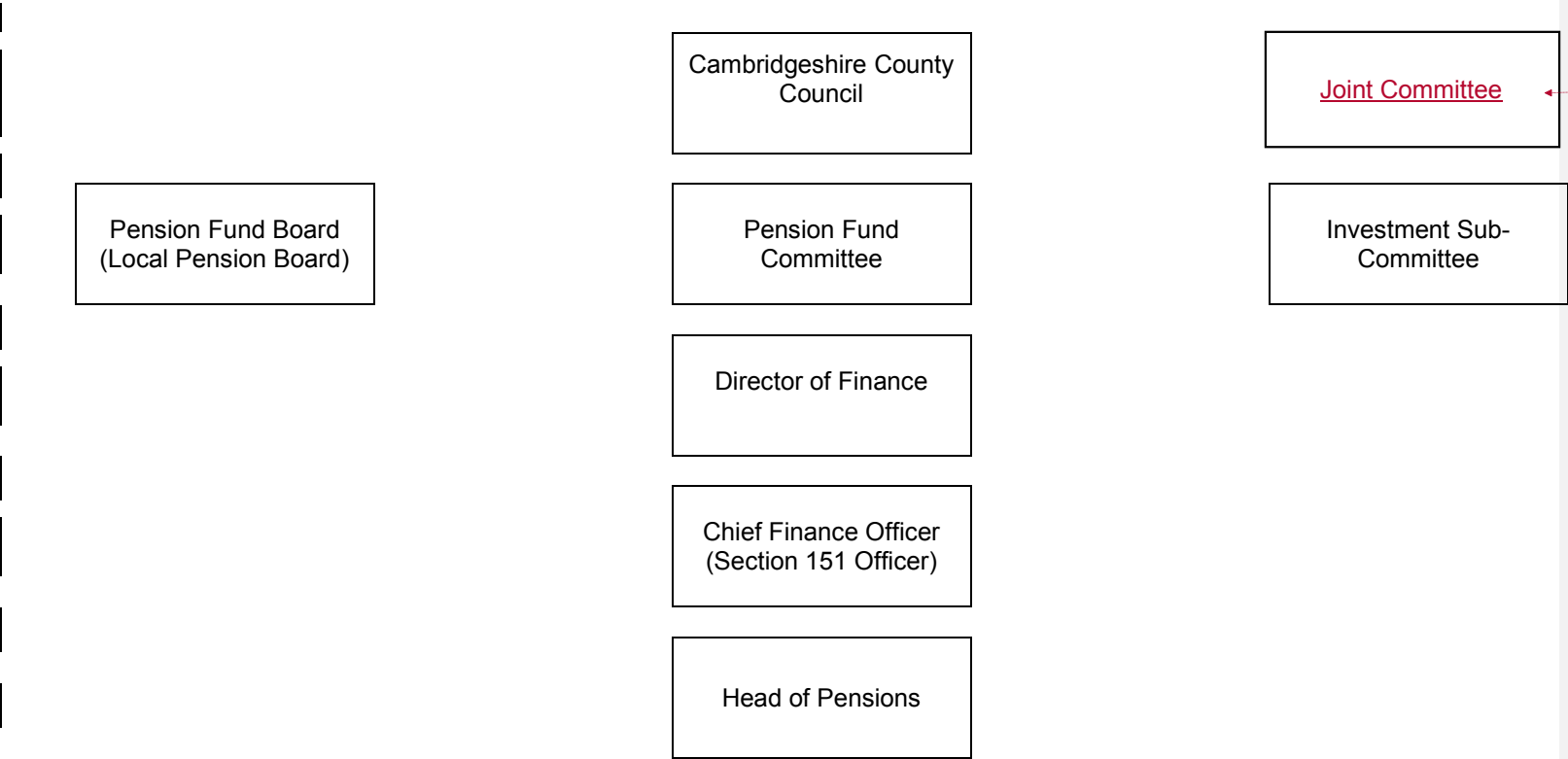
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Governance Structure

The Cambridgeshire Pension Fund governance structure is shown below.



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Scheme of Delegations for the Cambridgeshire Pension Fund

Cambridgeshire County Council has delegated its functions in relation to the maintenance of the Cambridgeshire Pension Fund to its Committees and Local Pension Board as follows:

Pension Fund Committee

Power to set the Pension Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

- Funding Strategy – ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund. Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
- Investment Strategy – to determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite and to oversee the delivery of the investment strategy by the ACCESS Joint Committee.
- Administration Strategy – the administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
- Communications Strategy – determining the methods of communications with the various stakeholders including scheme members and employers.
- Discretions – determining how the various administering authority discretions are operated for the Fund.
- Governance – the key governance arrangements for the Fund, including representation.
- Risk Management Strategy – to include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

Authority to approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

Authority to agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.

Authority to consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myners Principles on an annual basis.

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Appendix 2

Authority to develop and maintain a training policy for all Pension Fund Committee, Investment Sub-Committee and Pension Fund Board members and for all officers of the Fund, including:

- Determining the Fund's knowledge and skills framework;
- Identifying training requirements;
- developing training plans; and
- monitoring attendance at training events.

Authority to select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.

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Authority to agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

Authority to consider and determine where necessary, alternative investment strategies for participating employers.

Authority to oversee the work of the Investment Sub-Committee and consider any matters put to them by the Investment Sub-Committee.

Authority to set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.

Authority to review and amend strategic investment policies on an appropriate regular basis, in consultation with the Section 151 Officer.

Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

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Production of an annual report for consideration by the Council.

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Determining the requirements of the Administering Authority in relation to the provision of services by ACCESS to enable it to execute its investment strategy effectively.

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Receiving and considering reports from the ACCESS Joint Committee in order to ensure that the Fund's investor rights and views are represented appropriately.

Ensuring arrangements are in place to identify and manage the risks and costs associated with investment pooling.

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Investment Sub-Committee

Appendix 2

Authority to implement the Fund's investment strategy including setting benchmarks and targets for the investment pool operator and reviewing performance against those benchmarks.

