

**CAMBRIDGESHIRE PENSION  
FUND**



**Pension Committee**

**Date:** 23 March 2017

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Governance and Legislation Report</b>
<b>Purpose of the Report</b>	To provide the Pension 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.
<b>Recommendations</b>	<b>That the Pensions Committee notes the content of the report.</b>
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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. The Pensions Regulator**

**2.1 Quick guide to record keeping**

- 2.1.1 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.
- 2.1.2 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.
- 2.1.3 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>

- 2.1.4 LGSS Pensions will be producing a Record Keeping policy that will be presented to the Pension Committee in December 2017.

### **3. Scheme Advisory Board**

- 3.1.1 The Scheme Advisory Board's deficits working group met on 8 November 2016 to consider a work plan for the coming months.
- 3.1.2 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.
- 3.1.3 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.
- 3.1.4 Further information can be found - <http://www.lgpsboard.org/index.php/sub-comms/deficits-working-group>
- 3.2 The Scheme Advisory Board also met on 6 December 2016 to discuss the following items –
- Pooling;
  - Transparency Code;
  - Academies;
  - Cost Management Committee update; and
  - Investment Committee update
- 3.2.1 Full details of the meeting can be found - <http://www.lgpsboard.org/index.php/board-publications>

### **4. Section 151 Representative on the Pensions Committee.**

- 4.1 With effect from 24 March 2017, Clive Mason will be replacing Stephen Pilsworth on the Pensions Committee as the section 151 representative for Local Authorities.

## **5. Election for non-local authority employers' representative**

- 5.1 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.
- 5.2 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.

## **6. Consultation on indexation and equalisation of GMP in public service pension schemes**

- 6.1 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.
- 6.2 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.
- 6.3 Among the layers of complexity that has been removed is the additional state pension, an earnings related element of the old state system.
- 6.4 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.
- 6.5 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?
- 6.6 The solutions are detailed in **appendix 1**.

6.7 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>

## 7. Pensions Dashboard

- 7.1 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.
- 7.2 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.
- 7.3 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.

## 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 2** 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

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>

## 10. Finance & Resources Implications

10.1 Not applicable

## 11. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		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	Red

## 12. Communication Implications

<b>Training</b>	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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## 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 Not applicable

## **17. Appendices**

17.1 Appendix 1 - Consultation on indexation and equalisation of GMP in public service pension schemes

17.2 Appendix 2 - List of training events/conferences

<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 Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 6/3/2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22/2/2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 6/3/2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 3/3/2017

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

Solution	Methodology for indexation	Method for equalisation	Points to consider
<b>Case-by-case</b>	Comparison of the total income received by the pensioner from public and state pension provision under the old and new system. 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.	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.	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.
<b>Full indexation</b>	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.	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.	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.
<b>Conversion</b>	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.	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.	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.

**Internal/External training and events 2016-17**

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 Local Pension Board will benefit from attending.

<b>Date</b>	<b>Event</b>	<b>Training Credits</b>	<b>Target Audience</b>
2 - 3 March 2017	LGC Investment Seminar	4	Officers, Committee/Board Members
7 April 2017	Data – 2017 (Pensions Age / ITM)	2	Officers
15-17 May 2017	PLSA LA Conference	4	Officers, Committee/Board Members
21 May 2017	Schroders Trustee Training - Introductory	2	Officers, Committee/Board Members
29 -30 June 2017	14 <sup>th</sup> Annual LGPS Trustees Conference	4	Officers, Committee/Board Members
4 – 6 July 2017	LGA Annual Conference & Exhibition	4	Officers, Committee/Board Members
12-13 July 2017	CIPFA Annual Conference	4	Officers, Committee/Board Members
TBC	Heywoods class group AGM	2	Officers
3 September 2017	Schroders Trustee Training – Advanced	2	Officers, Committee/Board Members
7 -8 September 2017	LGC Investment Summit	4	Officers, Committee/Board Members
19 September 2017	Local Pension Board Seminar	2	Board Members
18 – 20 October 2017	PLSA Annual Conference and Exhibition	4	Officers, Committee/Board Members
8 November 2017	Local Pension Board Seminar	2	Board Members
TBC	UBS First steps seminar	2	Officers, Committee/Board Members
TBC	UBS Second steps seminar	2	Officers, Committee/Board Members
21 – 22 November 2017	Pension Managers Annual Conference	4	Officers, Committee/Board Members
TBC	LAPFF Annual Conference	4	Officers, Committee/Board Members