

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 28 April 2016

Report by: Head of Pensions

Subject:	Results of the Pensions Regulator's survey of public survey governance and administration and compliance with the code of practice.
Purpose of the Report	To inform the Pension Fund Board of the survey results and the extent to which the Cambridgeshire Pension Fund has achieved compliance with the Pensions Regulator's code of practice.
Recommendations	That the Pension Fund Board notes the content of the report and approves the proposed course of action to achieve full compliance with the Pensions Regulator's code of practice.
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1. Background

- 1.1 Following the introduction of the Public Service Pension Act 2013, with effect from 1 April 2015 the Pensions Regulator became responsible for regulating the governance and administration of public service pension schemes and issued a code of practice for schemes to follow.
- 1.2 The code of practice sets out the legal requirements and provides practical guidance and standards that the Pensions Regulator expects of those in charge of the governance and administration of public service pension schemes.
- 1.3 Between July and November 2015 the Pensions Regulator conducted a survey of all public service pension schemes to baseline the standard to which they are being run in accordance with the code of practice.
- 1.4 It is important to note that participation in the survey was voluntary and that only 48% of schemes responded. Officers of LGSS did submit a response on behalf of the Cambridgeshire Pension Fund.
- 1.5 The Pensions Regulator will be using the information collected through the survey for regulatory purposes and will develop individual scheme risk profiles.
- 1.6 The Pensions Regulator has now published the findings from this survey which are detailed in section 2 of this report alongside the level of compliance against the code of practice as demonstrated by the Cambridgeshire Pension Fund.

2. The Pensions Regulator's public service governance and administration survey results

- 2.1 The survey results show that on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding both the governance and administration requirements introduced by the Acts and the code of practice. The results and the current level of compliance as demonstrated by the Cambridgeshire Pension Fund are detailed below along with the course of action officers will take to reach full compliance.

Survey results	Extent of compliance at Cambridgeshire Pension Fund	Comments
90% have established a pension fund board	Fully compliant	The Cambridgeshire Pension Fund Board held its first meeting on 7 July 2015 and has met again in October and January with the next meeting scheduled for April 2016.
78% have policies to help members acquire and retain knowledge	Fully compliant	Pension Committee - Knowledge Management Policy (2013) in place – to be reviewed and presented to Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Knowledge Management Policy specific to Pension Fund Board members was approved in July 2015 and will be reviewed during 2016-17.
87% have a conflicts policy and procedure for board members	Partially compliant	<p>Pension Committee - Potential conflicts of interest are noted at the beginning of each meeting for non-county councillor representatives. County Councillors declare potential conflicts of interest annually and this is recorded and published by Democratic Services.</p> <p>A Fund specific Conflicts of Interest policy will be presented to the Pension Committee for approval in June 2016.</p>
	Fully compliant	Pension Fund Board – Conflicts of Interest policy established at the October 2015 meeting of the Pension Fund Board.
87% have procedures for publishing information (about the Pension Fund Board)	Not compliant	Information is published about the Pension Fund Board but there is no set procedure in place for doing this. This will be explored during 2016-17.

<p>76% have documented procedures for assessing and managing risk</p> <p>82% have a risk register</p> <p>56% assess their risks at least quarterly</p>	Partially compliant	<p>A formal Risk Strategy will be presented at the Pension Committee for approval at the March 2016 meeting.</p> <p>A revised and comprehensive Risk Register will be presented for approval at the June 2016 meeting of the Pension Committee.</p> <p>Every report presented to the Pension Committee details the risks associated with undertaking or not undertaking the proposed recommendation(s).</p>
77% have record-keeping policies and procedures for all members	Partially compliant	A formal policy will be developed during 2016-17 following the production of the Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee.
97% have a process for monitoring payment of contributions	Fully compliant	The Payment of Employee and Employer Contributions Policy was approved at the December 2015 meeting of the Pension Committee and will be effective for scheme employers with effect from 1 April 2016.
55% have procedures for identifying and assessing law breaches	Fully compliant	The Reporting Breaches of the Law to the Pensions Regulator Policy was approved following the October 2015 meeting of the Pension Committee.
<p><50% have reviewed their scheme against the standards (detailed in the code of practice)</p> <p><33% have a plan in place to secure compliance with the Public Service Pension Act 2013</p>	Not complaint	A full review of the Fund's compliance with the Pensions Regulator's code of practice and the Public Service Pension Act 2013 will be presented to the Pension Committee at the June 2016 meeting.
44% have measured against the record keeping requirements	Not compliant	Although informal measurements have been undertaken a complete assessment will form part of the report to be presented to Pension Committee in December 2016 which will demonstrate the level of compliance with The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