Authority to review and maintain the asset allocation of the Fund within parameters agreed with the Pensions Committee.

Authority to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary where this is not undertaken by the ACCESS Joint Committee.

Authority to appoint and monitor and where necessary terminate external advisors and service providers solely relating to investment matters, for example, the Fund Custodian, independent investment advisers, investment consultants and investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to set benchmarks and targets for the Fund's investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to monitor the risks inherent in the Fund's investment strategy in relation to the Fund's funding level.

Authority to monitor and review:

- Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
- The investment management fees paid by the Fund and to implement any actions deemed necessary;
- The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment providers as necessary;
- The investment provider's adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance with the UK Stewardship Code.

Authority to receive reports from investment providers.

Authority to undertake any task as delegated by the Pension Committee.

Pension Fund Board (Local Pension Board)

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Deleted: Authority to determine operational matters such as rebalancing and the most appropriate methodology for asset transitions within parameters agreed by the Pension Fund Committee.¶

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Deleted: Authority to refer any matter to the Pension Fund Committee as they consider appropriate.¶

Deleted: Authority to provide minutes and such other information to the Pension Fund Committee as they may request from time to time.

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Authority to assisting the Administering Authority to secure compliance with:

- the Principal 2013 Regulations;
- other legislation relating to the governance and administration of the LGPS; and
- the requirements imposed by the Pensions Regulator in relation to the LGPS

Authority to assist the Administering Authority in ensuring effective and efficient governance and administration of the LGPS (including funding and investments).

Joint Committee

The Joint Committee shall exercise functions delegated by the Council, these functions include:

- The procurement, appointment and management of the operator for assets pooled under the joint arrangement;
- The appointment of professional advisors as required for the effective management of asset pools pooled under the joint arrangement;
- Functions related to the management of pooled assets;
- Functions concerning pool aligned assets; and
- Functions relating to the development of the annual business plan and budget relating to the management of assets pooled under the joint arrangement.

Authority to decide, in consultation with the Pensions Committee, the specification of services and functions that the operator will be required to deliver, including the sub-funds and classes of investments required to enable the Council to execute its investment strategy.

Authority to agree the method and process for the procurement and selection of the operator and to select an operator.

Responsibility for reviewing the performance of the operator and making arrangements to ensure that the Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:

- a) The performance of the operator against its contractual requirements and any other performance measures such as any Service Level Agreements (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;
- b) Sub-fund investment performance;
- c) Investment and operational costs;
- d) Performance against the strategic business plan agreed by Councils

Responsibility for making decisions on the termination or extension of the operator contract.

Appendix 2

Authority to determine any other action to be taken to manage the operator contract including the giving of any instruction or the making of any recommendation to the operator including, but not restricted to, recommendations on investment managers (within any regulatory constraints that may apply).

Authority to appoint such professional advisors on such terms as the committee sees fit. Any procurement of advisors must comply with the Constitution of the Host Authority.

Functions in relation to management of Pool Assets, including making recommendations to the Council on the strategic plan for the transition of assets that are to be pooled.

Functions in relation to pool aligned assets, including reporting to the Council's about pool aligned assets (including proposals concerning the migration of investments – such as passive investments via life fund policies – to become Pool Aligned Assets).

Authority and duties related to business planning and budgeting of joint arrangements, including:

- 1) Reporting to the Council (through the Pensions Committee) about the annual strategic business plan for the Pool;
- 2) Determination of the budget necessary to implement that plan and meet the expenses of undertaking the specified functions;
- 3) Responsibility for reviewing the structure of the pooled arrangements and making recommendations to the Council about:
 - a) The future of the pool,
 - b) Any changes to the inter authority agreement; and
 - c) The merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the council party to the inter authority agreement.

Responsibility for reviewing the pool at least eighteen months prior to the expiry of each operator contract.

Statutory Functions –

Each authority is responsible for assigning the roles of Monitoring Officer and Chief Financial Officer to specific posts within their structures. These roles may be designated to LGSS officers but this need not be the case. For this reason, the powers and duties associated with these roles have been separated from those allocated to LGSS Officer.

The posts to which these roles are designated are set out in each authority's articles.

Director of Finance

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Responsibility for the operational management of the Shared Services within the remit of the Pensions Service and in accordance with the requirements of the Pension Committee and Investment Sub-Committee, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions.

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Chief Finance Officer (Section 151 Officer)

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To determine all future applications to join CCC's superannuation fund as an admitted body after consultation with the Chairman/woman of the Pension Committee.

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To determine any applications to CCC for recommencement of the payment of a widow's pension.

To determine future applications to CCC for the early payment of deferred pension rights.

To exercise discretion as to whom any lump sum death grant should be paid from the CCC Pension Fund.

Detailed implementation of the investment strategy as determined by the Pension Fund Committee and the issuing of any instructions to investment managers consistent with the strategy or required as a matter of urgency to safeguard CCC's/the Fund's position.

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To agree any whole fund parameters and assumptions used by the Actuary for the triennial valuation and the phasing of any changes to employer contribution rates after consultation with the Chairman/woman of the Pension Fund Committee.

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The Pension Fund Committee

The Pension Fund Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	6	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council.
All other Local Authorities, Police and Fire	2	4 years	Nominations determined by a leaders/chief executives group. Selection will be linked to the election cycle. Details of the process to be agreed by the Chairman/woman.
All other employers	1	4 years	Nominations to be determined by eligible employers. Details of the process to be agreed by the Chairman/woman.
Active Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible active members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Deferred and Pensioner Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible deferred and pensioner members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Total	11		

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The Chairman/woman and Vice Chairman/woman of the Pension Fund Committee shall be elected by the Pension Fund Committee.

Full Council may appoint substitute members to the Pension Fund Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee is supported in the execution of its responsibilities by staff from LGSS Pensions (a shared service formed from the joint partnership of

Appendix 2

Cambridgeshire County Council and Northamptonshire County Council). The Committee is also supported by professional advisers such e.g. the Fund Actuary.

The Board meets four times a year with an additional Annual General Meeting in July. Additional Task and Finish Groups can meet as necessary to consider and report on matters that require further consideration.

