

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 25 January 2017

**Report by:** Head of Pensions

<b>Subject:</b>	<b>To review the effectiveness of the Cambridgeshire Local Pension Board</b>
<b>Purpose of the Report</b>	To provide feedback on the results from the effectiveness review survey.
<b>Recommendations</b>	<b>That the Board notes the feedback and approves the plan of action to improve the effectiveness in the areas identified.</b>
<b>Enquiries to:</b>	Name: Jo Walton (Governance and Regulations Manager) Tel: 01604 367030 E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 The need to regularly review the effectiveness of the Cambridgeshire Local Pension Board is considered good governance and will be undertaken as an annual exercise. On 31 October 2016 a survey was distributed to members of the Board to complete on how adequate they felt the current arrangements of the Board were.
- 1.2 The survey consisted of 15 statements and sought feedback in the areas of:
  - The running of meetings
  - The quality and quantity of information provided
  - The risks facing the Fund
  - The knowledge and skills required
  - The Statutory objectives of the Pensions Regulator
  - The Code of Conduct
  - The governance and compliance statement
  - Potential conflicts of interest
- 1.3 Completed surveys were to be returned to LGSS Pensions Service by 30 November 2016 to be included in the final assessment of the results.

**2. Response to the review**

- 2.1 The survey to ascertain the views of the Cambridgeshire Local Pension Board was sent to all five members consisting of three member representatives and two employer representatives. Three completed questionnaires were returned.

### **3. Results of the effectiveness survey**

- 3.1 The survey consisted of 15 statements that participants were asked to provide a rating of between 4 and 1 with 4 being wholly agree and 1, totally disagree. Participants were also encouraged to provide further comments to support the rating they had provided.
- 3.2 A full analysis of the results of the survey can be found in appendix 1.

### **4. Conclusions drawn from the effectiveness survey**

- 4.1 The average result for the effectiveness of the Local Pension Board was 41.9 out of the potential 60 available.
- 4.2 From an analysis of the ratings and additional comments provided in the survey the following can be concluded that the Local Pension Board are felt to be particularly effective at ensuring:
- Adequate time is allocated to agenda items to ensure sufficient discussion and effective recommendations are made;
  - The quality of the Local Pension Board papers always meet the expected standard;
  - Understanding of the statutory objectives of the Pension Regulator;
  - Understanding of the legal obligations in regards to reporting any breaches members deem are of material significance to the Pensions Regulator and how to go about reporting if necessary;
  - The high standards of behaviour expected of members as required by the Code of Conduct;
  - Familiarity with the Governance Compliance Statement and how the roles of the Local Pension Board fit into the overall Administering Authority functions; and
  - Sufficient awareness of potential conflicts of interest and what actions are required if one arises
- 4.3 The survey also identified a number of areas for improvement, the below table identifies those areas and what course of action will be taken against each one, including where a low rating was given but no further detailed comment provided:

<b>Area for improvement</b>	<b>Concern</b>	<b>Proposed course of action</b>
There are a sufficient number of meetings during the year.	Needs to be flexible if agenda / workload items require additional meetings.	The agenda allows for items to be discussed thoroughly. Additional meetings can be scheduled if the workload deems this necessary. The Board currently complies with the four scheduled meetings a year. Additional meetings can be recommended at any time and can be scheduled with the agreement of the Chairman.

