PENSION FUND COMMITTEE

Cambridgeshire County Council

Date:Thursday, 22 October 2015

Democratic and Members' Services
Quentin Baker
LGSS Director: Law, Property and Governance

Shire Hall
Castle Hill
Cambridge
CB3 0AP

10:00hr

Kreis Viersen Room
Shire Hall
Cambridge
CB3 0AP

AGENDA

Open to Public and Press

DATE OF NEXT MEETING: 10am 17th December 2015

FURTHER SCHEDULED MEETINGS: 24th March 2016 (10am)

The Pension Fund Committee comprises the following members:

Councillor Steve Count (Chairman) Councillor Roger Hickford (Vice-Chairman) Councillor Peter Ashcroft Councillor Noel Kavanagh Councillor Maurice Leeke and Councillor Julie Wisson

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@cambridgeshire.gov.uk

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council’s Constitution http://tinyurl.com/cambs-constitution.

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Agenda Item no. 2a

MINUTES OF THE PENSION COMMITTEE

Date: Thursday 30th July 2015

Time: 12:00 noon – 2.40pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Board Members present: Councillors P Ashcroft, S Count (Chairman), R Hickford (Vice Chairman), M Leeke, D Seaton and J Wisson; J Walker (representing UNISON retired members)

Officers: D Cave, C Malyon, R Perry, P Tysoe and M Whitby

In attendance: Councillors M McGuire and M Shellens

Apologies: Councillors Fraser and Kavanagh; Matthew Pink and Tim Woods

11. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

Councillor David Seaton declared an interest as his father was a retired member of scheme.

12. MINUTES OF THE PENSION FUND COMMITTEE 4TH AND 25TH JUNE 2015 AND ACTION LOG

The minutes of the Pension Fund Committee meeting held on 4th and 25th June 2015 were approved as a correct record. The Action Log of the Pension Fund Committee meeting held on 25th June was noted.

Arising from the Action Log, Members noted:

- in relation to the administration cost per member, the DCLG figure quoted by John Walker at the last meeting was different in that it included investment expenses, whereas the Shadow Advisory Board figures excluded investment expenses. Mr Walker advised that he had raised with LGSS Pensions a related issue on whether administrative costs per member were to be included in benchmarking figures in future, because that information was available for many other authorities but not Cambridgeshire. To date, LGSS Pensions had not provided that information. Paul

Tysoe explained that the benchmarking process was being done at the moment, and that this had changed from last year. That benchmarking information should be available at the October meeting;

- individual member training data was being compiled and would be available at the next meeting. A schedule of joint training events was being planned with Hymans for both Pension Fund Committee and Local Pension Board members. Members asked that potential dates be circulated as soon as possible, because their diaries filled up quickly;
- a report on cessation payments would be presented to the next meeting;
- the 2013-14 CIPFA Benchmarking results had already been circulated;
- the funding level had been discussed at the risk management SMT group, and included in the County Council's Risk Register.

It was resolved to:

(1) approve the minutes of the Pension Fund Committee meetings held 4th and 25th June 2015;
(2) note the Action Log of the Pension Fund Committee meeting held 25th June 2015.

13. STATEMENT OF INVESTMENT PRINCIPLES

The Committee received a report on amendments to the Statement of Investment Principles, which included a revised Statement for Members' approval. The main amendments were the inclusion of new Fund Managers, since the document had last been reviewed in February 2015. It was suggested that such changes, i.e. minor administrative/factual updates be approved by the Deputy Head of Pensions in future, with the Committee being notified of the changes made.

Councillor Seaton observed that the document included a section on the "Responsible Investment Policy", with "responsible investment" being defined as the *"integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices"*. He reminded the Committee that he had previously raised this issue, specifically how ESG considerations were taken into account in practice, i.e. how 'ethical' investment was defined, and whether the Fund guided Fund Managers on these issues, or vice versa? Paul Tysoe commented that he believed he had responded to Cllr Seaton by email on this matter, but he would re-send this information to Councillor Seaton and all members of the Committee. **ACTION: Paul Tysoe.** He added that the Fund had taken a light touch approach in this area, especially given resource constraints, with the primary focus for Fund Managers being to maximise performance. On a related issue, Paul advised that every December, LAPF held a conference in Bournemouth where issues such as this were discussed, and that it would be very helpful if some members from this Committee attended that conference, and another conference in Chester in March. It was agreed that that information on these conferences would be circulated to the Committee. **ACTION: Paul Tysoe.** Another Member observed that other reports indicated that the Fund had suffered as a result of investments in Russia, so ethical investment was relevant when considering the performance of the Fund.

