

**CAMBRIDGESHIRE PENSION
FUND**



Pension Fund Committee

Date: 29 March 2018

Report by: Head of Pensions

Subject:	Governance and Legislation Report
Purpose of the Report	To provide the Pension 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 and the 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 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 potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. Activities of the Pensions Regulator

2.1 Quick guides to improving and measuring data

- 2.1.1 The Pensions Regulator has recently published quick guides for trustees and scheme managers of pension schemes on improving and measuring their data. From 2018 it will be mandatory for schemes to include common and scheme specific (conditional) data scores on their annual scheme return.

- 2.1.2 LGSS Pensions were already aware of this requirement which has been incorporated into the Data Audit conducted by ITM Limited and the Data Improvement Plan.

- 2.1.3 In addition, the Scheme Advisory Board for the LGPS in England and Wales are looking to set up a working group including the Government Actuaries Department and the Pensions Regulator with a view to providing guidance on what data should be included in the key scheme-specific (conditional) data for the LGPS (E&W).

3. Activities of the Scheme Advisory Board

3.1. Tier 3 employer project – publication of surveys

- 3.1.1 The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).
- 3.1.2 The aims of the exercise are to identify:
- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
 - options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.
- 3.1.3 A key element of this project is information gathering and, on 27th November, the SAB launched three surveys for completion by:
- a) LGPS administering authorities - <http://lgpsregs.org/survey/administering-authorities.php>,
 - b) Tier 3 employers - <http://lgpsregs.org/survey/employer.php> , and
 - c) LGPS members employed by tier 3 employers - <https://lgpsmember.org/survey/member.php>
- 3.1.4 The surveys closed on 31 January 2018. LGSS Pensions responded to the survey on behalf of the Fund.
- 3.1.5 The results of the survey will be shared with the Pension Fund Committee once they become available.
- #### **3.2. Letter to the Minister regarding survivor benefits**
- 3.2.1 As agreed by the Scheme Advisory Board on the 16th November, the Chair, Councillor Roger Phillips, wrote to the Local Government Minister on 27 November setting out the Board's intention to explore the scope for eliminating any existing inequalities in the scheme regarding survivor benefits.
- 3.2.2 The letter went on to confirm that the Government Actuary's Department should be commissioned to cost any such proposal ranging from full retrospection to equalising future survivor benefits only. At this stage, and in the absence of any such costing, the Scheme Advisory Board has no firm view on how any such proposal should be applied.

- 3.2.3 In the meantime, representations will continue to be made to MHCLG for clarification on the extent to which the Brewster judgement applies to the LGPS in England and Wales. It was expected that the outcome of the Elmes v Essex County Council judicial review will provide further clarity (see section 4).

4. High Court judgement in the case of Elmes v Essex

- 4.1 This case concerns Nichola Elmes versus Essex County Council with an interested party of the Ministry of Housing, Communities and Local Government which is similar to that decided upon in the Supreme Court on 8 February 2017 (Brewster v NILGOSC, the Northern Ireland LGPS).
- 4.2 This case was heard before the High Court on 18 January 2018 and declared that:
- “The requirement to nominate a person under regulations 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 is incompatible with Article 1 of the first Protocol to, and Article 14 of, the European Convention on Human Rights and must therefore be disapplied”.
- 4.3 It is understood that the outcome of this case effectively removes the requirement for a nomination form from regulations and enables an LGPS administering authority to pay a partner’s pension, to the partner (who meets the definition of co-habiting partner set out in the LGPS Regulations 2013) of a deceased member who died without completing a nomination form, and who left active membership on or after 1 April 2008 and before 1 April 2014.
- 4.4 Whilst this judgement appears clear in respect of the payment of co-habiting partners, questions still remain around the children’s pensions that were paid at a higher rate in the absence of a co-habiting partners pension being paid and if these are now regarded as overpaid and whether administering authorities should seek recovery of these amounts.

5. Consultations

5.1 Indexation and equalisation of guaranteed minimum pensions (GMP) in public service pension schemes: HM Treasury response to the consultation

- 5.1 On 22 January 2018 HM Treasury published its response to the consultation on indexation and equalisation of GMP in public service pension schemes that was originally issued on 28 November 2016.
- 5.2 The consultation set out options for how government should continue to meet its obligations to index and equalise pension entitlements for members in public sector pension schemes with GMP entitlements (from being contracted out of the State Earnings Related Pension Scheme between 6 April 1978 to 5 April 1997) following reform to state pensions and the end of contracting out which removed the mechanism for full indexation of GMPs being paid through the State Additional Pension.

