

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 28 April 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Agenda items from March 2016 Pension Committee meeting</b>
<b>Purpose of the Report</b>	<b>To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the March 2016 Pension Committee meeting.</b>
<b>Recommendations</b>	<b>That the Pension Fund Board note the contents of this report.</b>
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**1. Background**

- 1.1 This report is an executive summary of the items discussed at the March 2016 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 Report – section 2
  - Government's Investment Reform Agenda – section 3
  - Employers Admissions and Cessations Report – section 4
  - Risk Strategy – section 5
- 1.3 The full reports can be found at the link detailed in section 13 of this report.

**2. Governance and Legislation Report**

The following sections summarise the information contained within the Governance and Legislation report presented to the Pension Committee in March 2016.

**2.1 Appointment of Scheme Advisory Board Chairman**

- 2.1.2 The LGPS Scheme Advisory Board (SAB) has been notified that the Secretary of State has appointed Councillor Roger Phillips, a lead LGA member on workforce and pay negotiations, to the position of Chair. Councillor Phillips is currently vice chairman of the Board, has chaired the UK Local Government Pensions Committee (LGPC) for the last two years. He is a member and former leader of Herefordshire Council and chaired the LGPS2014 Project Board.

## **2.2 Queen's Counsel opinion on status of local pension boards**

- 2.2.1 At the 25 January 2016 meeting of the Scheme Advisory Board of England and Wales, the Queen's Counsel opinion of the status of local pension boards within local authorities was considered. Whilst the detail of the opinion has not been made publically available it has been reported that there may be some implications for the instances where a fund has set up a joint committee and board. In the meantime, the Scheme Advisory Board guidance on the creation and operation of local pension boards is being reviewed in line with the Queen's Counsel opinion.

## **2.3 The Pensions Regulator – Annual Benefit Statements**

- 2.3.1 All LGPS funds have a statutory requirement to produce an Annual Benefit Statement to all active scheme members by 31 August each year. Last year a large number of funds were unable to produce benefit statements by this date largely due to the quality and timeliness of data being supplied by the scheme employers. The Pensions Regulator has been in contact with a number of funds who reported their inability to meet this statutory requirement (considered by the Pensions Regulator as a breach in the law) to discuss improvement plans to enable these funds to meet the statutory deadline this year.
- 2.3.2 The Pensions Regulator has reported that they have received a number of high quality improvement plans that they are considering sharing with the rest of the LGPS community, via the LGA, subject to approval of the funds concerned.
- 2.3.3 The Pensions Regulator has recognised the problems most funds have had with receiving timely and accurate data from scheme employers. Although the Pensions Regulator's powers under the Public Service Pension Act 2013 do not extend to scheme employers he is considering producing guidance on the expectations on scheme employers to enable scheme managers (administering authorities) to fulfil their statutory obligations. Should the Pensions Regulator determine that this guidance is appropriate it will be issued in spring 2016.

## **2.4 Public sector exit payment recovery regulations**

- 2.4.1 On 20 December 2015, the government released a short consultation on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015, which will allow for the recovery of exit payments when an individual earning in excess of £80,000 per annum returns to the public sector within a year of leaving their previous employment from which they received an exit payment.
- 2.4.2 The Government has modified some elements of their proposal since it was last consulted on. These changes include bringing into scope those that re-enter a different part of public service from that which they left, reducing the minimum salary at which the provisions apply from £100,000 to £80,000 per annum, tapering the amount to be repaid relative to the length of break between employments and employer pension strain costs are now being included as part of the exit payment that is subject to the recovery provisions.
- 2.4.3 The consultation closed on 25 January 2016 and further information can be found at the following link:

<https://www.gov.uk/government/consultations/public-sector-exit-payment-recovery-regulations>

## **2.5 Reforms to public sector exit payments**

- 2.5.1 On 5 February 2016, HM Treasury released a public consultation on reforms to public sector exit payments. This follows the announcement in the Spending Review and Autumn Statement 2015 that the government will continue to modernise the terms and conditions of public sector workers by taking forward targeted reforms in areas where the public sector has more generous rights than most of the private sector. As part of this the government committed to consulting on further cross-public sector action on exit payment terms to reduce the costs of redundancy payments and ensure greater consistency between workers.
- 2.5.2 The consultation sets out the options to make public sector exit compensation terms fairer, more modern and more consistent as follows;
- Setting the maximum tariff or calculating exit payments at 3 weeks' pay per year of service
  - Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.
  - Setting a maximum salary for the calculation of exit payments (possibly £80,000)
  - Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong or could belong in that employment.
  - Reducing the cost of employer-funded pension top-up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them and/or increasing the minimum age at which employee is able to receive an employer funded pension top up.
- 2.5.3 The closing date for responses is the 3 May 2016. The full consultation can be found at the following link;

<https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments>

## **3. Government's Investment Reform Agenda**

At the March 2016 Pension Committee meeting an update was provided on the ACCESS asset pooling project and associated governance and funding matters that will enable the Fund to meet the July Government submission deadline for joint and individual pooling proposals.