<p>The reports detailing the administration of the Fund are a sufficient overview of how the Fund is performing to challenge or make recommendations.</p>	<p>The papers issued to the Pensions Committee do not go to the Board.</p>	<p>The Pension Committee papers should be circulated to the Local Pension Board as a matter of course. This has been raised with Democratic Services and will happen going forward. All Board members are able to attend Committee meetings when convenient to do so. Pension Committee papers can be viewed on the Cambridgeshire County Council website.</p>
<p>There is sufficient awareness of the risks facing the Pension Fund.</p>	<p>There may be unknown risks. Difficult to know if members are aware of 'all' risks to the Fund.</p>	<p>The risk strategy and risk register were presented to the Board during the course of 2016/17. The final risk register will be taken to the Board during 2017/18 and will be taken back periodically for review or beforehand if deemed appropriate.</p>
<p>The Knowledge and Skills Framework adopted by the Board is adequate for achieving the required level of knowledge to enable effective scrutiny.</p>	<p>The majority of knowledge and skill appears to be mainly provided by 'Consultants' who have a financial interest. More independent unbiased training would be beneficial – also little detailed information / training has been provided on fees and charges.</p>	<p>Training is offered in many forms with external consultants being one method. Officers in consultation with the Board will need to weigh up the costs of independent training against the benefits in conjunction with the topic the training needs to cover. A presentation on fees and charges is being delivered at the January 2017 meeting. Board members have access to Pension Committee and Investment Sub Committee papers in order to receive additional information in this area as and when it becomes available.</p>
<p>There is a high level understanding of the areas covered by the Pension Regulator's Code of Practice and where the Fund is compliant and non-compliant.</p>	<p>There is not sufficient detailed knowledge of the Fund's operation to know if it is compliant or non-compliant, only to take on face value information provided in the annual report.</p>	<p>A report on the extent to which the Fund is complying Pension Regulator's Code of Practice is being delivered at the January 2017 meeting. The report will highlight any areas of concern and will detail a clear action plan for full compliance.</p>

Sufficient knowledge and understanding has been obtained to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the Local Government Pension Scheme and/or any failure to meet the standards and expectations set out in the Code of Practice.	There is a lot of knowledge needed to challenge. This knowledge does not happen overnight. How is sufficient quantified to be able to know if a desired level has been attained?	The Knowledge Management Policy was initially adopted by the Board upon the creation of the Board. A revised Knowledge Management Strategy has been developed and is being presented to the Board in January 2017, which has been designed for the Committee and Board members and encourages members to attain credits via various training methods. Officers of the Fund keep members updated with training opportunities to facilitate as many opportunities as possible.
Adequate information is provided to the Local Pension Board in order to carry out the role effectively. Please specify what further information could be provided to assist you in your role, if any.	A review of the Pension Committee meetings and decisions should be carried out. This is now being addressed. Papers that go to the Pensions Committee do not go the Board. It is difficult to know whether there is adequate oversight.	The Pension Committee papers should be circulated to the Local Pension Board as a matter of course. This has been raised with Democratic Services and will happen going forward. All Board members are able to attend Committee meetings when convenient to do so. Pension Committee papers can be viewed on the Cambridgeshire County Council website.
The Local Pension Board makes a valuable contribution to the overall governance of the Fund	The Board could be a more valuable contributor. We have up until quite recently been given little scope to review decisions made by the Pensions Committee. This situation is however changing.	The Board are contributing to the governance of the Fund by looking at pre and post scrutiny of the decisions made by the Pensions Committee. The Board reviewed the risk register and have started to make recommendations to the Committee. This will continue to develop now the Board is more established and knowledge is being obtained on a regular basis.

## 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 There are no financial or resource implications as a result of accepting the recommendations within this report.

## 7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with the proposal as it is good governance to review best practice of the Local Pension Board.	N/A	Green

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

Risk	Risk Rating
Not reviewing the effectiveness of the Local Pension Board could lead to an ineffective Board and therefore poor governance arrangements.	Amber

## 8. Communication Implications

- 8.1 There are no communication implications as a result of accepting the recommendations within this report.

## 9. Legal Implications

- 9.1 There are no legal implications as a result of accepting the recommendations within this report.

## 10. Consultation with Key Advisers

- 10.1 There has been no consultation with professional advisers in the writing of this report.

**11. Alternative Options Considered**

11.1 Not applicable.

**12. Background Papers**

12.1 None

**13. Appendices**

13.1 Appendix 1 – Results from the effectiveness review of the Cambridgeshire Local Pension Board

<b>Checklist of Key Approvals</b>	
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 Head of Pensions?	Mark Whitby – 3 January 2017

## Appendix 1

### Local Pension Board – Effectiveness review – Collective Responses

Please find below statements that will assist our understanding of the effectiveness of the Cambridgeshire Local Pension Board. The information that you provide will help form a discussion on how greater effectiveness can be achieved.

For each of the statements please indicate whether you wholly agree (4) or totally disagree (1) and provide a comment in the box to support your score.