- 5.3 An “interim solution” is already in place whereby indexation on GMP for those reaching state pension age between 6 April 2016 to 5 December 2018 is paid by the public service pension scheme.
- 5.4 The government’s decision is to extend the interim solution for a further two years and four months so that indexation on GMPs in payment will now be paid by public sector pension schemes for those who reach state pension age on or before 5 April 2021.
- 5.5 During this extension period, the government proposes to investigate an alternative long-term methodology, known as “conversion” and give time for GMP reconciliation exercises to be completed and a methodology to be agreed. “Conversion” is an actuarial methodology whereby GMP is converted into a scheme benefit. This would apply to all active and deferred members of schemes reaching state pension age after the date the interim solution expires.

6. Skills and knowledge opportunities.

6.1. Training Events

- 6.1.2 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.
- 6.1.3 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.
- 6.1.4 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.

7. 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>

8. Risk Implications

a) Risk(s) associated with the proposal

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

9. Finance & Resources Implications

9.1 Not applicable

10. 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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11. Legal Implications

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

12. Consultation with Key Advisers

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

13. Alternative Options Considered

13.1 There are no alternative options to be considered.

14. Background Papers

14.1 Not applicable

15. Appendices

15.1 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
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 8 March 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 February 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 14 March 2018
Has this report been cleared by Legal Services?	Quentin Baker – 14 March 2018

Appendix 1 - Internal/External training and events 2018 – 2019

Date	Event	Training Credits	Target Audience	Website Link
7 February 2018	LGSS Pensions Information Day	2	Officers, Committee/ Board Members	In house ACCESS – appointment of operator
23 February 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
26 February 2018	Local Pension Board – Spring Seminar	2	Board Members	https://www.barnett-waddingham.co.uk/events/2018/02/26/lgps-local-pension-board-members-spring-seminar The latest updates on governance and the LGPS, including a focus on key emerging issues. It will also provide opportunities for discussion on the issues you face and for networking with Board members from other funds
1–2 March 2018	LGC Investment Seminar	4	Officers, Committee/ Board Members	https://investmentseminar.lgcplus.com/ Keeping the LGPS affordable and accessible through austerity and uncertain times.
16 March 2018	Schroders Trustee Training (Part 2)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
9 May 2018	CIPFA Governance Module	2	Officers, Committee/ Board Members	In house/ AON Hewitt
21-23 May 2018	PLSA Local Authority Conference	4	Officers, Committee/ Board Members	https://www.plsa.co.uk/Events/Local-Authority-Conference

27 June 2018	LGPS Local Pension Boards Three Years on	2	Board Members	http://www.cipfa.org/training/l/lgps-local-pension-boards--three-years-on-20180627
4 July 2018	LGSS Pension Information Day	2	Officers, Committee/ Board Members	In house
3-5 July 2018	LGA Annual Conference and Exhibition 2018	4	Officers, Committee/ Board Members	https://www.local.gov.uk/events The conference provides plenty of opportunities for delegates to engage in a range of sessions on how innovation and good practice can deliver the best local public services for our communities.
11–12 July 2018	Heywood Class Group AGM	4	Officers	https://www.aquilauk.co.uk/
12-13 July 2018	LGC Pension Fund Symposium	4	Officers	https://pensionfund.lgcplus.com/
6-7 September 2018	LGC Investment Summit 2018	4	Officers, Committee/ Board Members	TBC
5 October 2018	LGSS Pension Information Day	2	Officers, Committee/ Board Members	In house
12 October 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
2 November 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them

5-7 December 2018	LAPFF Annual Conference	4	Officers, Committee/ Board Members	TBC
TBC	UBS First Steps Seminar	2	Officers, Committee/ Board Members	
TBC	UBS Second Steps Seminar	2	Officers, Committee/ Board Members	
TBC	Pension Managers Annual Conference	4	Officers, Committee/ Board Members	
TBC	PLSA Annual Conference	4	Officers, Committee/ Board Members	
13 February 2019	LGSS Pension Information Day	2	Officers, Committee/ Board Members	In house

Core training has been highlighted in the plan above. Future dates of the CIPFA modules will be distributed shortly and will also be classed as core training.