

Cambridgeshire Local Pension Board

Annual Report 2016-17

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Chairman's Foreword

It is my pleasure, as Chairman of the Cambridgeshire Local Pension Board, to introduce the second Cambridgeshire Local Pension Fund Board Annual Report for 2016-17. The Board was established in accordance with the Public Service Pensions Act 2013. Our task is to assist Cambridgeshire County Council by making sure it is administering the LGPS effectively and efficiently and is compliant with the law.

I attended the Local Pension Board Conference held for Chairs and Vice-Chairs of pension fund boards. It had been timed for the first anniversary of the creation of local pension boards and was designed as an opportunity for the members of local boards to share experiences of the first year and to look ahead to the next year. It was pointed out by a speaker, from the Pensions Regulator, that there was insufficient information available for scheme members to find out about the role of pension fund boards, and that only 53% of funds had procedures in place to report breaches. I am delighted to report that locally, there is a policy on reporting breaches, and that efforts have been made to publicise the role of the Board, via website, payslips and this annual report. We want to hear from scheme members and employers about any issue or issues which may be causing them concern so please feel free to contact any member of the Board.

The Board has not been in existence for long and we have experienced difficulty in retaining and attracting new members. As a result we expressed a wish to be involved in the appointment of Board Members recruited via advert. Board Members have to absorb a lot of guidance from the Pensions Regulator and the Local Government Pension Scheme Advisory Board. They are required to be conversant with pensions' law and with a range of other regulatory material. Together with my Vice-Chairman, Councillor Peter Downes, I was involved in the interview process for the new Employer Representative. I am delighted to welcome Denis Payne who has already contributed positively to our work.

A survey of the effectiveness of the Board was undertaken in October. We have a plan of action to improve in a number of identified areas. I am confident that the dedication and commitment of the current Board members will continue into 2017-18 in order to assist Cambridgeshire County Council in maintaining the high standards of the administration of the Fund.

Barry O'Sullivan
Chairman of Cambridgeshire Local Pension Board

Background

The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board to assist the Administering Authority (Cambridgeshire County Council) to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The Cambridgeshire Local Pension Board is in addition to the existing Cambridgeshire Pension Fund Committee. It is a non-decision making body and is designed to act as a critical friend to the existing Committee and Investment Sub-Committee.

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 relating to the creation and ongoing operation of the local pension boards were laid before Parliament on 28th January 2015 and came into force on 20th February 2015.

The Cambridgeshire Local Pension Board was established by Cambridgeshire County Council (the administering authority) at its full Council meeting on 24th March 2015. The first meeting of the Board was held on 16th July 2015.

Role and Remit

The role and remit of the Cambridgeshire Local Pension Board is to assist Cambridgeshire County Council (the administering authority) by making sure it is administering the Local Government Pension Scheme effectively and efficiently and, in doing so, is complying with relevant laws and regulations. The Board does this by reviewing the policies and practices that Cambridgeshire County Council has adopted and checking them against the applicable regulations, as well as comparing them to examples of best practice elsewhere.

Governance Compliance Statement

Each Administering Authority must have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority. Where the Administering Authority does delegate its functions, the statement must include:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absences of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

Constitution and Membership

Cambridgeshire County Council approved the terms of reference for the Cambridgeshire Local Pension Board on the basis that the Board is a stand-alone authority. With the assistance of the Local Pension Board, it has also approved standing orders for the Board. A copy of both documents is available at the following link




<https://cmis.cambridgeshire.gov.uk/ccclive/Documents/PublicDocuments.aspx>
(see Part 3B - Responsibility for Functions, Committees of Council, Pension Fund Committee)

A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. At its meeting on 24th March 2015, Cambridgeshire County Council agreed to establish a Local Pension Board with three employer representatives and three scheme member representatives. The term of appointment for all members is four years or until qualification for membership ceases.




The method of appointment is two employer representatives to be appointed by Cambridgeshire County Council Full Council and all other members to be appointed via an open and transparent selection process. An application pack containing the terms of reference and an outline of the knowledge and understanding and capacity requirements is available and advertised to employers and members within the Fund in a way that is compliant with the requirements set out in the Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales whenever a new member is recruited. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer or his representative determines that the representative has the required attributes to carry out the role effectively.

