

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 12 April 2017

Report by: Head of Pensions

Subject:	Agenda items from the March 2017 Pension Committee meeting
Purpose of the Report	To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the March Pension Committee meeting.
Recommendations	That the Pension Fund Board note the contents of this report.
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 This report is an executive summary of the items discussed at the March 2017 meeting of the Pension Committee which are not addressed through other reports to the Pension Fund Board at this meeting.

1.2 The agenda items which are covered in this report are:

- Governance and Legislation Reports
- Employer Admissions and Cessations Report

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

2. Governance and Legislation Report

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

2.2 The Pensions Regulator - Quick guide to record keeping

- 2.2.1 The Pensions Regulator (TPR) has published a short guide on record keeping for trustees and managers of occupational pension schemes and public service pension schemes.
- 2.2.2 The guide follows a survey that TPR undertook on record keeping within occupational schemes in early 2016 which showed that there has been little recent improvement in record keeping standards.
- 2.2.3 In future, TPR will be asking trustees and scheme managers to report on their record keeping work in TPR's annual scheme return.

The guide can be found - <http://www.thepensionsregulator.gov.uk/press/pn16-53.aspx>

- 2.2.4 LGSS Pensions will be producing a Record Keeping policy that will be presented to the Pension Fund Board in October for comments and to the Pension Committee in December 2017 for approval.

2.3 Scheme Advisory Board

- 2.3.1 The Scheme Advisory Board's deficits working group met on 8 November 2016 to consider a work plan for the coming months.
- 2.3.2 The working group considered the management of deficits in three employer groups
 - Tier 1 - Tax payer backed employers – Local authority and related companies plus admitted bodies with pass through arrangements or local authority guarantees
 - Tier 2 - Academies and Multi Academy Trusts with the benefit of a DfE guarantee.
 - Tier 3 Private or public sector employers with no central or local authority guarantee– including admission and scheduled bodies without local authority guarantees, or 'pass through' funding and Higher and Further Education establishments.
- 2.3.3 A meeting was held on 7 March 2017 where representatives from various LGPS funds met to discuss how best to collate information on the tier 3 employers from all 89 individual LGPS funds. A LGSS Pensions Officer represented Cambridgeshire Pension Fund at this meeting.
- 2.3.4 Further information can be found - <http://www.lgpsboard.org/index.php/sub-comms/deficits-working-group>

2.4 Election for non-local authority employers' representative

- 2.4.1 On 1 April 2017 the Pension Committee 's non-local authority employers' representative is due for re-election, following the retirement of Tim Woods whose position has been temporarily filled by the elected substitute, Gareth Deeble. As such, a democratic selection process, as approved by the Chairman of the Pension Committee and Cambridgeshire County Council's Monitoring Officer, is currently in progress to elect the new representative.
- 2.4.2 The successful candidate will be eligible to attend the next Pension Committee meeting on 29 June 2017 and the candidate who attains second position in the ballot will automatically become the substitute for the post.

2.5 Consultation on indexation and equalisation of GMP in public service pension schemes

- 2.5.1 On 28 November 2016, HM Treasury commenced a consultation that proposes options for the indexation and equalisation of Guaranteed Minimum Pension (GMP) elements for members of public service pension schemes who will reach state pension age on and after 6 December 2018. The consultation concluded on 20 February 2017.
- 2.5.2 On 6 April 2016 the government introduced the new State Pension, designed to radically simplify pension provision whilst ensuring that pensioners have security in retirement. This simplification removed layers of complexity from the system, harmonised the rate of National Insurance contributions paid by employees and employers and was intended to promote private saving by giving people a better understanding of the amount of support they can expect to receive from the State when they reach state pension age.
- 2.5.3 Among the layers of complexity that has been removed is the additional state pension, an earnings related element of the old state system.
- 2.5.4 The removal of the additional state pension has led to the need to consider how public service pension payments for a specific group of members should be increased in the future. Those who were in 'contracted-out' employment during the period 6 April 1978 to 5 April 1997 (inclusive) who accrued a guaranteed minimum pension (GMP) from their public service pension scheme and who will reach state pension age after 5 December 2018 will be affected.
- 2.5.5 The consultation aims to consider two issues by putting forward a number of solutions. The two issues that are considered are:
- How best to avoid the unequal payments to men and women in public service schemes that result from the abolition of the additional state pension; and

- Whether, following the introduction of the new State Pension, public service pension schemes should, for someone who reaches SPA after 5 December 2018, provide full indexation on any GMP the public service pension scheme pays?

