

**CAMBRIDGESHIRE
PENSION FUND**



Pensions Committee

Date: 17 December 2015

Report by: Head of Pensions

Subject:	Governance and Legislation Report
Purpose of the Report	To provide the Pensions Committee with: 1) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; 2) Information on new or amending legislation affecting the LGPS; 3) Details of relevant consultations affecting the LGPS; and 4) Details of forthcoming training events.
Recommendations	That the Pensions Committee notes the content of the report.
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1 Background

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

2. Governance – Activity of the LGPS Scheme Advisory Board

2.1 Separation of Host Authority from the Pension Fund

- 2.1.1 As reported in the last Governance and Regulations report the Scheme Advisory Board released a proposal for assistance in developing options for separation of the host authority (administering authority) from the Pension Fund as part of its 2015-16 work plan.
- 2.1.2 KPMG was successful in tendering for this work and presented their findings to the Board on 21 September 2015. Although no further detail has officially been released from the Scheme Advisory Board, there was a presentation by KPMG at the Pensions and Lifetime Savings Association (previously known as NAPF) Local Authority Forum on 3 November 2015.

2.1.3 KPMG's presentation can be found at the following link;

http://www.plsa.co.uk/Your_recent_event_2/Local_Authority_Forum/~media/Image%20Library/Events/Forums/2015/LA%20Forum/Speaker%20presentations/1410-Urrffa-Rafiq.pdf

3. Governance – Activities of the Pension Fund Board (Local Pension Board)

3.1 The recruitment for the remaining two vacancies on the Cambridgeshire Pension Fund Local Pension Board was completed in October 2015.

3.2 The employee representative vacancy has been filled by David Brooks who previously served on the Pension Committee (or Pension Board as it was then known) as an "All Other Employers' Representative".

3.3 The employer representative vacancy has been filled by Ian Dewar who is a Councillor at Sutton Parish Council.

3.4 The next meeting of the Pension Fund Board is on 20 January 2015.

4. Department for Communities and Local Government (DCLG) – Local Government Pension Scheme Funds England 2014-15 – Statistical Release (October 2015)

4.1 The DCLG Statistical Release provides information on LGPS Funds in England that was gathered via the SF3 return that were submitted by all 81 Administering Authorities. The SF3 return collects information on LGPS Funds' income, expenditure, membership, retirements and other activities. It also shows other associated information for the 2014-15 financial year and changes over the previous years.

4.2 The following table summarises the statistical information on expenditure in the LGPS:

	2014-15	2013-14	Increase (+)/Decrease(-)
Expenditure on pensions	£6,691m	£6,323m	+5.82%
Expenditure on retirement lump sums	£1,295m	£1,242m	+4.30%
Other lump sum expenditure (including on death)	£172m	£168m	+2.38%
Other lump/other benefits	£111m	£116m	-4.31%
Total expenditure on benefits	£8,269m	£7,848m	+5.36%
Disposal of liabilities (transfers and refunds)*	£2,952m	£472m	+525.42%
Fund management costs**	£689m	£449m	+53.45%
Administration costs	£121m	£123m	-1.63%
Other expenditure	£22m	£15m	+46.67%
Total expenditure***	£12,053m	£8,907m	+35.32%

- *Includes £2.6bn transfer of the Ministry of Justice/Probation Service staff to the Greater Manchester Pension Fund from a number of LGPS Funds
- **Definition of fund management costs changed during 2014-15 following revised guidance from CIPFA.
- ***Excludes the £2.6bn transfer of the Ministry of Justice/Probation Service staff to the Greater Manchester Pension Fund

4.3 The following table summarises the statistical information on income in the LGPS:

	2014-15	2013-14	Increase (+)/Decrease(-)
Income from employee contributions	£1,934m	£1,827m	+5.86%
Income from employer contributions	£6,837m	£6,030m	+13.38%
Dividends receivable	£2,160m	£2,161m	-0.05%
Interest receivable	£347m	£361m	-3.88%
Income from property	£450m	£423m	+6.38%
Other investment income*	£380m	£218m	+74.31%
Gross investment income	£3,338m	£3,164m	+5.50%
Income from transfer values**	£3,036m	£559m	+443.11%
Other income	£58m	£53m	+9.43%
Total income	£15,204m	£11,632m	+30.7%

- *Includes a one-off exception item of £120m due to the transfer of the Ministry of Justice/Probation Service staff to the Greater Manchester Pension Fund
- **Includes an exceptional transfer of £2.6bn due to the transfer of the Ministry of Justice/Probation Service staff to the Greater Manchester Pension Fund

4.4 The Statistical Release also illustrates that the market value of the LGPS Funds in England stands at £200,849m in 2014-15, increasing from £177,620m in 2013-14.