The membership of the Board is as set out overleaf:

Employer Representatives

		
Councillor Mac McGuire Employer Representative	Councillor Peter Downes Employer Representative	Denis Payne Employer Representative
Cambridgeshire County Council Conservative Group	Cambridgeshire County Council Liberal Democrat Group	Histon and Impington Parish Councillor
Mac.McGuire@cambridgeshire.gov.uk	peter.downes@cambridgeshire.gov.uk	denis@dwpayne.net
Appointed: 12 May 2015	Appointed: 18 October 2016	Appointed: 3 February 2017

Scheme Member Representatives

		
David Brooks Scheme Member Representative	Barry O'Sullivan Scheme Member Representative	John Stokes Scheme Member Representative
Former Vice- Principal – Business of The Thomas Deacon Academy	Cambridgeshire County Council Customer Service Advisor	Former Senior Architectural Technologist
david.jf.brooks@talk21.com	Barry.O'Sullivan@cambridgeshire.gov.uk	johnjstokes@btinternet.com
Appointed:	Appointed: 16 July 2015	Appointed:

21 October 2015		16 July 2015
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The Chairman/woman and Vice-Chairman/woman of the Board is elected by the Board on annual basis.

The current Chairman is Mr Barry O’Sullivan and the Vice-Chairman is Councillor Peter Downes.

The Board has met four times during the period of this Annual Report. The attendance record for members of the Board is detailed below:

Employer Representatives						Scheme Member Representatives		
Date	Cllr Mac McGuire	Cllr Lucy Nethsingha	Cllr Peter Downes	Ian Dewar	Denis Payne	David Brooks	Barry O’Sullivan	John Stokes
22 July 2016	Apologies	Attended	Not a member	Not in attendance	Not a member	Attended	Attended	Attended
26 October 2016	Not in attendance	Not a member	Attended	Not in attendance	Not a member	Attended	Attended	Attended
25 January 2017	Not in attendance	Not a member	Attended	Not a member	Not a member	Apologies	Attended	Attended
12 April 2017	Not in attendance	Not a member	Attended	Not a member	Attended	Attended	Attended	Attended

Code of Conduct and Conflicts Policy

Cambridgeshire County Council (the Administering Authority) is required to prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the 'Seven Principles of Public Life' (known as the Nolan Principles).

The elected and co-opted members of a local authority are governed by their local authority's code of conduct for councillors. This code is required of every local authority by the Localism Act 2011 and sets out the standards of behaviour expected of individuals in their capacity as councillors. In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act. Both of these requirements apply to any members of a Local Pension Board who are also councillors of a local authority. They do not apply to members of a Local Pension Board who are not Councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Board.

The Cambridgeshire Local Pension Board has agreed formally, at its meeting on 21st October 2015, to adopt the Cambridgeshire County Council Code of Conduct for all members of the Board. A link to the completed code of conduct forms for Councillor Board members is available below:

https://cmis.cambridgeshire.gov.uk/ccc_live/Councillors.aspx

The code of conduct forms for non-Councillor members are retained by the Democratic Services Officer, Dan Snowdon, supporting the Board.

It is not anticipated that significant conflicts of interest will arise in the same way as would be the case if the Board was making decisions on a regular basis (compared, for example, to a Pensions Committee). However, officers will take steps to identify, monitor and manage conflicts effectively.

Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS)
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Each individual must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Cambridgeshire County Council (the Administering Authority) is required to make appropriate training to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training.

The Board approved the Knowledge and Understanding Policy Framework for Cambridgeshire Pension Fund Board Members which is available at the following link (*see item 7*):

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1069>

The Pensions Regulator has provided an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. A number of members of the Cambridgeshire Local Pension Board have already completed the Pension Regulator's Toolkit, which is a compulsory requirement under the Knowledge Management Policy. Members who have not completed the Toolkit have been contacted with a reminder and provided with a link as follows:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>

The Local Pension Board is required to keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps. It is a statutory requirement to include details of the training undertaken by members of the Pension Fund Board in the Fund's Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time.