Members requested that future documents highlight changes in the actual document word by word, in addition to a summary in the covering report.

It was resolved to:

1. Note the amendments made to the Statement of Investment Principles;
2. Approve the revised Statement of Investment Principles;
3. Approve that the Deputy Head of Pensions may, in future, agrees minor administrative changes to the Statement of Investment Principles changes as and when required, and notify the Committee of the changes made.

14. ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Committee considered the draft Annual Report and Statement of Accounts (SOA) of the Pension Fund for 2014-15. It was noted that the SOA had already been subject to audit fieldwork by the County Council's external auditor, Price Waterhouse Cooper (PwC). It was noted that the appendices to the Annual Report and SOA had not been included as there were no significant changes.

Members noted:

- that there had been an overall increase in net assets available for benefits of £223M during the year, and £603M over three years;
- the one off payment of £33M upon the transfer of the administration of Probation Service pensions to the Greater Manchester Pension Fund;
- the Fund returned a performance of 12.2% for the year.
- the increase in the number of employers in the Fund mainly resulted from schools converting to Academies;
- the issues and outstanding items of audit fieldwork to be undertaken, and informal feedback from PwC on the audit. The Section 151 Officer advised that PwC were trying to encourage the Fund to increase its valuation of the Cambridge & Counties Bank, but that this did not materially affect the valuation – it was a Balance Sheet issue;
- the private equity valuations would not be available until the end of July.

A Member observed that in the notes to the accounts (p91/item 25 "Related Party Transactions") it was stated that *"Each member of the Pension Fund Committee is required to declare their interests at each meeting"* – it was clarified that County Councillors did not have to make declarations at each meeting, because their interests were available in the publically accessible Register of Members' Interests.

It was resolved to:

1. Approve the draft annual report and note the statement of accounts of the pension fund for the 2014-15 financial year;
2. Approve that the Chairman, agree with officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.

15. WM STATE STREET GLOBAL SERVICES ANNUAL PERFORMANCE REVIEW

The Committee received a presentation from Karen Thrumble of State Street. The following key points were raised in her presentation:

- equity investment, noting that as recently as ten years ago, LGPS Funds' equity holdings were predominantly in UK equities, whereas UK equities now represented only about a third of equities held;
- the Cambridgeshire Fund was very similar in structure to the average Fund, but somewhat heavier in equities (69% compared to a 61% average);
- the differences between active and passive managers, and hybrid approaches (e.g. Smart Beta), noting Cambridgeshire's intention to move to Smart Beta;
- the average Fund performance over the longer term (20 years) was a pleasing 5% per annum above inflation. However, whilst the investment side of pension funds had performed well, the issue was that liabilities were growing more quickly;
- over that 20 year period, there had started to be a big switch from equities into alternatives. Whilst this was partly due to diversification of asset allocation, the move towards Alternatives was also down to the steady stream of cashflow that could be achieved from assets such as infrastructure;
- despite the clear focus on passive investment in the recent government consultation on the future of local government pension funds, there had not been a big move from active to passive equity managers, although it was acknowledged that passive managers had a valuable role to play in fund portfolios. It was suggested that the next government consultation would focus on cost savings rather than a move to passive management. Members observed that the figures indicated that some other funds appeared to have wasted a lot on active management. It was suggested that much depended on the timing of appointment and termination of active equity fund managers, specifically giving managers long enough to perform, against Investment Committees' desire to be seen to be addressing poor performance. Investment Committees should focus on their Fund Managers' people, processes and organisations, and take a long view on investment performance;
- the Fund Structure and benchmarks used e.g. noting Cambridgeshire's benchmark for Alternatives was global equities. The Chairman asked officers to circulate information on the strengths and weaknesses of using different benchmarks i.e. why Cambridgeshire used the benchmarks it did, and what other options were available **ACTION: P Tysoe/R Perry**;
- the performance of the Fund relative to benchmark, and that the biggest drag on performance had been investment selection. There had been massive underperformance from Skagen, the Fund's emerging markets manager, although