The Investment Sub-Committee

The Investment Sub-Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	4	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council. Details of process to be agreed by the Chairman/woman.
All other employers	2	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	Determined by non-Cambridgeshire County Council employer representatives on the Committee. Details of process to be agreed by the Chairman/woman.
Scheme members	1	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	By agreement between active and deferred pensioner representatives on the Committee. Details of the process to be agreed by the Chairman/woman.
Total	7		

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All Investment Sub-Committee members shall be drawn from Pension Fund Committee membership. The Chairman/woman and Vice Chairman/woman of the Investment Sub-Committee shall be the Chairman/woman and Vice Chairman/woman of the Pension Fund Committee respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee may appoint substitute members to the Investment Sub-Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

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The Investment Sub-Committee meets four times a year.

In addition special meetings of the Investment Sub-Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

The Pension Fund Board (Local Pension Board)

The Pension Fund Board is composed as follows:

Representing	No.	Term of Office	Method of Appointment
Scheme Employers	3	4 years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council. One representative appointed via an open and transparent selection process.
Scheme Members	3	4 years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

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The Pension Fund Board has no decision making powers.

The Chairman/woman and Vice Chairman/woman of the Board shall be elected

There are no substitute members.

The Pension Fund Board meets at least twice per year.

The Pension Fund Board reports its activities at the end of each financial year to full Council.

The Joint Committee

The Committee consists of one elected councillor appointed by each Council. The member so appointed must, at the time of the appointment, be an elected councillor serving as a member of the Committee of a Council which discharges the duties the functions of that Council as pension administering authority.

Each Council may appoint a substitute. Any substitute must meet the eligibility requirements in paragraph 1. The substitute may attend any meeting of the Joint Committee or any of its sub-Committees in place of that authority's principal member

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if notice that the substitute will attend is given to the Secretary of the Joint Committee by the Council concerned.

The Joint Committee meet at least four times each year.

The quorum of a meeting is at least 8 members who are entitled to attend and vote.

Each elected member has one vote.

Appendix 2

Governance Compliance Statement

This section sets out the extent to which Cambridgeshire Pension Fund governance arrangements are compliant with the latest guidance issued by the Secretary of State for Communities and Local Government;

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.			✓
(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓
B. Representation			
(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include;			✓
(i) employing authorities (including non-scheme employers (e.g. admitted bodies)			✓
(ii) scheme members (including deferred and pensioner scheme members)			✓
(iii) independent professional observers			✓
(iv) expert advisers			✓
(b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓
C. Selection and role of lay members			
(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee			✓
(b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

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D. Voting			
(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training/Facility time/Expenses			
(a) that in relation to <u>the</u> way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.			✓
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.			✓
F. Meetings (frequency/quorum)			
(a) that the Administering Authority's main committee or committees meet at least quarterly.			✓
(b) that an Administering Authority's secondary committee of panel meet at least twice a year and is synchronised with the dates when the main committee sits.			✓
(c) that Administering Authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.			N/A
G. Access			
(a) that subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) that administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

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**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy
Purpose of the Report	To present the Anti-Fraud and Corruption Policy to the Pension Fund Committee.
Recommendations	The Pension Fund Committee are asked to – 1) Approve the Anti –Fraud and Corruption Policy. 2).Confirm that immaterial amendments to the Policy can be approved through delegated authority to the Head of Pensions. 3) Confirm that material amendments to the Policy can be made via the Chairman of the Pension Fund Committee on behalf of the Committee.
Enquiries to:	Michelle Oakensen – LGSS Pensions, Governance Officer moakensen@northamptonshire.gov.uk

1. Background

- 1.1 The administering authority is responsible for ensuring appropriate policies are in place for the safeguarding of the Fund's assets through appropriate methods of risk management. It is therefore appropriate for the Fund to have in place and Anti-Fraud and Corruption Policy.
- 1.2 As such, officers of the Fund have drafted an Anti-Fraud and Corruption Policy which has had oversight by the Pension Fund Board and Internal Audit.

2. Purpose of the Policy

- 2.1 The administering authority promotes a zero tolerance approach towards fraud, corruption and other malpractice for personal gain. Dishonesty, lack of integrity avoidance of controls and failure to comply with agreed policies will not be tolerated.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public funds are everyone's responsibility.
- 2.3 The publication of the Anti-Fraud and Corruption Policy and regularly reinforcing that the administering authority operates a zero tolerance approach will help deter those considering perpetrating fraudulent activity.

3. Detection and prevention of Fraud and Corruption

- 3.1 Cambridgeshire Pension Fund proactively takes steps to prevent fraud and corruption in the following areas:
- Member fraud prevention;
 - Employer fraud prevention; and
 - Administration fraud prevention.
- 3.2 The policy identifies activities to prevent fraud and sets out timescales and responsibility to ensure the Fund is mitigating the risk of fraud and corruption.
- 3.3 All suspected irregularities are investigated by officers in the first instance and will be dealt with in a timely manner. All probable and confirmed cases are required to be reported to Internal Audit by the Head of Pensions.
- 3.4 Any decision to refer a matter to the police will be taken by the Head of Pensions and Audit Manager in consultation with the Council's Section 151 Officer and the Chairman of the Pension Fund Committee.
- 3.5 All cases of fraud will be reported to both the Pension Fund Committee and Local Pension Board. Full details will be provided including the changes that have been made to prevent reoccurrence in the future.

4. Incorporated recommendations from the Local Pension Board

- 4.1 Following recommendations from both the Cambridgeshire and Northamptonshire Local Pension Boards, the Anti-Fraud and Corruption Policy has had the following points addressed:
- Provisions for UK mortality checks will be looked into once overseas provision are in place;
 - More detail has been added to the detection and prevention of fraud and corruption table in section 10 of the policy for clarity on the process if fraud was to be detected;
 - Destruction of evidence has also been included in the table as it was referenced in the objectives but not the body of the policy; and;
 - The word timely has been removed from the policy and replaced with specific timeframes.