4.5 The full Statistical Release including data going back to 2005-06 can be found at the following link;

<https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-2014-to-2015>

5. Negative Consumer Price Index – revaluation of CARE benefits

5.1 On 13 October it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Services Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be approved by both the House of Commons and the House of Lords for it to become law; this is referred to as the affirmative procedure. This is different to the negative procedure which is applied when the percentage is zero or an increase. In the negative procedure the Treasury Order will automatically become law without debate unless there is an objection from either the House of Commons or the House of Lords.

5.2 As yet, nothing has been confirmed concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law

6. Legislation

- 6.1 The following legislation has been issued that may have an impact on LGPS member benefits;

Legislation	Outline/Relevance to the LGPS
The Occupational Pension Schemes (Schemes that were Contracted –out) (No.2) Regulations 2015 (S.I. 2015/1677)	This replaces an earlier Statutory Instrument laid in July 2015, the Occupational Pension Schemes (Schemes that were Contracted-out) Regulations 2015 (S.I. 2015/1452). There was a procedural error in relation to two of the Regulations within the original, so it has been revoked and replaced by this fresh legislation which omits the two Regulations at issue, which will be incorporated later this year by following appropriate parliamentary procedure. The effect of the legislation is to replace most of the Occupational Pension Schemes (Contracting-out) Regulations 1996 as a consequence of the Pensions Act 2014 which created a new state pension for those reaching pensionable age from 6 April 2016. It has been made to ensure that all rights accrued by employees in contracted-out defined benefit schemes before the abolition of contracting-out are fully protected.
The Pensions Act 2014 (Commencement no. 6) Order 2015 (S.I.2015/1670)	This Order relates to State Pension provision and allows existing pensioners and those reaching State Pension age before 6 April 2016 to gain additional State Pension by paying Class 3A Voluntary National Insurance contributions.

7. Consultations/Call for Evidence

7.1 Public Sector exit payment cap

- 7.1.1 The Government has published its response to the short consultation undertaken during August on proposals to introduce a public sector exit payment cap in England of £95,000.
- 7.1.2 The response is short on detail but confirms that the Government plans to proceed with the introduction of the cap and it is currently making its way through the House of Lords and during the Bill's passage, the LGA will be making efforts to secure meetings with Government officials to discuss how the cap would work in practical terms.

7.2 “Strengthening the incentive to save: a consultation on pensions tax relief”

- 7.2.1 The consultation which ran from 8 July 2015 and closed on 30 September 2015 sought views on whether there is a case for reforming pensions tax relief or simply retaining the current system.
- 7.2.2 In a parliamentary answer on 27 October, the Chancellor of the Exchequer said that further details on the reform will be unveiled in the Budget 2016 and not in the Autumn Statement as some had expected.

7.3 The draft Pensions Act 2014 (Abolition of Contracting-out for Salary Related Pension Schemes) (Consequential Amendments) Order 2016

- 7.3.1 The Government has published a consultation on the draft Pensions Act 2014 (Abolition of Contracting-out for Salary Related Pension Schemes) (Consequential Amendments) Order 2016. The consultation invited views on changes to other secondary legislation to take account of the abolition of contracting-out from 6 April 2016.
- 7.3.2 The consultation ran from 20 October 2015 to 16 November 2015 and can be found at the following link;

<https://www.gov.uk/government/consultations/salary-related-pension-schemes-abolition-of-contracting-out-consequential-amendments>

8. Training Events

- 8.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 8.2 In order to facilitate the acquisition of skills and knowledge, **Appendix 1** lists all events that are deemed useful and appropriate.
- 8.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

9. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	<ul style="list-style-type: none"> • Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Funding and Investment	<ul style="list-style-type: none"> • To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Governance	<ul style="list-style-type: none"> • To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Administration	<ul style="list-style-type: none"> • Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • 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. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

10. Finance & Resources Implications

- 10.1 There are no significant financial and resource implications as a result of the contents of this to note report.