Amundi, Newton and Schroders had all outperformed and added value in both the latest year and over the medium term;

- in terms of relative risk and return, compared to peers the Cambridgeshire Fund was average in terms of risk, but had lower than average returns, although it was improving. The Chairman observed that it would be useful to analyse the characteristics of asset allocation of those Funds with lower risk but higher returns. The role of internal management of some of the larger funds was discussed, but it was suggested that the choice of asset classes was what really drove performance in the long term. It was proposed that Funds of a comparable size with good performance needed to be identified, and their asset allocation examined. However, Members noted that much depended on time period, with some Funds performing well recently because of a higher allocation to bonds;
- performance relative to other funds, measured net of fees, which placed Cambridgeshire in the 72nd percentile of the local authority universe. In response to a Member question, it was suggested that Skagen had just had a bad year: when Members had met with Skagen recently, they had been reassured by their strategy and process, accepting that the downturn in performance was partly attributable to their countercyclical approach.

It was resolved to:

Note the Annual Performance and Benchmarking Review.

16. ACCESS TO CONFIDENTIAL REPORTS AND MEETINGS BY MEMBERS OF THE PENSION FUND BOARD

The Committee received a report regarding access to confidential reports by members of the Pension Fund Board.

It was noted that County Councillors who were members of the Pension Fund Board were already able to access confidential reports and meetings, as they had signed the Council's Code of Conduct. At their first meeting, Scheme Member representatives had also agreed to sign the Code of Conduct, so they would be able to attend confidential meetings of the Pension Fund Committee and Investment Sub-Committee, and receive copies of confidential papers.

Mr Walker commented that it was disappointing that the Pension Fund Board did not yet have a full complement of Members. It was noted that this issues had been discussed at the Pension Fund Board's first meeting, and was being progressed.

It was resolved:

To note that all members of the Pension Fund Board have agreed to sign up to the Council's Code of Conduct, and would be able to access confidential reports, and confidential items of both the Pension Fund Committee and the Investment Sub-Committee.

17. EXCLUSION OF PRESS AND PUBLIC

It was resolved that under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business (items 18, 19 and 20) on the grounds that they contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Agenda Item: 2b

Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 30 July 2015 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 23 September 2015.

Outstanding actions from March 2015 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
132	Pensions SLA with LGSS	Chris Malyon, Mark Whitby and Jo Walton	To explore a way forward on measures to be taken if KPIs not achieved. It was also suggested the table of relevant Pension Fund objectives should distinguish between aspirational targets and specific SMART objectives	Ongoing Report on revised Fund objectives to be presented at the October 2015 meeting of the Pensions Committee
		Mark Whitby and Jo Walton	To explore benchmarking options.	Ongoing. The Scheme Advisory Board has embarked on a project to set KPIs for all LGPS Funds. Further details are in the Governance and Legislation Report to be presented at the October 2015 meeting of the Pensions Committee.

Actions from the 30 July 2015 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue/Action	Action/Status
13	Statement of Investment Principles	Paul Tysoe	Councillor Seaton reminded the Committee that he had previously raised this issue, specifically how ESG considerations were taken into account in practice, i.e. how 'ethical' investment was defined, and whether the Fund guided Fund Managers on these issues, or vice versa? Paul Tysoe commented that he believed he had responded to Cllr Seaton by email on this matter, but he would re-send this information to Councillor Seaton and all members of the Committee.	Briefing distributed to member on 6 August 2015.
			Information about conferences would be circulated to the Pensions Committee.	Distributed by email 16 September 2015.
15	WM State Street Global Services Annual Performance Review	Paul Tysoe/ Richard Perry	Fund Structure and benchmarks used e.g. noting Cambridgeshire's benchmark for Alternatives was global equities. The Chairman asked officers to circulate information on the strengths and weaknesses of using different benchmarks i.e. why Cambridgeshire used the benchmarks it did, and what other options were available	Mercer's analysis distributed by email [24 September 2015].