### **3.1 February 2016 submission to Government**

- 3.1.1 As requested by Government joint submission on initial asset pooling proposals was submitted by Suffolk County Council on behalf of the ACCESS pool by the 19 February 2016 deadline. At this point the ACCESS pool consisted of 10 Funds with combined assets of approximately £30bn (as at 31 March 2015).
- 3.1.2 Shortly after the February submission, the Pension Committee of Hertfordshire County Council confirmed their recommendation to join the ACCESS pool, subject to final approval by Full Council. This brings the pool to £33.5bn in combined assets as set out in the table below:

	<b>Authority £m</b>
Cambridgeshire County Council	2,268
East Sussex County Council	2,740
Essex County Council	4,906
Hampshire County Council	5,111
Isle of Wight Council	483
Kent County Council	4,515
Norfolk County Council	2,930
Northamptonshire County Council	1,850
Suffolk County Council	2,193
West Sussex County Council	2,964
Hertfordshire County Council	3,560
	<b>33,520</b>

### **3.2 July 2016 submission to Government**

- 3.2.1 By 15 July 2016 refined and completed submissions must be delivered to Government that fully address the detailed asset pooling criteria set out in DCLG's "Local Government Pension Scheme: Investment Reform Criteria and Guidance" of November 2015.
- 3.2.2 An Officer Working Group has been formed with representatives from each Fund which is responsible for the overall delivery of the various components of the July submission.

### **3.3 Progress to date**

- 3.3.1 The ACCESS pool has agreed to use Hymans Robertson to fulfil a temporary project management function in order to assist administering authorities in delivering the required joint and, where possible, individual submissions by the July 2016 deadline. Hymans Robertson was chosen as a result of their independence to the Funds, as well as their recent work on Project POOL. A procurement exercise will be undertaken should external services in this area be required beyond the July submission.
- 3.3.2 Work streams have been created to deliver the content required for each of the criteria and associated sub criteria. The work streams are formed of Officers from the Funds within the ACCESS pool, each with a designated work stream lead. LGSS Officers are at present involved in all of the work streams with the exception of infrastructure work stream. Each work stream will report into the Officer Working Group.
- 3.3.3 An outline project plan to deliver the July submission has been drafted and was included with the February submission. More detailed project planning is being undertaken to finalise the project plans for each work stream including critical paths and dependencies. This project planning is identifying all of the key decision points throughout the project.
- 3.3.4 A series of meetings have been set up for the Chairman/Vice-Chairman of each Pension Fund Committee within the ACCESS pool. The initial meetings have been scheduled for 29 March 2016, 22 April 2016 and 23 May 2016 and the Chairman and Vice-Chairman of each Fund have been invited to attend. Further meetings will be diarised in due course.

- 3.3.5 A Memorandum of Understanding has been drafted setting out a variety of matters in connection with this project, including the principles of collaboration, roles and responsibilities and expected behaviours.
- 3.3.6 Legal advice has been sought from Eversheds and Squire Patton Boggs on the legal structures under which administering authorities could work collectively to pool investments. These structures are:
- A Collective Investment Vehicle (CIV) primarily through an Authorised Contractual Scheme (ACS) whereby ownership of the assets is transferred to the ACS (or other vehicle). The authorities may directly own the ACS or rent a platform from an existing CIV operator.
  - A Collective Asset Pool (CAP) that enables founding Administering Authorities to collectively manage their investments without establishing a CIV or using an ACS, but pooling and unitising investments appropriately and investments remaining in the beneficial ownership of the participating authorities.
- 3.3.7 A series of Information Days for work stream participants were held in March 2016 to help inform the work of the project. The ACCESS pool asked a variety of attendees to these days, including legal experts, ACS Operators and practitioners from other pools.
- 3.3.8 Intra-pool conference calls and meetings have been arranged in order to understand progress within other pools, learn from the experiences of others, share costs where common advice is sought and where appropriate, enable the local government universe to speak with a strong, collective voice.

### **3.4 Governance and decision making**

- 3.4.1 A draft of the July submissions (joint and individual) will be brought to the June 2016 Pension Committee meeting for approval. Due to the extremely tight timescales involved in this project it is possible that further iterations of the submissions will be required after this date. As a result it was recommended and approved that the Committee delegate the power of final approval of the July submissions to the Chairman of the Pension Committee in consultation with the Head of Pensions, with the caveat that if there are any major revisions after this Committee date an updated version will be circulated to all members of the Pension Fund Committee for further feedback.
- 3.4.2 It is envisaged that the Chairman/Vice-Chairman meetings will enable the Chairman, Vice-Chairman or other representatives of the Funds to make key decisions in connection with the July submission on behalf of the ACCESS pool and therefore effectively steer the content of the submission.
- 3.4.3 It is vital that Pension Committee and Pension Fund Board members are engaged in this project during this critical period and able to collectively have a voice in the shape of the ACCESS pool. It was approved that a Task and Finish Group be set up to meet in between each Chairman/Vice-Chairman meeting. Each Task and Finish Group meeting would discuss all pertinent matters at that time and would be able to feedback to the ACCESS pool via the representative attending the Chairman/Vice-Chairman meeting and/or through Officers.