27% have carried out data cleansing	Partially compliant	<p>Pensioner membership data is currently being reconciled as a result of the end of contracting out and to enable a smooth transition from Oracle payroll to Altair payroll in August 2016.</p> <p>The Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee will address how active and deferred membership data will be reconciled.</p>
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3. The Pensions Regulator's powers in respect of non-compliance

- 3.1 In June 2015 the Pensions Regulator issued a document entitled "Compliance and enforcement policy for public service pension schemes".
- 3.2 The policy sets out the Pensions Regulator's expectations for compliance with relevant legal requirements as set out in the code of practice and how the Pensions Regulator will proceed in cases of non-compliance and when it may use its enforcement powers.
- 3.3 Where the Pensions Regulator identifies non-compliance the initial focus will be on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements.
- 3.4 Where those responsible for the governance and administration of public service pension schemes fail to address poor standards resulting in non-compliance with the law, the Pensions Regulator may consider escalating their activities and taking enforcement action.
- 3.5 Depending on the nature of the non-compliance the Pensions Regulator has within its powers the ability to implement the following enforcement action which can range from:
 - 3.5.1 Statutory Compliance Notices - in the form of improvement notices which require specific action to be taken within a certain time and third party notices which require specific action to be taken or indeed ceased within a certain time if a contravention of pensions legislation is a direct result of a third party. Non-compliance with a statutory notice may result in a financial penalty.
 - 3.5.2 Civil Penalties – the Pensions Regulator has the power to impose penalties (under section 10 of the Pensions Act 1995) up to the value of £5,000 per breach in the case of an individual and up to £50,000 in any other case.

4. Next steps

- 4.1 To demonstrate the Fund's compliance with the requirements of the Pensions Regulator and the Public Service Pension Act 2013 a checklist will be produced by officers. The checklist will detail the approach to achieving and maintain compliance and when the levels of compliance will be reviewed. This will be presented to the Pension Committee for approval at the June 2016 meeting.

- 4.2 All the areas where the Fund has not achieved full compliance has been captured in the key activities in the Business Plan and Medium Term Strategy which has been approved at the 24 March 2016 meeting of the Pension Committee.
- 4.3 In addition, the Pensions Regulator will be issuing tools to assist schemes in their assessment of the extent to which they are complying with the code of practice during 2016.

5. 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>

6. Finance & Resources Implications

- 6.1 LGSS Pensions Service should not require any additional resources to carry out the activities detailed in section 2 of this report although advice from the Fund's governance consults may be required from time to time.

7. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with the plans to achieve full compliance with the requirements of the Pensions Regulator's code of practice and the requirements of the Scheme Advisory Board and Public Service Pension Act 2013.	N/A	N/A

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

Risk	Risk Rating
Failing to comply with the requirements of the Pensions Regulator, Scheme Advisory Board and Public Service Pension Act 2013 may result in the Pensions Regulator taking action to improve standards as detailed in section 3 of this report.	Red

8. Communication Implications

Induction	All new Pension Committee and Pension Fund Board members are provided with a copy of the Pensions Regulator's code of practice and associated policies belonging to Pension Committee.
Website	All policies are available on the LGSS Pensions Service website.

9. Legal Implications

- 9.1 Failing to comply with the Public Service Pension Act 2013 would be regarded as a breach of the law.

10. Consultation with Key Advisers

- 10.1 Not applicable for this report.

11. Alternative Options Considered

- 11.1 There are no alternative options to be considered.

12. Background Papers

- 12.1 The Pensions Regulator Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

- 12.2 Compliance and enforcement policy for public service pension schemes.

<http://www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf>

13. Appendices

- 13.1 **Appendix 1** - Public service governance and administration survey: summary of results and commentary

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 Director of Finance/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 6/4/2016