CAMBRIDGESHIRE PENSION FUND

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CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Pension Fund Annual Business Plan Update report 2015-16**
Purpose of the Report	**To present the second Pension Fund Business Plan Update for the 2015-16 financial year to the Pension Committee.**
Recommendations	**The Committee are asked to note the attached Pension Fund Business Plan second update for the 2015-16 financial year.**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 Good governance ensures that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the Fund's activities, its achievement on the key performance indicators and also any other initiatives during each quarter of 2015-16 as laid out in the Annual Business Plan.

1.2 The Fund Business Plan update is attached in **Appendix 1**.

2. Business Plan Update

2.1 Key Fund activities

This section provides an update on the achievements of LGSS Pensions Service in working towards the Fund activities for 2015-16 as laid out in the Annual Business Plan. During this reporting period, good progress has been made on all the key Fund activities.

2.2 Contribution Reporting

2.2.1 This section details the percentage of Scheme employers that pay over their employee and employer monthly contributions by, or after, the statutory deadline of the 19th day of the month following deduction. For the period 1 April 2015 to 30 June 2015 an average of 4.7% of employers paid their contributions late. Over the April to June payroll periods, £152,227.38 of contributions was paid over late.

2.2.2 In addition, the late submissions of payment schedules are now being monitored as non-reconciled payments puts additional strain on the Service to resolve.

2.2.3 In line with the Pension Regulator's Code of Practice, LGSS Pensions Service will be working with the employers who are paying over contributions and submitting schedules later than the statutory deadline to ensure compliance each month going forward.

2.3 **Administration and Investment Expenses**

This section provides actual administration and investment costs against the proposed forecast in the Annual Business Plan and Medium Term Strategy 2015-16. The section shows the breakdown of expenses in each area against the original estimate for 2015-16. During this reporting period there is a variance of £11,000 and this is due to staff vacancies. This expenditure will be monitored on a monthly basis and reported at each quarterly meeting.

2.4 **Key Performance Indicators**

2.4.1 This section of the Business Plan Update reports on the key performance indicators (KPIs) as set out in the Business Plan. The last Business Plan Update reported up to April 2015.

2.4.2 For this quarter (May, June and July), all Pension Service targets either met or exceeded target with the exception of providing a maximum of one estimate of benefits to employees per year on request. This target was missed by 3% but has seen a 9% increase from last quarter, showing improvement in this area.

2.4.3 The target set for employers providing 2014-15 year end data was missed by a number of employers. Although 18.53% submitted on time the actual result was 9.91% as the data was not in the correct format and therefore did not meet the target criteria.

2.4.4 The Pension Service issued 97.83% of Annual Benefit Statements to active members by the statutory deadline of 31 August 2015. The 2.17% of Annual Benefit Statements that were not sent by 31 August was due to late, inaccurate or non submission of year end data from the employer. Resources within the Pensions Service were concentrated to ensure that the majority of outstanding year end data was received from employers as soon as possible after the deadline in order to meet the statutory deadline for issuing Annual Benefits Statements. The Pensions Service set a further deadline of 30 September for receipt of the remaining outstanding data from employers. Employers that met that deadline will see their employees receive an Annual Benefit Statement by 31 December 2015.

2.4.5 The target for receiving all new starters and variations was not achieved as interface files are not being received on time and in the correct format which impacts greatly on this KPI. Close liaison between the Pension Service and the large payroll providers has resulted in progress in this area and the performance should increase for the next quarter as more interface files are now being received in the correct format.

2.4.6 The key performance indicators will continue to be monitored through out the reporting period with appropriate actions to be taken where targets are not being met.

3. Relevant Pension Fund Objectives

Perspective	**Outcome**
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

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

Risk	Risk Rating
If the Fund does not have a Business Plan Update the Fund will have significant lack of direction, control and structure in the management of its business.	Amber

6. Communication Implications

Direct Communications	The Pension Fund Business Plan Update will be presented to the Pension Fund Committee at its quarterly business meetings.
Website	The Pension Fund Business Plan Update will be published on the Fund's website

7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Annual Business Plan Update 2015-16 – Update 2 (October 2015).