5. Incorporated recommendations from Internal Audit

- 5.1 After incorporating the Local Pension Board recommendations, the policy was reviewed by LGSS Internal Audit. The following points have been incorporated into the policy following this review:
- Updated definitions of fraud and corruption – corruption has been extended to include bribery.
 - Removed references to the Audit Commission
 - Reference to the Fraud Act 2006; and
 - Additional further reading links have been added.

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>
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>

7. Finance & Resources Implications

7.1 There are no finance or resource implications associated with this policy.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with proactively preventing fraud and corruption unless the policy is insufficient in addressing the means by which potential fraud and corruption may occur and lack of controls in place to deter it.	Active fraud prevention in line with the Fund's risk register.	Green

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

Risk	Risk Rating
If the Fund does not monitor and report fraud cases the Fund is at risk of losing financially, affecting all stakeholders.	Amber

9. Communication Implications

Direct Communications	The Fund will publish the policy on its website
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10. Legal Implications

10.1 Not applicable

11. Consultation with Key Advisers

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

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Not applicable

14. Appendices

14.1 Appendix 1 – Anti-Fraud and Corruption Policy

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 Section 151 Officer?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 18 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy 2017

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1. Introduction

- 1.1 This is the Anti-Fraud and Corruption Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 This policy clearly demonstrates that Cambridgeshire Pension Fund will take all necessary steps to prevent fraud and corruption. Every effort will be made to detect any such attempts and will robustly pursue those responsible and recover losses, referring matters to the Police where appropriate.
- 1.3 Fraud and corruption is defined as: -
- Fraud – ‘The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.’
 - Bribery and Corruption – ‘A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity’.

2. Policy Objectives

- 2.1 The Fund’s objectives related to this policy are as follows:
- 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;
 - 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;
 - Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate; and
 - Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

3. Purpose of the Policy

- 3.1 The purpose of the policy is to –
- Prevent ongoing losses of funds where fraud has occurred and to maximise the potential for recovery;
 - Minimise the occurrence of fraud by taking rapid action at the earliest opportunity;
 - Minimise the chance of destruction of evidence;
 - Maximise the chances of success in future sanction action, including criminal prosecution
 - Minimise adverse publicity

4. Effective date

- 4.1 This Policy was approved by the Pension Fund Committee on XX and is effective from xx.

5. Review

- 5.1 This Anti-Fraud and Corruption Policy is expected to be appropriate for the long-term but it will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

6. Scope

- 6.1 This policy applies to -
- members of the Pension Fund Committee;
 - members of the Local Pension Board;
 - employers of the Fund;
 - relevant stakeholders to the Fund;
 - professional organisations that provide services to the Fund (e.g. Custodian, fund managers); and
 - professional advisors.

Officers of the Fund and County Councillors are covered by the LGSS Corporate Anti-Fraud and Corruption Policy.

7. Culture

- 7.1 The administering authority promotes a zero tolerance approach towards fraud, corruption and other malpractice for personal gain. Dishonesty, lack of integrity avoidance of controls and failure to comply with agreed policies will not be tolerated.
- 7.2 The prevention/detection of fraud/corruption and the protection of the public funds are everyone's responsibility and of paramount importance to the authority.
- 7.3 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- a criminal offence;
 - a failure to comply with a statutory or legal obligation;
 - improper unauthorised use of public or other funds;
 - a miscarriage of justice;
 - maladministration, misconduct or malpractice; and/or
 - deliberate concealment of any of the above.
- 7.4 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions. The administering authority will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 7.5 When fraud or corruption have occurred because of a breakdown in systems or procedures, the administering authority will ensure that appropriate improvements are implemented to prevent a reoccurrence.

8. Statutory Duties

- 8.1 The Head of Internal Audit – The Head of Internal Audit has a duty to monitor instances of financial irregularities within the Council as a whole, and to report certain details to external bodies, such as External Audit. The Head of Internal Audit also has a duty to ensure that appropriate investigations are carried out.
- 8.2 Section 151 Officer – Under section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985 the Section 151 Officer has a statutory duty to ensure that there are proper arrangements in place to administer the Council's financial affairs (as the administering authority).
- 8.3 Director of Finance – The Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the role of the Chief Finance Officer/ Director of Finance (CFO) lists one of the CFO's core responsibilities as 'implementing appropriate measures to prevent and detect fraud and corruption'.

9. Deterrence

- 9.1 The publication of this Anti-Fraud and Corruption Policy and regularly reinforcing that the administering authority operates a zero tolerance approach will help deter those considering perpetrating fraudulent activity.
- 9.2 Where any loss is incurred to fraud and corruption the administering authority will take action to recover monies owed.
- 9.3 Managers are expected to conduct risk reviews of the systems and procedures for which they are responsible and proactively update where weakness has been identified.
- 9.4 Pension Fund Committee and Local Pension Board members receive regular reports on Internal Audit activity and these will include summary details of investigations into allegations of fraud and financial impropriety.
- 9.5 After an investigation, sanctions will be applied where fraud and corruption are proven to be present. This will be done in a comprehensive, consistent and proportionate manner whereby all possible sanctions – disciplinary, civil and criminal are considered. For elected members this will include the sanctions available for breaches of the Members' Code of Conduct. The level of sanction pursued will be considered at the end of the investigative process when all evidence is available.