Your views will be remain anonymous

Q1	There is adequate time allocated to agenda items to ensure sufficient discussion and effective recommendations are made				
	4	3	2	1	Don't Know
	3				
Q2	There are a sufficient number of meetings during the year				
	4	3	2	1	Don't Know
	2.7 <ul style="list-style-type: none"> <li>Needs to be flexible if agenda / workload items require additional meetings</li> </ul>				
Q3	The quality of the Local Pension Board papers always meet the expected standard				
	4	3	2	1	Don't Know
	3.3 <ul style="list-style-type: none"> <li>Always of a high standards</li> </ul>				

Q4	The reports detailing the administration of the Fund are a sufficient overview of how the Fund is performing to challenge or make recommendations				
	4	3	2	1	Don't Know
	<b>2.3</b> <ul style="list-style-type: none"> <li>Papers issued to the pensions committee do not go to the board.</li> <li>Generally Ok, as long as additional / clarification is provided as requested</li> </ul>				
Q5	There is sufficient awareness of the risks facing the Pension Fund				
	4	3	2	1	Don't Know
	<b>2.7</b> <ul style="list-style-type: none"> <li>You only know what you know. I'm not sure that I'm fully aware of 'All' the risks facing the Pension Fund</li> </ul>				
Q6	The Knowledge and Skills Framework adopted by the Board is adequate for achieving the required level of knowledge to enable effective scrutiny				
	4	3	2	1	Don't Know
	<b>2.7</b> <ul style="list-style-type: none"> <li>The majority of knowledge &amp; skill appears to be mainly provided by 'Consultants' who have a financial interest. I would like to see more independent unbiased training provided – also little detailed information / training has been provided on fees and charges.</li> </ul>				
Q7	Sufficient knowledge and understanding has been obtained to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the Local Government Pension Scheme and/or any failure to meet the standards and expectations set out in the Code of Practice				
	4	3	2	1	Don't Know
	<b>2.3</b> <ul style="list-style-type: none"> <li>Tricky as there is a lot of knowledge needed to challenge. This knowledge does not happen overnight.</li> <li>How does you quantify sufficient? I suspect from my perspective the answer will always be never enough</li> </ul>				

Q8	Good understanding of the statutory objectives of the Pension Regulator has been obtained and advocated through your role				
	4	3	2	1	Don't Know
	3				
Q9	Good understanding of the legal obligations in regards to reporting any breaches you deem are of material significance to the Pensions Regulator and how to go about reporting if necessary				
	4	3	2	1	Don't Know
	3.3				
Q10	There is a high level understanding of the areas covered by the Pension Regulator's Code of Practice and where the Fund is compliant and non-compliant				
	4	3	2	1	Don't Know
	2.3 <ul style="list-style-type: none"> <li>I don't have sufficient detailed knowledge of the funds operation to know if it is compliant or non-compliant, only to take on face value information provided in the annual report</li> </ul>				
Q11	The Local Pension Board display the standards of behaviour expected of members as required by the Code of Conduct				
	4	3	2	1	Don't Know
	3.7				
Q12	The Local Pension Board are familiarised with the Governance Compliance Statement and how the roles of the Local Pension Board fit into the overall Administering Authority functions				
	4	3	2	1	Don't Know
	3.3				
	There is sufficient awareness of potential conflicts of interest and what actions are required if one arises				

Q13	4	3	2	1	Don't Know
	3.3				
Q14	Adequate information is provided to the Local Pension Board in order to carry out the role effectively. Please specify what further information could be provided to assist you in your role, if any.				
	4	3	2	1	Don't Know
	2.3 <ul style="list-style-type: none"> <li>• If we ask for information we generally get it. Possibly we need to review minutes of pension committee meetings and decisions. This is now being addressed.</li> <li>• Papers that go to the pensions committees do not go the board. It, therefore, is difficult to know whether we are overseeing adequately</li> <li>• See Q6</li> </ul>				
Q15	The Local Pension Board makes a valuable contribution to the overall governance of the Fund				
	4	3	2	1	Don't Know
	1.7 <ul style="list-style-type: none"> <li>• We could be a more valuable contributor. We have up until quite recently been given little scope to review decisions made by the Pensions committee. This situation is however changing.</li> <li>• To be brutally honest 'I have my doubts'. I wish we could make more of a 'valuable contribution', but suspect we only exist as a tick box exercise because the Government requires us to. Not sure how we change this mind set.</li> </ul>				