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?	Not applicable
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 29/09/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 21/09/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Roger Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Cambridgeshire
Pension Fund

Annual Business Plan 2015-16

Update 2 (October 2015)

LGSS

This is the second Business Plan Update of 2015-16.

The Annual Business Plan and Medium Term Strategy 2015-16 was approved at the March meeting of the Pension Fund Board, the purpose of this update is to show the progress made during this second quarter linking directly to Cambridgeshire Pension Fund objectives.

To demonstrate the progress made there are four sections that provide the relevant evidence as follows -

- Key Fund challenges
- Contribution reporting
- Administration and investment expenses
- Key Performance Indicators

This update shows how the Fund has performed in terms of actions required and whether KPI targets have been met. The purpose is to highlight outstanding actions in order to reach key milestones and address any areas of poor performance in order to improve and meet targets.

The regular update aims to show the quarterly performance with an overview of the year after the fourth quarter. The update ensures the Fund is keeping on track to ensure the desired outcomes.

Mark Whitby
Deputy Head of LGSS Pensions Service

Section 1 - Key Fund activities

The Annual Business Plan 2015-16 laid out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan related to the Fund's objectives as well as changes in regulations, in order to ensure that actions taken are clearly defined and for a specific purpose.

A number of these activities link directly to the Fund's policies, strategies and contractual services in order to ensure functions are being carried out effectively.

The below table shows the key Fund activities as agreed and provides an update on how the Fund has been working towards these actions. Collaboration between sections of the Service has ensured good progress against each activity.

Regulatory activities	Progress	Timescale for completion
Implementing the 2015 governance changes. • Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes. • Assist LGSS Democratic Services with the creation and ongoing operation of the Public Service Pensions Act 2013 requirement for each public service pension scheme to have a local pension board.	• The Pension Regulator's Code of Practice continues to be embedded throughout the year within existing processes to strengthen controls in such areas of contribution monitoring and skills and knowledge. The Committee is to be presented with a revised Knowledge Management Policy and a Reporting Breaches of the Law to the Pensions Regulator Policy at the October 2015 meeting Ongoing – Amber • Individual training undertaken to date has been identified for Pension Committee Members in order to assess the training needed going forward in order to comply with the Pensions Regulator Code of Practice and to enable accurate reporting in the Fund's Annual Report. Completed - Green • The first Local Pension Board meeting took place on 6 July 2015; the Chairman and Vice-Chairman were appointed and as part of the meeting a short presentation was delivered on	Ongoing process throughout 2015-16 into 2016-17.

	the LGPS. Other items discussed were, Terms of Reference, Knowledge and Understanding Framework and the work programme. Completed – Green • A joint Local Pension Board training day was held on 1 September 2015. Members of the respective Pension Committees were also invited to attend. The session was presented by Hymans Robertson and gave an overview of the LGPS and the Local Pension Board's roles and responsibilities. The event was informative with delegates from Cambridgeshire and Northamptonshire's Committees and Boards, displaying good representation from each Fund. Completed – Green.	
Strategic/Objective based activities	**Progress**	**Timescale for completion**
Improving employer performance and engagement. • Undertake full review of Administration Strategy including approach to dealing with poor performing employers. • Introduce improved system for escalation of endemic employer issues from casework officers to Employers Team.	• The Administration Strategy was last reviewed in January 2015; this will be reviewed again January 2016 for relevance and updated if necessary. Completed – Green. • Poor performing employers have been recorded by individual teams. Intervention from the Employers team has been delayed due to resourcing issues, and the delivery of this is now due by 30 September 2015. Ongoing – Amber	Ongoing.
Customer satisfaction. • Organisational Workforce	• A meeting was held in July to discuss areas for improvement in customer management which had been identified through	Ongoing process

Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard. • Embed customer service culture. • Carry out customer satisfaction surveys. • Continue to build on staff capabilities with a number of learning and development activities.	the data gathering stage. Following guidance from LGSS Organisational Workforce Development (OWD) work is underway to document detailed process maps for any customer processes that have interdependencies with all teams to ensure a smooth customer experience. A further meeting was held in September with OWD to discuss next steps. Ongoing – Amber. • Customer Service Excellence Standard has been discussed at team meetings and is being embedded through monthly 1-2-1s and PADPs. Ongoing – Amber. The dedicated Employer helpline has been working effectively and has received extremely positive feedback. Completed – Green. • The employer satisfaction survey results have been analysed and improvements have started to be introduced based on the results, one example is to introduce a new format at the next employer forum to incorporate workshops. Preliminary discussions have also begun about future improvements to employer communications with the possibility of a quarterly employer newsletter being explored. The full results and forward plan for improvements will be presented at the employer forum in November. Ongoing – Amber. The member satisfaction survey is due to be rolled out in October. During the month, following every main written communication sent to members; a survey will be included to capture the member's experiences of LGSS Pensions. The results of which will be analysed to assess any service improvements that are needed.. Ongoing – Amber.	throughout 2015-16 into 2016-17.

	• Staff will continue to be offered the opportunity for formal and informal training opportunities. Including the opportunity to multi task within the casework teams. Ongoing – Amber. • Managers and Team Leaders have attended Next Generation workshops and are due to attend a workshop on 'Motivating yourself and your team', the content of which will be filtered down to the teams. Ongoing – Amber	
Source efficiencies to reduce the cost of administering the Fund. • Improve efficiency of business processes, particularly those in connection with non Altair based activity. • Improve employer performance. • Move to electronic annual benefit statements. • Promote greater use of employer and member self- service facility. • Continue to build on staff capabilities with a number of learning and development activities.	• Fund processes will be continuously reviewed throughout the year seeking to drive efficiencies. An induction pack is currently been developed to ensure potential employers receive comprehensive guidance and information prior to participating as an employer in the Fund. Ongoing – Amber • An Employer Forum has been arranged for November with workshops being held in the afternoon on Pensionable Pay, Year End, Outsourcing and Discretions. All Employers in the Fund will be invited to attend and is a good opportunity for employers to keep up to date with changes to the Scheme and to fully understand their roles and responsibilities. Ongoing – Amber • The first communication sent to members to move to electronic Annual benefit Statements from 1 April 2016 has been sent as part of the August 2015 postal statements, members have been advised that future statements will be issued via Member Self Service. Members have likewise been informed that they can opt out of the electronic statement if they advise in writing. Completed – Green.	Throughout 2015-16

	• Employer Self Service (ESS) sign up has remained the same, this will be promoted again at the upcoming Employer Forum. Training is being considered for employers who feel they need additional support to use the facility. Ongoing – Amber • Of the active 39,269 Members that have been issued with activation keys for Member Self Service (MSS), 16.11**%** have registered to use MSS and have logged on for the first time to access their individual pension record. This registration figure is reduced from the previously reported 18% as the number of active members increased due to new starter records received via I-connect and Strictly Education. We have also utilised the Annual Benefit Statement as an opportunity to market MSS to our Deferred Members. A total of 1016 of the 38,177 Deferred Members (2.6%) have registered for the service. The Annual Benefit Statements also gave us the opportunity to remind our Active Members to register. As the Annual Benefit Statements promoted MSS, we saw a surge in telephone queries to our dedicated MSS number and an increase in our e-mails – we are currently working through these. Our KPI is to respond to all e-mail queries within five working days. This KPI is met and usually exceeded with e-mails being addressed daily. Since e-emails were monitored back in July 2014 we have received 5,219 to date. In 2015, we have received 1,486 emails to date. Ongoing – Amber • Staff will continue to be offered the opportunity for formal and informal training opportunities. Including the opportunity to	