10. Detection and prevention of fraud and corruption by the Cambridgeshire Pension Fund.

- 10.1 The below table demonstrates the activity undertaken by Cambridgeshire Pension Fund to mitigate the likelihood of fraud and corruption occurring –

Activity	Detail of activity	Responsibility
Participation in the National Fraud Initiative every two years	The National Fraud Initiative (NFI) exercise matches electronic data within and between public and private sector bodies to prevent and detect fraud.	Pensions Officers are responsible for starting investigations into the members identified within one month of the report being received. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Mortality checks for overseas pensioners every two years*	Pensioners living abroad will be required to visit a Western Union Branch in order to complete a life certificate and will also be required to provide identification.	Pension Officers are responsible for overseeing the process with Western Union and ensuring the appropriate action is taken up with relevant teams upon review of the findings. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Returned payslips	Pensioner payslips are sent the first month an individual receives a pension, and then if their net pay changes by more or less than £5 from one month to the next. Payslips are also issued every March, April and May to reflect pensions increase. Returned payslips could be due to a change of address or death of member.	Investigations to be carried out by Pensions Officers within one month of the returned payslip being received. The member payroll record will be immediately suspended until contact is re-established with the scheme member or confirmation of the member's death. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Returned BACS payments	BACS payments returned to the Fund by the recipient's bank/building society shortly after the payment date if the account has closed or an error has occurred. The returned payment could be due to a change of bank details or death of member.	Investigations to be carried out by Pensions Officers within one month of the returned payment. The member payroll records will be suspended until contact is re-established with the scheme member or confirmation of the member's death. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.

Activity	Detail of activity	Responsibility
Falsification/non submission of documents (Member)	Members may provide incorrect information for financial gain.	All birth, death and marriage/civil partnership certificates need signing and verifying by the individual submitting them. All benefits need to be claimed via a signed declaration. Pensions Officers are responsible to carrying out the necessary security checks before benefits are paid. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Reconciliation of Employer and Employee contributions	It is a statutory requirement for employers to pay both employee and employer contributions to the Fund by the 19 th of the month following deduction. If the contributions are not paid it could indicate improper use of employee contributions in addition to the failure to comply with a statutory obligation.	Investigations by Pensions Officers will be carried out by the end of the month following non receipt of contributions and irregularities between payments and schedules. Relevant cases are escalated in line with the Payment of Employee and Employer Pension Contributions Policy. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Falsification/non submission of documents (Employer)	Employers may provide the service with incorrect data in order to gain financially.	Data verification checks to look for inconsistencies. Data matched against contribution information for the valuation carried out by the actuary. Electronic signatures are only accepted from a verified email address from authorised personnel. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Employee maladministration	Members may provide incorrect information for financial gain.	It is the responsibility of the Pensions Officer releasing the payment generated by another Officer to ensure the payment is of the correct amount and to the correct individual. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.

Activity	Detail of activity	Responsibility
Destruction of evidence	There is a clear separation of duties between employees and all calculations and payments are checked at a more senior level. The pensions Altair system report can identify all changes/deletions on all member records if required.	Officers are responsible for keeping accurate member records. The Altair Pensions System can track changes on all member records and any suspicious activity can be investigated through a system report. The Head of Pensions will be notified of any tampering with records and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Internal Audit Reviews	Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. They liaise with management to recommend changes in procedures to prevent further losses to the Fund.	Internal Audit will conduct an annual review that is then presented to the Pensions Committee and Local Pension Board. Relevant actions will be addressed by the Head of Pensions. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
External Audit Reviews	Independent external audit is an essential safeguard in the stewardship of public money. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.	External Audit will conduct an annual review that is then presented to the Pensions Committee and Local Pension Board. Relevant actions will be addressed by the Head of Pensions. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Conflicts of Interest	Pension Committee and Local Pension Board members must ensure that they avoid situations where there is a potential for a conflict of interest. Declarations ensure potential conflicts are identified and dealt with appropriately mitigating the risk of fraudulent activity.	Pension Committee and Local Pension Board members are required to declare potential conflicts at the start of each meeting. Democratic Services are responsible for ensuring all declarations are held on the Council's register.

*Once overseas mortality checks are in place for overseas pensioners Officers will look into provisions available for UK pensioners.

- 10.2 The Public Interest Disclosure Act 1998 (the “Act”) places a legal responsibility on employers to ensure that matters of serious public concern can be addressed
- 10.3 A ‘qualifying disclosure’ is any disclosure of information that is made in the public interest and in the reasonable belief of the individual may show that one or more of the following is either happening at the present time, took place in the past or is likely to happen in the future:
- a criminal offence
 - a miscarriage of justice
 - an act creating risk to health and safety
 - an act causing damage to the environment
 - a breach of any other legal obligation; or
 - concealment of any of the above
- 10.4 In making the disclosure, an individual must have a reasonable belief that the information disclosed shows one or more of the offences or breaches listed above. The belief need not be correct, but the individual must show that they held the belief and that it was a reasonable belief, in the circumstances, at the time of the disclosure.
- 10.5 Many fraudulent activities are discovered by chance or ‘tip off’ and the administering authority promotes the Whistleblowing policy to encourage and enable these to be reported.
- 10.6 Members of the public are encouraged to report any concerns which they may have through the external Whistleblowing process or by using the Fund complaints procedure.

11. Investigation

- 11.1 All suspected irregularities are investigated within the Pensions Service in the first instance and will be dealt within 2 months of identification. All probable and confirmed cases are required to be reported to Internal Audit by the Head of Pensions.

This is essential to the policy, to:

- ensure the consistent treatment of information regarding fraud and corruption;
 - facilitate a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the CPIA and PACE codes of practice.
- 11.2 Internal audit carries out investigations and follows up appropriately as per the LGSS Corporate Policy. Fraud is a serious offence and is covered by the Fraud Act 2006.

12. Sanctions

- 12.1 It is highly likely that the administering authority will seek to prosecute offenders wherever appropriate. However, the administering authority also recognises that it may not always be in the public interest to refer cases for criminal proceedings.
- 12.2 Any decision to refer a matter to the police will be taken by the Head of Pensions and Audit Manager in consultation with the Council’s Section 151 Officer and the Chairman of the Pension Fund Committee.