A schedule detailing the training undertaken by Cambridgeshire Local Pension Board members is detailed below:

Member	Event	Date
Cllr McGuire	LGA Local Pension Board Training	21/05/2015
Cllr Nethsingha	LGSS Joint Local Pension Board Training LGSS Valuation Training	1/09/2015 3/02/2016
Cllr Downes		
Ian Dewar	LGSS Valuation Training	3/02/2016
Denis Payne	Completion of the Pension Regulator's Toolkit LGPS Knowledge Assessment Local Pension Board Two Years on Seminar	28/2/2017 7/3/2017 28/6/2017
Barry O'Sullivan	LGA Local Pension Board Training LGSS Joint Local Pension Board Training UBS First Steps UBS Second Steps LGSS Valuation Training Local Pension Board Seminar Pension Ombudsman Case Study - Training item Completion of the Pension Regulator's Toolkit LGC Investment Seminar Local Pension Board Two years on Seminar	21/05/2015 1/09/2015 3/11/2015 3/11/2015 3/02/2016 29/6/2016 22/7/2016 November 2016 3/2/2017 28/6/2017

John Stokes	LGA Local Pension Board Training	21/05/2015
	LGSS Joint Local Pension Board Training	1/09/2015
	LGSS Pensions Liability Driven Investment & Passive Investment Training Day	27/10/2015
	LGSS Valuation Training	3/2/2016
	Completion of the Pension Regulator's Toolkit	
	Pension Ombudsman Case Study - Training item	22/6/2016
	Schroders Trustee Training	10/6/2016
	LGC Investment Seminar	2/3/2017
	Local Pension Board 2 Years on Seminar	28/6/2017
David Brooks	Completion of the Pension Regulator's Toolkit	17/2/2016
	Pension Ombudsman Case Study - Training item	22/6/2016
	14th Annual Trustee Conference	29/6/2017

A Local Pension Board is also required to prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members. The LGSS Pensions Team has prepared such a list for Cambridgeshire Local Pension Board members, which is available at the following link:
<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents>

At its meeting in January 2017, the Board approved the Cambridgeshire Pension Fund Training Strategy 2016. The Strategy is based on a training credits concept reflecting a mix of training from e-learning to training days which recognises people's commitments.

Reporting Breaches of the Law to the Pensions Regulator Policy

In accordance with section 70 of the Pensions Act 2004, certain individuals must report to the Pensions Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:

- a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any its functions.

This obligation directly applies to each individual who is a member of the Local Pension Board. The Local Pension Board must therefore have effective arrangements in place to meet its duty to report breaches of law.

At its meeting on 21st October 2015, the Cambridgeshire Local Pension Board was informed that, in line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes), the Fund has developed a policy that sets out the mechanism for reporting breaches of the law.

The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.

As the Cambridgeshire Local Pension Fund Board does not have decision making powers, the Board is not able to approve this policy. Instead it reviewed the Policy on 21st October 2015 before it was approved by the Pension Committee at its meeting on 22 October 2015.

A copy of the "Reporting Breaches of the Law to the Pensions Regulator Policy" is available at the following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1070>

Work Programme 2016-17

The Cambridgeshire Local Pension Board has met four times in 2016-17 on 22nd July 2016, 26th October 2016, 25th January 2017 and 12th April 2017.

Board Meeting – 22nd July 2016

At this meeting, the Board considered the Administration Performance Report focussing on the work undertaken in administering the Pension Scheme. It was noted that employers had provided year-end data more quickly in 2016 than 2015, which was to be welcomed. The Board enquired about measures to keep in touch with deferred members. It was pleased to note that the intention was to move to electronic distribution for deferred members; once they had access to member self-service, it should be easier for them to keep their own details up to date.

The Board's advice was sought on risk and ratings assigned to the objectives agreed by the Pension Fund Committee included within the Cambridgeshire Pension Fund – Draft Risk Register. In welcoming the Register, the Board queried whether the impact of the decision to leave the European Union was included, and were informed that it was covered and that any changes in legislation governing pension funds would have to go through statutory processes, so would not be introduced without some warning.

