

**CAMBRIDGESHIRE PENSION
FUND**



Pension Committee

Date: 8 December 2016

Report by: Head of Pensions

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| Subject: | Governance and Legislation Report |
| Purpose of the Report | 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. |
| Recommendations | That the Pensions Committee notes the content of the report. |
| Enquiries to: | Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk |

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 The Pensions Regulator self-assessment tool for public service pension schemes

- 2.1.1 The Pensions Regulator (TPR) has published a self-assessment tool for those involved in running public service pension schemes to assess how they are getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's code of practice number 14 – governance and administration of public service pension schemes.
- 2.1.2 The tool sets out a range of processes, tools and actions that TPR expects to see in a well-run scheme and, upon completion, the tool provides schemes with indicative risk ratings in certain key areas.

- 2.1.3 LGSS Pensions had previously tested the tool and provided feedback to TPR regarding its functionality.
- 2.1.4 A complete version of the self-assessment tool will be presented at the March 2017 meeting of the Pension Committee.

2.2 Survey of public service pension schemes

- 2.2.1 Following last year's survey of the governance and administration of public service pension schemes, TPR have commenced its 2016 survey. The survey builds on the content of last year's survey, but with a greater emphasis on record-keeping, internal controls and communications
- 2.2.2 The survey has been directed to the contact details TPR hold for each scheme manager, and TPR will also be writing to Local Pension Board Chairmen to advise them of the survey.
- 2.2.3 LGSS Pensions are working with the Chairman of the Local Pension Board to complete the survey.

3. Scheme Advisory Board

3.1 Legal opinion on LGPS and application of Financial Services Markets Act 2000

- 3.1.1 The LGA has obtained a legal opinion from Nigel Giffin QC on the extent to which a local authority or other body which is the administering authority of an LGPS fund might in that connection be subject to regulation by the Financial Conduct Authority ("FCA") pursuant to the Financial Services and Markets Act 2000 ("FSMA").
- 3.1.2 In the opinion, Mr Giffin concluded that, in managing an LGPS fund, the administering authority is not carrying out a regulated activity, and does not require FSMA authorisation.
- 3.1.3 The full legal opinion can be found on the Scheme Advisory Board website at the following link;

<http://www.lgpsboard.org/index.php/board-publications/legal-opinions>

3.2 Investment Fees – Code of Transparency

- 3.2.1 The move toward investment fee transparency and consistency is seen by the Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.
- 3.2.2 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Scheme Advisory Board is working to develop a voluntary Code of Transparency for LGPS asset managers. As part of this work a consultation meeting was held on 21 September 2016 with representative fund accountants. The minutes of this meeting can be found at the following link;

4. Debate following e-petition on LGPS investment regulations

- 4.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:
- the proposed Government intervention power in scheme investments,
 - the requirement for an improved capacity for investment in infrastructure, and
 - ensuring that investments be made in the interests of scheme members.
- 4.2 As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available at:

<https://hansard.parliament.uk/commons/2016-10-24/debates/A7FADB91-3C81-4C9D-A6C9-791C57EEC3B2/LocalGovernmentPensionScheme>

5. Early Day Motion to annul LGPS Investment Regulations 2016

- 5.1 On 25 October, MPs from the Labour Party submitted an Early Day Motion (EDM) praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion has been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above).
- 5.2 Historically, it is very rare that an EDM to annul a statutory instrument is successful, but it is possible that the date the regulations come into force (currently planned for 1 November 2016) may be delayed slightly.

6. Publication of LGPS (England and Wales) statistics 2015/16

- 6.1 Following the completion of the 2015/16 SF3 data collection forms by LGPS administering authorities in England and Wales, DCLG have published the results.
- 6.2 The key points from the England release are:
- Total LGPS expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1% compared to 2014-15.
 - Total LGPS income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4% compared to 2014-15.
 - Employers' contributions to the LGPS in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
 - The market value of LGPS funds in England at the end of March 2016 was just over £200 billion.
 - The LGPS in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future.

- 6.3 It should be noted when looking at the figures that:
- Comparisons on a fund level from 2012/13 to 2015/16 may be difficult given the transfer of probation staff to Greater Manchester Pension Fund in 2014/15.
 - There have been changes in the way that administration costs are now recorded, meaning that historical comparisons may also be difficult in respect of the costs of the scheme.
- 6.4 The full report can be found at the following link:

<https://www.gov.uk/government/collections/local-government-pension-scheme>

7. LGC Investment Awards 2016

- 7.1 On the 9 November 2016, the 23rd LGC Investment Awards were held to celebrate the very best in the LGPS. A total of 13 awards were presented with the Lifetime Achievement Award going to Former Chair of CIPFA Panel, Bob Summers.
- 7.2 The Best Collaboration was awarded to Project POOL. The category criteria was to recognise the best collaborative approach by a fund or a partnership of funds and the entrants had to demonstrate how the project had improved standards, has or reduced costs to employers and scheme members and how the principles of the collaborative project could apply more widely across the LGPS.