11. Risk Implications

- a) Risk(s) associated with considering this report

Risk	Mitigation	Residual Risk
There is no risk associated with this to note report.		

- b) Risk(s) associated with not considering this report

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

12. Communication Implications

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

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

14. Consultation with Key Advisers

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

15. Alternative Options Considered

- 15.1 There are no alternative options to be considered.

16. Background Papers

- 16.1 None

17. Appendices

- 17.1 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	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?	Chris Malyon – 30/11/2015
Has this report been cleared by Head of Pensions?	Mark Whitby – 12/11/2015
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 27/11/2015
Has this report been cleared by Legal Services?	Copy of report sent to Quentin Baker – 30/11/2015

Appendix 1

Internal/External training and events 2015-16

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 Pension Fund Board will benefit from attending.

Date	Event	KICs	Relevant for:
22 April 2015	LGPS Investment Risk	2	Officers, Committee/Board Members
18 – 20 May 2015	NAPF Local Authority Conference	4	Officers, Committee/Board Members
21 May 2015	LGE Training	2	Board Members
29 May 2015	Schroders Trustee Training 2015	2	Committee/Board Members
23 – 24 June 2015	Heywoods Class Group AGM	2	Officers
25 – 26 June 2015	12 th Annual LGPS Trustees Conference	2	Committee/Board Members
26 – 27 June 2015	LGC Pension Fund Symposium	2	Officers
7 – 9 July 2015	CIPFA Annual Conference	1	Officers
10 July 2015	CIPFA Pensions Network Operational Governance of the LGPS	2	Officers
9,13, 23 July 2015	AON Pension Board Member Training	2	Committee/Board Members
17 August 2015	Pooled Investments in the LGPS	2	Officers
1 September 2015	LGSS Pensions - Joint Local Pension Board and Committee Training	2	Officers, Committee/Board Members
10 – 11 September 2015	LGC Investment Summit	3	Officers, Committee/Board Members
25 September 2015	Introduction to the LGPS	2	Committee/Board Members
October 2015	heywoods User Group	2	Officers
14 – 16 October 2015	NAPF Annual Conference - Manchester	2	Officers, Committee/Board Members
15 October 2015	LGE Trustee Training (Fundamentals 1)	2	Newly elected Board and Committee Members
21 October 2015	13 th Annual LG Investment Forum	2	Officers, Committee/Board Members
27 October 2015	LGSS Pensions - LDI & Passive Training Day	2	Officers, Committee/Board Members
November 2015	CIPFA Pensions Network Annual Conference	2	Officers and depending on agenda, PFB Members

3 November 2015	UBS First Steps Seminar	2	Committee/Board Members
3 November 2015	PLSA Local Authority Forum	2	Officers, Committee/Board Members
10 November 2015	LGE Trustee Training (Fundamentals 2)	2	Newly elected Board and Committee Members
17 – 18 November 2015	Pensions Managers' Annual Conference	4	Officers
25 November 2015	UBS Second Steps Seminar	2	Committee/Board Members
3 December 2015	Eversheds Pensions Conference	2	Officers
2 - 4 December 2015	LAPFF Annual Conference	3	Officers, Committee/Board Members
27 January 2016	CIPFA LGPS Pensions Summit 2016	2	Officers

Internal/External training and events 2016-17

3 – 4 March 2016	LGC Investment Seminar	2	Officers, Committee/Board Members
16 - 18 May 2016	PLSA Local Authority Conference	2	Officers, Committee/Board Members
23 – 24 June 2016	LGC Pension Fund Symposium	2	Officers
19 – 21 October 2016	PLSA Annual Conference and Exhibition	2	Officers, Committee/Board Members
2 November 2016	PLSA Local Authority Forum	2	Officers, Committee/Board Members

With effect from October 2015, the National Association of Pension Funds (NAPF) was renamed Pensions and Lifetime Savings Association (PLSA).