	multi task within the casework teams. Ongoing – Amber	
Managing the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models. • Monitor and manage resource pressures as a result of increasing numbers of scheme employers. • Identify split between statutory and potentially chargeable non-statutory activity. • Investigate and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects.	• There continues to be a review of the impact resulting from an increasing number of Scheme employers on the advisory functions provided by the Service in areas such as the accountancy and employer support. The review will continue to be carried out during rest of the financial year. Ongoing – Amber • Due to recent promotions; the Employer's Team has not been operating at full capacity with vacancies for both an Employer Liaison Officer and Pensions Officer. An appointment has been made for the Employer Liaison Officer (acting up) and the Pension Officer role is currently being recruited to. Ongoing – Amber • The FRS17 process is continuing to be managed more effectively to ensure the Fund is able to cope with increased pressure at each accounting cycle. The management includes starting the process at the earliest opportunity to establish the number of reports required and to then agree timescales with the actuary and liaise effectively. Ongoing – Amber During the quarter, risk assessments have been carried out to ensure that the level of coverage provided is still appropriate under current market conditions and employment portfolio, for relevant employers in the Fund. Ongoing – Amber	Throughout 2015-16
Improve data quality. • The Guaranteed Minimum Pension (GMP) reconciliation project will	• The project is now underway with the first stage reconciling the total annual pension in payment on individual pensioner	Throughout 2015-16

ensure that the correct amount of GMP is held on both Altair and on the individual pensioner payroll records. • Reconciliation of the pensioner payroll against Altair pensioner records will be run in tandem with the GMP reconciliation project.	payroll records against that held on Altair. At the start of the project there were 28,823 lines of data to be reconciled. A tolerance level of up to a maximum of £100 difference in the total annual pension between the two systems was set. 24,576 lines of data either completely matched or came within the tolerance. This left 4,511 lines of data to be reconciled by 31 March 2016. To date a further 264 cases have been reconciled reducing the total outstanding to 4,247. A lot of resource has been used in matching National Insurance Numbers where the payroll, pensions administration system or HMRC do not match with each other. It is expected that the reconciliation process will now progress at a quicker rate following the necessary matching and cleansing processes undertaken. • To date only a small number of overpayments have been identified. The Pensions Committee will be updated on the overpayments and the progress made on recovery via the Overpayments Report. • Errors in the value of the Guaranteed Minimum Pension values held on each system are also being addressed at this stage for those individuals whose records are showing a greater than a £100 per annum variance. • The next stage of the project will look specifically at the differences in the Guaranteed Minimum Pension amounts held on each system and with that held by HMRC for all pensioner	

	members. At this stage there are approximately 9,500 lines of data to be reconciled but this will be reduced through work under taken in the first stage of the project. Ongoing – Amber	
Renewal/review of contracts	**Progress**	**Timescale for completion**
Procurement of actuarial, governance and benefits consultancy service. • LGSS Pensions participation in the refreshing of the National LGPS Framework for Actuarial and Benefits Consultancy contracts to commence from May 2015.	• Work to refresh the National LGPS Framework for Actuarial and Benefits Consultancy has been delayed. Further updates will be provided once the project commences**.** Ongoing – Amber	Process to complete by June 2017.
Review Additional Voluntary Contribution providers. • Gather investment and membership data and analyse performance and popularity of the current providers. • Seek information on other suppliers Additional Voluntary Contribution facilities for LGPS members.	• A meeting was held with officers and Prudential at which Prudential delivered their internal governance review. Full details of the review and recommendations of possible additions to the investment offerings will be presented at December Pensions Committee. Ongoing – Amber	October 2015 Committee meeting.

Section 2 - Contribution Reporting

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions either on time or late (after the 19th of the month following deduction) for the period 1 July 2014 to 30 June 2015.

	Jul -14	Aug -14	Sep -14	Oct -14	Nov -14	Dec -14	Jan -15	Feb -15	Mar -15	Apr -15	May -15	Jun -15
% of Employers Paid on Time	99.5	98.5	96.6	96.9	99.4	99.0	95.7	97.6	91	96.1	94.7	95.1
% of Employers Paid Late	0.5	1.5	3.4	3.1	0.6	1.0	4.3	2.4	9	3.9	5.3	4.9

The average percentage of employers who did not pay their contributions by the 19th day of the month following deduction for this quarter was 4.7%, per month.