2.5.6 The solutions are detailed in appendix 1.

2.5.7 The consultation document can be found at the following link;

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>

2.6 Pensions Dashboard

2.6.1 In the 2016 Budget the Government announced that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard' a tool that would allow individuals to view all their pensions savings in one place.

2.6.2 The Treasury have since appointed the Association of British Insurers (ABI) to lead the development of a prototype pensions dashboard by the end of Spring 2017.

2.6.3 In December, the LGPC Secretariat attended a 'challenge session' hosted by HM Treasury and the ABI for defined benefit pension schemes on the dashboard. During this session the following points were noted:

- The dashboard will include details of individual's occupational pensions as well as their state pension entitlement.
- No decisions have been made on the level of details that individuals will be able to access on their pensions.
- Public service pensions are out of scope for the development of the prototype, but it is intended that public service pensions data will be included in the dashboard when it launches in 2019.
- The dashboard will only include information on pensions that aren't already in payment.
- The government's preference is that the pensions industry participate in the dashboard on a voluntary basis, but they will reserve the right to legislate if needed.
- No decisions have been made on whether the Government will provide funding to public service pension schemes to cover the dashboard's implementation costs.

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

3. Employer Admissions and Cessations Report

3.1 New Scheduled Bodies

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

Date	New Academy/Trust
01/10/2015	Tri-Borough Alternative Provision

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

3.2 New Admission Bodies

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

Date	New Admission Body	Background information
01/07/2016	Cambridge Rape Crisis Centre (CRCC)	Cambridgeshire County Council has outsourced its enhanced and preventive domestic abuse services to Cambridge Rape Crisis Centre. This body is admitted as a pass through admission meaning Cambridgeshire County Council remains responsible for the pension liabilities in the long term.
05/01/2017	Lunchtime UK Ltd (Fulbourn Primary School)	Cambridgeshire County Council has outsourced its catering services for Fulbourn Primary School to Lunchtime UK Ltd and has transferred the catering staff to Lunchtime UK under TUPE regulations. This body is admitted as a pass through admission meaning Cambridgeshire County Council remains responsible for the pension liabilities in the long term
01/09/2016	Lunchtime UK Ltd (Abbey Meadows Primary School)	Cambridgeshire County Council has outsourced its catering services for Abbey Meadows Primary School to Lunchtime UK Ltd and have transferred the catering staff to Lunchtime UK under TUPE regulations. This body is admitted as a pass through admission meaning Cambridgeshire County Council remains responsible for the pension liabilities in the long term
22/10/2016	Lunchtime UK Ltd (Ditton Lodge Community Primary School)	Cambridgeshire County Council has outsourced its catering services for Ditton Lodge Community Primary School to Lunchtime UK Ltd and have transferred their catering staff to Lunchtime UK under TUPE regulations. This body is admitted as a pass through admission, meaning Cambridgeshire County Council remains responsible for the pension liabilities in the long term.

3.3 Cessations

- 3.3.1 Taylor Shaw Ltd (Waterfall Catering Group) were admitted to the fund under a full admission agreement on 1 September 2008, after entering into a contract to provide catering services at St Peters School, Cambridge. This resulted in a transfer of staff from Cambridgeshire County Council, to Taylor Shaw Ltd, under TUPE regulations.
- 3.3.2 The admission agreement has now ceased following the natural termination of the contract on 31 December 2015. All employee and employer pension contributions owing to the Fund have been paid and the calculation of any potential deficit owing to the Cambridgeshire Pension Fund is currently being assessed.
- 3.3.3 Thorokleen were admitted to the Fund under a pass through admission agreement on 1 May 2012, after entering a contract to provide cleaning services of Peterborough Culture and Leisure Trust (Vivacity), which resulted in a transfer of staff from Vivacity to Thorokleen.
- 3.3.4 The admission agreement has now ceased following the natural termination of the contract on the 31 August 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities have passed back to Peterborough Culture and Leisure Trust, as the ceding employer therefore no cessation payment is required.
- 3.3.5 Lunchtime UK Ltd (Thorndown) were admitted to the fund under a pass through admission agreement on 1 September 2015, after entering a contract to provide catering services at Thorndown Primary School, which resulted in a transfer of staff from Cambridgeshire County Council to Lunchtime UK Ltd, under TUPE regulations.
- 3.3.6 The admission agreement has now ceased due to the last active member, under this contract, ceasing employment on the 10 June 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities have passed back to Cambridgeshire County Council as the ceding employer, therefore no cessation payment is required.
- 3.3.7 EasyClean (Eastfield Infants) were admitted to the fund under a pass through admission agreement on 10 October 2016 after entering into a contract to provide cleaning services at Eastfield Infants school, which resulted in a transfer of staff from Cambridgeshire County Council to EasyClean under TUPE regulations.