- 3.4.4 The Task and Finish Group will meet each month throughout the process of the formulation of the July submission and for such period required thereafter. Membership would consist of any member of the Pensions Fund Committee and Pension Fund Board with the capacity to meet over this critical period.

### **3.5 Full Council approval**

- 3.5.1 The County Council's Scheme of Delegation to the Pension Fund Committee understandably does not include any specific powers relating to decisions around asset pooling. However in light of the unparalleled scope of the asset pooling project it was agreed that a paper is presented to Full Council seeking approval of the proposal to pool with ACCESS.

### **3.6 Costs**

- 3.6.1 The costs of the asset pooling project will be ultimately determined by the legal structure chosen by the ACCESS pool. Likewise, the savings profile is an output of the project itself and will be contingent on a variety of factors including the chosen path of transition.
- 3.6.2 However, at this stage there is a need to incur costs in order to progress the pooling project and deliver the July submission. As such, the Pensions Fund Committee approved expenditure of £60k in order to undertake the required project activity including that required to prepare the July submission. Cost estimates will be refined as the project progresses and at all times collective bargaining will be undertaken where possible, reflecting the fact that similar advice is required from many of the formative pools.

## **4. Employers Admissions and Cessations Report**

- 4.1 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.
- 4.2 The Employers Admissions and Cessations Report provides an update of bodies that are admitted and requests Pension Committee approval to admit certain admission bodies to the scheme.
- 4.3 At the March 2016 Pension Committee meeting the admission of VISIT Cambridge and Beyond was approved and 16 members of the LGPS have been transferred from Cambridge City Council. Cambridge City Council has provided a guarantee in respect of this admission which satisfies the requirements of the Fund's Admission policy. In addition, the Committee noted the admissions of Spring Common School, Bar Hill Parish Council, Easy Clean Contractors Ltd (Fordham Primary School), Aspens Services Ltd (Huntingdon Primary School) and Aspens Services Ltd (Hemingford Grey School) and the cessation of Easy Clean Contractors Ltd (Fenstanton School).

## **5. Risk Strategy**

- 5.1 At the March 2016 meeting of the Pension Committee a Risk Strategy was presented to the Committee and subsequently approved.

- 5.2 Good governance ensures that the Fund has an appropriate Risk Strategy which details the Fund's approach to managing risk. It outlines the risk philosophy, how risk management is implemented, responsibilities, procedures and internal controls to ensure risk is identified, analysed, controlled and monitored effectively.
- 5.3 Cambridgeshire Pension Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities.
- 5.4 The process involves identifying risk and looking at being proactive and reactive; looking for potential risks and by learning from past experiences. Risks can be identified through a number of means such as monitoring against the Fund's business plan. Once the potential risks have been identified, the next stage is to analyse and profile each risk. Risks are assessed by considering the likelihood of the risk occurring and the effect if it does occur, the risk rating and controls in place will be summarised on the risk register using a heat pad method.
- 5.5 Controlling the risks requires continual review to determine whether any further action is required such as the likelihood of a risk decreasing.
- 5.6 Officers are responsible for ensuring the Cambridgeshire Pension Fund Risk Management process is carried out, subject to the oversight of the Pensions Committee and Pension Fund Board. It is the role of the Pensions Committee to control and monitor the risk and ascertain whether any further action is required from updates and recommendations made by Officers.
- 5.7 The risk register will be presented for approval at the June 2016 meeting of the Pensions Committee for approval. The risk register will then be presented to the Pension Fund Board for any further comments or considerations.
- 5.8 The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee and Pension Fund Board. The Pension Committee and Pension Fund Board will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

## 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> )
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 Not applicable.

## **8. Risk Implications**

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
There are no risks associated with this report.		

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

<b>Risk</b>	<b>Risk Rating</b>
There are no risks associated with this report.	

## **9. Communication Implications**

9.1 Not applicable.

## **10. Legal Implications**

10.1 Not applicable.

## **11. Consultation with Key Advisers**

11.1 Not applicable.

## **12. Alternative Options Considered**

12.1 Not applicable

## **13. Background Papers**

13.1 Link to reports from the 24 March 2016 meeting of the Pension Committee:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=86>



<b>Checklist of Key Approvals</b>	
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 Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/4/2016
Has this report been cleared by Legal Services?	Not applicable