In response to a request from the Board to be kept up to date with progress on the triennial valuation of the Pension Fund, it received a reporting setting out an overview of the timeline of key valuation activities and progress made to date. The Board also received information on a Local Government Pension Scheme Ombudsman case study. This was supplied to enable members to build their skills and knowledge in order to undertake their role effectively.

Board Meeting – 26th October 2016

The Board was informed of an audit of Cambridgeshire County Council undertaken by BDO, which had not been without issues. An update on the triennial valuation of the Pension Fund carried out by Hymans Robertson, the scheme actuary, was presented to the Board. Key assumptions were highlighted such as salary growth and the difference between the Retail Prices Index (RPI) and Consumer Prices Index (CPI). Initial results showed that funding had increased from 72% to 78% between the two most recent valuations.

The Board received the Administration Performance report for consideration and welcomed the fact that there had been not overpayments of pension. Following a presentation at the previous meeting, a report setting out the current position regarding asset pooling was considered. The level of member representation on asset pools was questioned. It was noted that the Local Pension Board would retain its scrutiny function and national guidance was being sought regarding member representation on the pools. It was agreed unanimously to request formally that a member representative be appointed to the Asset Pooling Board.

Board Meeting – 25th January 2017

The Board considered a representation from a scheme member expressing concern over the notice period provided for changes to late retirement factors. The Government had made changes that affected people who were working beyond their retirement age. Disclosure rules dictated that material changes to pensions had to be communicated within three months of the change. Communication had been issued within two months and therefore the statutory timeline had been met. The short notice was therefore the fault of the Government.

In considering items discussed at meetings of the Pension Committee, the Board expressed concern regarding the financial position of many Academy Schools and questioned what the possible risks were to the pension fund if their financial position became untenable. It was noted that the Government was the guarantor of last resort. How academies were treated within the scheme would be reviewed if there was a change to government policy. The Board also considered the Internal Audit Report 2015/16, the Pension Fund Valuation Report, the Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Club Report in respect of the year ending 31 March 2016, and the Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2015/16.

Board Meeting – 12th April 2017

The Board received a revised Cambridgeshire Pension Fund Communication Strategy. It was also involved in pre-scrutinising the Administration Strategy, which included suggesting improvements, before it was presented to the Pension Fund Committee for approval. An update on the progress of the 2016 valuation of the Cambridgeshire Pension Fund raised a number of issues at the Board.

Much of the meeting was taken up by a confidential briefing on developments in the arrangements for Asset Pooling, which provoked considerable discussion. The Board also considered the LGSS Pensions Service Administration Performance Report and noted that it had been necessary to complete a Breach of Law report for one medium-sized employer.

The Board was invited to evaluate and suggest any improvements to the draft Anti-Fraud and Corruption Policy. It was also asked to consider the Fund's Business Plan, detailing the Fund's objectives and setting out key priorities for the forthcoming year, and in some cases subsequent years. Other topics for consideration included the Cambridgeshire Pension Fund Risk Register and the LGPS Fund's Investment Strategy Statement.

More detail is available in the agendas and minutes of the above Cambridgeshire Local Pension Board meetings which can be accessed via following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=87>

The Cambridgeshire Local Pension Board maintains an action log which is reported at each meeting to ensure that actions agreed at its meetings are followed up.

Work Programme 2017-18

The Cambridgeshire Local Pension Board maintains a work programme (agenda plan) which is considered at every meeting. The Work Programme for 2017-18 is as set out below:

21 July 2017

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling (every meeting)
- Internal Audit Report
- Anti-Fraud & Corruption Policy

27 October 2017

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- Draft Data Improvement Plan
- Draft Record Keeping Policy
- Update on Actuarial, Benefits and Consultancy services procurement
- Western Union overseas existence project review

16 February 2018

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- General Data Protection Regulations update
- TBC

20 April 2018

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- TBC

Key Officers supporting the Local Pension Board

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