13. Related Documents

- 13.1 The Cambridgeshire County Council Anti-Fraud Policy and Fraud Response Plan can be found –
<http://sharepoint.lgss.local/Pages/Anti-fraud-and-corruption.aspx>
- 13.2 Further details of the National Fraud Initiative can be found –
<https://www.gov.uk/government/collections/national-fraud-initiative>
- 13.3 Fighting Fraud and Corruption Locally can be found –
<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>
- 13.4 CPIA Code of Practice can be found –
<https://www.gov.uk/government/publications/criminal-procedure-and-investigations-act-code-of-practice>
- 13.5 The Fraud Act 2006 can be found –
<http://www.legislation.gov.uk/ukpga/2006/35/contents>

14. Contact details

- 14.1 If you require further details surrounding this policy please contact –

Mark Whitby
Head of Pensions
07990 556197
MWhitby@northamptonshire.gov.uk

Joanne Walton
Governance and Regulations Manager
07342 065329
JWalton@northamptonshire.gov.uk

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Payment of Employee and Employer Pension Contribution Policy Review
Purpose of the Report	To present the reviewed Payment of Employee and Employer Pension Contribution Policy
Recommendations	<p>The Committee are asked to –</p> <p>1) Approve the amendments made to the policy.</p> <p>2) Confirm that future immaterial amendments to the policy can be approved through delegated authority to the Head of Pensions.</p> <p>3) Confirm that material amendments to the policy can be made via the Chairman of the Pensions Committee on behalf of the Committee.</p>
Enquiries to:	Michelle Oakensen, LGSS Pensions, Governance Officer moakensen@northamptonshire.gov.uk

1. Background

- 1.1 In December 2015 the Payment of Employee and Employer Pension Contribution Policy was presented to the Pension Fund Committee for approval. The aim of the policy is to ensure that employers are aware of their statutory obligations in regards to the payment of both employee and employer pension contributions to the Fund.

2. Review

- 2.1 As the policy has been in force for over 12 months it was felt appropriate to review the effectiveness of the policy.
- 2.2 The following revisions have been made to the policy –
- The wording has been strengthened to clearly state that payments must be **cleared** in the Cambridgeshire Pension Fund bank account by the 19th of the month following deduction (section 7.2);

- Reporting scheme employers that pay their contributions late to the Pensions Regulator has been removed from the potential consequences of repeated non-compliance and has been incorporated under section 8 of the policy 'Reporting late payments to the Pensions Regulator'. The policy now states that if a scheme employer makes 3 consecutive late payments or 3 late payments in a rolling 6 month period they will be reported to the Pensions Regulator in line with the code of practice;
- The escalation process and the reporting to the Pensions Regulator have been clearly defined as 2 separate processes (section 8 and section 10);
- Following the approval of the Administration Strategy in June 2017, the policy now reflects the same fee structure and interest payable for consistency (section 9);
- The policy now states that the Pension Fund Committee will receive details of all late/non-payments and for any employers where a resolution has not been reached the Employer Services and Systems Manager, in conjunction with the Head of Pensions, will look at further courses of action and will inform the Chairman of the Pension Fund Committee (section 11).

3. Next steps

- 3.1 Once the policy has been approved it will replace the original version on the LGSS Pensions website. The revised policy will also be sent to all scheme employers as a reminder of their statutory obligations and as standard practice the policy will be sent to all new employers of the scheme.
- 3.2 In addition, all e-mails sent to employers from within the service will be reviewed to ensure a clear consistent message is being delivered and that prior warning is given regarding reporting late payments to the Pensions Regulator in all correspondence.

4. 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>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
Deliver consistent plain English communications to Stakeholders. <i>Objective 13</i>
Ensure cash flows in to and out of the Fund are timely and of the correct amount. <i>Objective 16</i>
Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. <i>Objective 17</i>

5. Finance and resource implications

- 5.1 Not applicable.

6. Risk implications

a) Risks associated with this proposal

Risk	Mitigation	Residual risk
No risks associated with this proposal		

b) Risks associated with not undertaking this proposal

Risk	Fund objective at risk (refer to section 4)	Risk rating
The Fund could be open to challenge if aspects of the policy are open to interpretation	1, 13	Green
Failing to closely monitor receipt of accurate and timely employee and employer contributions would not be acting in the best interests of the scheme members	2, 10, 16, 17	Green

7. Communication implications

Direct Communications	Emails to be sent to scheme employers after late/missing payments
Website	To be updated with current policy

8. Legal implications

8.1 Not applicable

9. Consultation with key advisers

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

10. Alternative options considered

10.1 Not applicable

11. Background Papers

11.1 Not applicable

12. Appendices

12.1 Draft revised Payment of Employee and Employer Contributions Policy

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?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 15 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Payment of Employee and Employer Pension Contributions Policy

2017

Cambridgeshire Pension Fund

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1. Introduction

- 1.1 This is the Payment of Employee and Employer Contributions Policy for Cambridgeshire Pension Fund which is administered by LGSS Pensions on behalf of Cambridgeshire County Council (the Administering Authority).
- 1.2 This policy sets out the expectations of the Scheme Employer with regards to the payment of employee and employer pension contributions and the associated reconciliation processes performed by LGSS Pensions Officers of the Fund.
- 1.3 The ultimate aim of the policy is to ensure that employee and employer pension contributions and associated schedules to inform the breakdown of the payments are received on time (on or before the 19th of the month following the month of deduction) in accordance with prevailing legislation and are reconciled by the Fund in an appropriate timescale to aid swift resolution of any unpaid monies.
- 1.4 It is essential that contribution income is received on time to ensure that the Fund has sufficient cash available to meet its benefit payment obligations.

2. Policy objectives

- 2.1 The Fund's objectives relating to this Policy are:
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.
 - Maintain accurate records and ensure data is protected and has authorised use only.
 - Administer the Fund in a cost effective and efficient manner utilising technology.
 - Ensure the Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration function of the Fund.
 - Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.
 - To ensure that sufficient resources are available to meet all liabilities as they fall due.

3. Purpose of the policy

3.1 The purpose of the policy is to –

- have a robust process in place for managing payments and schedules received both on time and after the statutory deadline;
- ensure employers are given appropriate information in regards to the consequences of making payments and providing schedules after the statutory deadline; and
- meet the required needs in relation to the Fund's objectives.

4. Effective date and reviews

4.1 This policy was first approved by the Pension Committee and was effective from 1 April 2016. .

4.2 The policy was subject to its first review in October 2017 and became effective from 1 November 2017.

4.3 This policy will continue to be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

5.1 This policy applies to the following –

- officers of the Fund;
- members of the Pension Committee;
- members of the Local Pension Board; and
- employers of the Fund.