- 3.3.8 The admission agreement has now ceased due to the last active member leaving on 30 November 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities will pass back to Cambridgeshire County Council therefore no cessation payment is required.
- 3.3.9 Dell Corp (Neale Wade and Thomas Clarkson) were admitted to the fund under a full admission agreement on 1 September 2011, after entering into a contract to provide IT services to Neale Wade School and Thomas Clarkson Community College as part of the building schools for the future project.
- 3.3.10 The admission agreement has now ceased following the natural termination of the contract on 31 August 2016. All employee and employer pension contributions owing to the Fund have been paid. Due to risk sharing arrangements in the admission agreement, all liabilities will pass back to Cambridgeshire County Council as the ceding employer, from the contract, therefore no cessation payment is required.
- 3.3.11 Dell Corp (Cromwell College) were admitted to the fund under a full admission agreement on 1 September 2012, after entering into a contract to provide IT services to Cromwell Community College as part of the building schools for the future project.
- 3.3.12 The admission agreement has now ceased due to the contract ending on 31 August 2016. All employee and employer pension contributions owing to the Fund have been paid. Due to risk sharing arrangements in the admission agreement, all liabilities will pass back to Cambridgeshire County Council as the ceding employer from the contract, therefore no cessation payment is required.
- 3.3.13 Dell Corp (Sir Harry Smith College) were admitted to the fund under a pass through admission agreement on 19 September 2013, after entering into a contract to provide IT services to Cromwell Community College as part of the building schools for the future project.
- 3.3.14 The admission agreement has now ceased due to the last active member leaving on 31 August 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through agreement, all liabilities will pass back to Cambridgeshire County Council as the ceding employer from the contract, therefore no cessation payment is required.

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>
--

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. *(Objective 3)*

Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *(Objective 5)*

5. Finance & Resources Implications

5.1 Not applicable.

6. Risk Implications

a) Risk(s) associated with the proposal

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

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

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

7. Communication Implications

7.1 Not applicable.

8. Legal Implications

8.1 Not applicable.

9. Consultation with Key Advisers

9.1 Not applicable.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Reports from the 23 March 2017 meeting of the Pension Committee:

<https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/217/Committee/16/Default.aspx>

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 27 March 2017

Appendix 1 - Consultation on indexation and equalisation of GMP in public service pension schemes			
Solution	Methodology for indexation	Method for equalisation	Points to consider
Case-by-case	<p>Comparison of the total income received by the pensioner from public and state pension provision under the old and new system.</p> <p>Where the member has lost financially, the member would be compensated up to the value of the loss of indexation only. This method does not provide full indexation to all members.</p>	<p>The same calculation would be repeated for an equivalent, theoretical member of the opposite sex. The scheme would then pay the higher of the male or female benefit to the affected individual.</p>	<p>The Government Actuary's Department (GAD) estimate this would increase liabilities for the public service pension schemes by around £1.5 billion. This is equivalent to increasing schemes' total liabilities by 0.15%. It is however very administratively complex, would continue for decades and would require significant investment in administrative systems for all public service pension schemes.</p>
Full indexation	<p>For those attaining state pension age after 5 December 2018, this is a continuation of the current policy announced on 1 March 2016, which requires the public service pension schemes to directly meet the cost of indexing the GMP.</p>	<p>This method also prevents inequalities being introduced between men and women by the abolition of the additional state pension. By fully indexing the GMP it ensures that no individual is worse off as a result of no longer in effect receiving indexation on their GMP through the additional state pension.</p>	<p>However, because this policy applies to all individuals it would mean that a large number of individuals would be compensated when they were already better off as a result of the transition to the new State Pension. GAD estimate this policy would increase liabilities for public service pension schemes by around £5 billion. This is equivalent to increasing schemes' total liabilities by around 0.5%. Full indexation is administratively much less complex than case-by-case as it is a continuation of current government policy.</p>
Conversion	<p>Conversion of the GMP into a scheme benefit, equating £1 of GMP to £1 of scheme benefit. This has a similar outcome to full indexation.</p>	<p>Conversion of GMP to main scheme pension would avoid the inequalities between men and women that would otherwise occur following the abolition of the additional state pension.</p>	<p>It has a similar cost to full indexation and is likely to involve some administrative complexity to complete the conversion but should be significantly simpler in the longer term for schemes. Public service schemes would no longer need to abide by existing GMP legislation for these members.</p>