8. Consultations

8.1 Government publish response to college insolvency consultation

- 8.1.1 Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England (see articles in bulletins 148 and 149), the Department for Education has published its formal response.
- 8.1.2 The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS. In particular, the Government's views are as follows:
- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
 - However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pensions deficit as there would be a merger with, or transfer to, another provider.
 - Pension funds should nevertheless assess the strength of each employer's covenant.
 - Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does provide a limited guarantee, is therefore not fitting because academies are public bodies.
 - During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

8.2.3 The Government will now take forward their plans via primary legislation when parliamentary time permits.

9. Training Events

- 9.1 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.
- 9.2 In order to facilitate the acquisition of skills and knowledge, appendix 1 lists all events that are deemed useful and appropriate.
- 9.3 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.

10. Relevant Pension Fund Objectives

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| 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> |

11. Finance & Resources Implications

11.1 Not applicable

12. 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 |

13. Communication Implications

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| 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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14. Legal Implications

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

15. Consultation with Key Advisers

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

16. Alternative Options Considered

16.1 There are no alternative options to be considered.

17. Background Papers

17.1 Not applicable

18. Appendices

18.1 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 |
| 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 – 22/11/2016 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 9/11/2016 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Hickford – 22/11/2016 |
| Has this report been cleared by Legal Services? | Laurie Gould – 28/11/2016 |

Appendix 1

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 Pension Fund Board will benefit from attending.

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|-----------------------|--|---|-----------------------------------|
| 2 February 2016 | LGSS Triennial Valuation Training Day (NPF) | 2 | Officers, Committee/Board Members |
| 3 February 2016 | LGSS Triennial Valuation Training Day (CPF) | 2 | Officers, Committee/Board Members |
| 26 February 2016 | Schroders Trustee Training (Part 1) | 1 | Committee/Board Members |
| 3 – 4 March 2016 | LGC Investment Seminar | 2 | Officers, Committee/Board Members |
| 15 April 2016 | Schroders Trustee Training (Part 2) | 1 | Committee/Board Members |
| 16 - 18 May 2016 | PLSA Local Authority Conference | 2 | Officers, Committee/Board Members |
| June 2016 tbc | Heywood Class Group AGM | 2 | Officers |
| 10 June 2016 | Schroders Trustee Training | 2 | Officers, Committee/Board Members |
| 23 – 24 June 2016 | 13 th Annual LGPS Trustees Conference | 3 | Committee/Board Members |
| 29 June 2016 | Local Pension Board – One year on Seminar | 2 | Board Members |
| 19 – 20 July 2016 | LGC Pension Fund Symposium | 2 | Officers |
| 8 – 9 September | LGC Investment Summit | 3 | Officers, Committee/Board Members |
| 28 September 2016 | CIPFA – Introduction to the LGPS | 2 | New Committee/Board Members |
| October 2016 tbc | Heywood User Group | 2 | Officers |
| 6 October 2016 | Fundamentals XV 2016 – Day 1 | 2 | Officers, Committee/Board Members |
| 19 – 21 October 2016 | PLSA Annual Conference and Exhibition | 2 | Officers, Committee/Board Members |
| 1 November 2016 | Fundamentals XV 2016 – Day 2 | 2 | Officers, Committee/Board Members |
| 2 November 2016 | PLSA Local Authority Forum | 2 | Officers, Committee/Board Members |
| 8 November 2016 | UBS Seminar Steps 1 | 2 | Officers, Committee/Board Members |
| 22 November 2016 | UBS Seminar Steps 2 | 2 | Officers, Committee/Board Members |
| 22 – 23 November 2016 | Pensions Managers' Annual Conference | 4 | Officers |
| 29 November 2016 | Fundamentals XV 2016 – Day 3 | 2 | Officers, Committee/Board Members |
| 8-9 December 2016 | LAPFF Annual Conference | 3 | Officers, Committee/Board Members |
| 2 - 3 March 2017 | LGC Investment Seminar | 3 | Officers, Committee/Board Members |

With effect from October 2015, the National Association of Pension Funds (NAPF) was renamed Pensions and Lifetime Savings Association (PLSA).