6. Legal requirements

6.1 Regulation 67 and 69 of The Local Government Pension Scheme Regulations 2013 states that payment of both employee and employer contributions along with a schedule as specified by the Administering Authority must be submitted by the 19th day of the month following deduction as per overriding legislation, Regulation 49 of the Pensions Act 1995.

6.2 Regulation 5 of The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 provides that the Administering Authority keep accurate records of transactions which emphasises the requirement for employers to submit accurate and timely schedules along with their payments.

6.3 The Pensions Regulator also enforces the legal obligation of employers to pay over pension contributions and provide a schedule as detailed in the Pensions Regulator's Code of Practice (14): Governance and Administration of public service pension schemes.

7. Monitoring late payments

7.1 A late payment (including contributions expressed as a monetary amount, i.e. a cash deficit payment) is constituted by either late submission of payment schedule and/or late payment of contributions to the Fund. Both schedule and payment are due to the Fund by the 19th day of

the month following deduction. As default, monetary deficit payments should be paid on a monthly basis. Any arrangement to pay in other frequencies must be approved by the Head of Pensions.

- 7.2 All contribution payments must be cleared in the Cambridgeshire Pension Fund bank account by the 19th day of the month following deduction.

8. Reporting late payments of contributions to the Pensions Regulator

- 8.1 If a scheme employer makes three consecutive late payments or three late payments in a rolling six month period they will be reported to the Pensions Regulator in line with the Code of Practice.

9. Administration fees and interest payable in respect of late and inaccurate payments and schedules

- 9.1 In line with the Cambridgeshire Pension Fund Administration Strategy if a scheme employer submits a schedule and/or payment late the Fund has the discretion to charge the following:

Description	Administration Fee (per occurrence)
Late/inaccurate submission of payment schedule	£80
Late/inaccurate payment of contributions	£80 if no interest charge Additional £100 if interest charges need to be calculated (Interest payable at prevailing rate if payment more than 30 days late)

- 9.2 Cambridgeshire Pension Fund will also reserve the right to charge interest in accordance with Regulation 44 of The Local Government Pension Scheme Regulations 2013, which states interest should be charged at the Bank of England Base Rate plus one percent compounded in 3 month rests.

10. Internal escalation process for dealing with late submission of payments and/or schedules

- 10.1 In circumstances where a scheme employer fails to meet the statutory requirements the protocol as detailed in appendix 1 will be applied.

11. Potential additional consequences for the scheme employer of repeated non-compliance

- 11.1 All late payments will be reported to the Pension Fund Committee and the Local Pension Board on a quarterly basis. For any scheme employers where a resolution has not been reached, the Employer Services and Systems Manager, with the Head of Pensions, will submit a proposal to the Chairman of the Pension Fund Committee for potential courses of further action. Further courses of action could take the form of the following:

- If the scheme employer is an admission body the Fund has the ability to terminate the Admission Agreement under the terms of that Agreement.
- Any other course of action in line with the regulations as deemed appropriate by the Pension Fund Committee.

Appendix 1 - Internal escalation process for dealing with late submission of payments and/or schedules

Stage	Owner	Action	Timescale to respond	Detail
1.	Investment and Fund Accounting Manager	Contact the scheme employer/payroll provider by the end of the calendar month that the payment/schedule falls due i.e. if payment was due 19 th May the scheme employer/payroll provider must be contacted by the 31 st May ^{*/**}	Scheme Employer/Payroll provider is given a further 5 working days to submit schedule/payment	The scheme employer/payroll provider is informed of non-compliance. LGSS Pensions to record incidence of non-compliance for future reference. The point of contact for stage 1 should be the individual that usually submits the payment/schedule.
2.	Investment and Fund Accounting Manager	If not received within 5 working days, the Funding Team issue second reminder within 3 working days ^{*/**}	The scheme employer/payroll provider is given a further 5 working days to submit schedule/payment	The scheme employer/payroll provider is informed of non-compliance and informed that the next step is escalation to the Employers Team. Where applicable, payroll providers are advised that the Employers Team will raise the issue with the scheme employer. LGSS Pensions to record incidence of non-compliance for future reference. The point of contact for stage 2 should be the Line manager of contact in stage 1.
3.	Investment and Fund Accounting Manager	If not received within 5 working days, the Funding Team escalate to the Employers Team within 2 working days ^{**}		
4.	Employer Services and Systems Manager	The Employers Team to contact the scheme employer within 3 working days after escalation ^{**}	5 working days to submit schedule/payment	The scheme employer is informed of possible ramifications if payment is not received within 5 days. If payment is not received the Employer Services and Systems Manager will make a decision on what action to take and inform the Chairman of the Pension Fund Committee. This communication should be to the highest appropriate level of authority due to the severity. If the payroll provider has failed to submit schedule/payment the scheme employer is advised and reminded that overall responsibility rests with them and they have a further 5 working days to have the matter resolved.

* If the Employer advises they are unable to pay, escalate straight to the Employers Team

** All contact with a Scheme Employer/Payroll provider must be followed up by e-mail

The Fund has the right to extend deadlines where exceptional circumstances arise and where it is not feasible for an action to be carried out within the above timescales. Any extension must be agreed by the Head of Pensions (or delegated authority).

If it is the second consecutive month or second month in a rolling six month period, the start point should be stage 2 above.

If it is the third consecutive month or third month in a rolling six month period, the start point should be stage 4 above.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Employer Admissions and Cessations Report
Purpose of the Report	To report the admission of four academy trusts; one admission body and one resolution body to the Cambridgeshire Pension fund and to report the cessation of three employers from the fund.
Recommendations	<p>That the Pension Committee</p> <ol style="list-style-type: none"> Notes the admission of the following Multi Academy Trusts to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> Astrea Academy Trust The Lime Trust Morris Education Trust Samuel Ward Academy Trust Approves the admission of the following admission body to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> Solutions for Health Notes the admission of the following resolution body to the Cambridgeshire Pension Fund <ul style="list-style-type: none"> Balsham Parish Council Notes the current withdrawal from the Cambridgeshire Pension Fund of the following bodies: <ul style="list-style-type: none"> Lunchtime UK Ltd (Swaffham Prior) Peterborough Women's Aid Innovate Services Ltd
Enquiries to:	<p>Name – Mark Whitby, Head of LGSS Pensions Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk</p>

1. Background

- 1.1 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.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Committee.

2. New Scheduled Body

- 2.1 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.
- 2.2 The LGPS Regulations recognise the proprietor of an Academy Trust as a 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.

Date	New Academy/Trust
01/06/2017	Astrea Academy Trust
01/08/2017	The Lime Trust
01/04/2017	Morris Education Trust
01/07/2017	Samuel Ward Academy Trust

- 2.3 Actuarial advice has been sought on appropriate employer contribution rates from the fund actuary and these will be advised to the new Academy proprietors.

3. New Admission Body

- 3.1 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.

- 3.2 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.*”
- 3.3 The Pension Committee is asked to note that the following has become a new admission body in the Cambridgeshire Pension Fund under paragraph 1(d)(i)

Date	New Admission Body	Background information
01/04/2017	Solutions For Health	Peterborough City Council tendered and outsourced their Integrated Healthy Lifestyle Service. The staff transferred to Solutions For Health under TUPE regulations and have applied for admitted body status. Solutions for Health will provide a bond in respect of insuring against liabilities from this admission which satisfies the requirements of the Fund's Admissions policy.

4. New Designating Body

- 4.1 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.
- 4.2 The designating body has to pass a resolution to designate employees as being eligible for membership of the Local Government Pension Scheme.
- 4.3 The Pension Committee is asked to note that the following employer is a designating body by means of being a pre-cepting 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.

Date	New designating body
19/06/2017	Balsham Parish Council

5. Cessations

5.1 Peterborough Women's Aid

- 5.1.1 Peterborough Women's Aid were admitted to the fund under an transferee admission agreement, dated 1 April 2014, after entering into a contract to provide domestic abuse and sexual violence advocacy services on behalf of Peterborough City Council, which resulted in the transfer of one employee, under TUPE arrangements.

5.1.2 The admission agreement has now ceased following the last active member leaving the Scheme on 31 March 2017. All employee and employer pension contributions owing to the Fund have been paid. A cessation valuation is currently in progress to assess whether an exit payment is required. The liabilities are the responsibility of Peterborough Women's Aid and therefore any cessation payment will be pursued from the admitted body but the liabilities are guaranteed by Peterborough City Council which removes any risk to the Fund.

5.2 Lunchtime UK Ltd

5.2.1 Lunchtime UK Ltd were admitted to the Fund under a pass through admission agreement on 27 May 2015, after entering into a contract to provide catering services to Swaffham Prior Church of England Primary School. The contract resulted in a transfer of staff from the Local Authority maintained school, to Lunchtime UK Ltd, under TUPE arrangements.

5.2.2 The admission agreement has now ceased following the last active member leaving the Scheme on 13 January 2017. All employee and employer pension contributions owing to the Fund have been paid and as a pass through admission, all liabilities have passed back to Cambridgeshire County Council as the ceding employer. Therefore no cessation payment is required.

5.3 Innovate Services Ltd

5.3.1 Innovate Services Ltd were admitted to the Fund under a transferee admission agreement on 1 September 2008, after entering into a contract to provide cleaning services to Cromwell Community College which resulted in a transfer of staff from Cromwell Community College, to Innovate Services Ltd, under TUPE arrangements.

5.3.2 The admission agreement has now ceased due to the last active member, under this contract, ceasing employment on the 3 April 2017. All employee and employer pension contributions owing to the Fund have been paid. A cessation valuation is currently in progress to assess whether an exit payment is required. The liabilities are the responsibility of the admitted body, Innovate Services Ltd and therefore any cessation payment will be pursued from Innovate Services Ltd.

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>
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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

7. Finance & Resources Implications

- 7.1 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer.
- 7.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 7.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund. Measures to mitigate such an eventuality are readily available for admission bodies and set out in section 8 below.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
An admitted body does not pay the pension contributions due in full or on time.	A late payments policy is in place which sets clear policies on how we deal with late or non-payment of contributions. Further to this, there is the ability, under the terms of the admission agreement, to require the letting authority to set off against any payments due to the Admission Body an amount equal to the sum due and pay the sum to the Fund.	Green
A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
Future pension liabilities cannot be supported by the Academy.	A parliamentary minute, laid in July 2013, concerning Academies and Local Government Pension Scheme (LGPS) liabilities, provides assurance that the Department for Education will meet any outstanding Local Government Pension Scheme liabilities in the event of an Academy Trust closure.	Green
A Parish Council or Admission Body joining the Fund may cease as an employer in the Fund if they have no more active members	We maintain regular two way communication regarding the current funding position of the employer, reductions in membership numbers and any other activity that may affect the continuation as an employer in the Fund.	Amber

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

Risk	Risk Rating
Non-compliance with CLG guidance that, an application by an admission body falling under paragraph 1(d)(i) of Part 3 Schedule 2 of the regulations, cannot be declined where the requirements of the LGPS Regulations are met.	Red
Non-compliance with the mandatory requirement to allow academies admission to the Pension Fund.	Red
Non-compliance with the mandatory requirement to allow designating bodies and scheduled bodies admission to the Pension Fund.	Red

9. Communication Implications

Direct Communications	Direct communications will be required to facilitate employer start up in the LGPS.
Newsletter	Regular pension bulletins are issued to the scheme employers on topical matters.
Induction	New employers require an introduction to their employer responsibilities under the LGPS.
Seminar	Employers will be entitled to attend an annual Employer Forum.
Training	Generic and bespoke training courses will be made available.
Website	New employers are given access to the employer's guidance available on the pension's website.

10. Legal Implications

- 10.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

11. Consultation with Key Advisers

- 11.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 11.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

12. Alternative Options Considered

- 12.1 None available.

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 Chief Finance Officer/Section 151 Officer?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 18 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