In the quarter, April had 9 late payments totalling £49,965.11, May had 12 late payments of £52,209.29 and in June, there were 11 late payments of £50,052.98. The total of late payments for this quarter amounted to £152,227.38.

There were six employers who were reported as paying late more than once in this quarter of which the value amounted to £98,826.96.

A breakdown of this is below –

Employer	Month	Days Late	Amount	Comments/Action
A	May June	1 3	£1,591.05 £1,591.05	Employer was contacted in respect of late payments. Subsequent payments have been on time.
B	April May June	64 80 50	£4,791.14 £4,792.40 £3,310.23	This employer was contacted and escalated which resulted in agreeing double payments being made. To monitor this going forward.
C	May June	24 31	£2,695.44 £2,819.19	Employer was contacted in respect of late payments.
D	April May	6 2	£245.09 £245.09	Employer was contacted in respect of late payments.
E	April May June	Unpaid Unpaid Unpaid	£1,512.88 £1,013.07 £1,262.31	This employer was contacted in respect of late payments; this has escalated to the Employers Team where discussions are taking place to recover monies owed.
F	April May June	1 1 1	£24,045.39 £24,648.69 £24,263.94	Employer was contacted in respect of late payments.

In addition, as part of the monitoring of late payments, LGSS officers now record when employers do not submit their monthly returns (the form which details the breakdown of the payment being made) on time. The payment and return need to be reconciled, in some cases a late payment cannot be identified until both the payment and the return have been received.

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who submitted their payment schedules either on time or late for the period 1 April 2015 to 30 June 2015.

	Apr - 15	May - 15	Jun - 15
% of Employers submitted on time	93.2	94.1	95.2
% of Employers submitted late	6.8	5.9	4.8

All employers who submit their monthly return or payment late are informed that this not acceptable and they could incur a penalty if not rectified going forward. In light of these ongoing issues around this area a communication will be sent to all employers addressing importance of making payments and submitting returns on time and subsequent penalties for failing to do so.

In line with the Pension Regulators Code of Practice, LGSS Pensions Service will be working with the employers who are paying over contributions later than the statutory deadline and submitting late returns to ensure compliance each month going forward. Employers that persistently pay over late or submit late returns may be reported to the Pensions Regulator if the breach is deemed as material.

Section 3 - Administration and Investment Expenses

Below is how the Fund has performed against the financial forecast detailed in the Annual Business Plan for 2015-16.

There has been no change in expenses between quarter one and quarter two as the Fund is on target at this stage for meeting the year forecast.

CCC Administration, Governance and Investment Expenses				
31 July 2015	2015-16 Original Estimate £'000	2015-16 Full Year Forecast £'000	2015-16 Variance £'000	Comments
LGSS Pension Service	1,491	1,480	-11	Vacancy factor on staffing
County Council Related Overheads	702	702	-	
Administration Expenses	**2,193**	**2,182**	**-11**	
Direct Fund – Governance Related	415	415	-	
Direct Fund – Governance Related	**415**	**415**	**-**	
Direct Fund – Investment Related	250	250	-	
Direct Fund – Investment Related	**250**	**250**	**-**	
Total Administration, Governance and Investment expenses	**2,858**	**2,847**	**-11**	

Section 4 - Key Performance Indicators – 1 May to 31 July 2015

Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan in period two.

The following Key Performance Indicators are based on the performance of LGSS Pensions Service.

Function/Task – Service Key Performance Indicators	**Indicator**	**Target**	**Within Target** (last quarter performance)	**Update/Additional Information**
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	99% (98%)	Target achieved and exceeded.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	96% (91%)	Target achieved and exceeded.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	100% (97%)	Target achieved and exceeded.
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	87% (78%)	Target missed by 3% but has seen a 9% increase from last quarter to this quarter.

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	95% (58%)	Target achieved and increased by 37% from last quarter due to the Freedom of Information requests settling down and resource issues addressed.
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	100% (100%)	Target achieved.
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%	97.83%	The 2.17% of statements not being issued is due to late, inaccurate or non submission of year end data from the employer. A concentrated effort on obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being issued. On submission of correct data from employers by 30 September 2015 the remaining statements will be issued by 31 December 2015. Officers of the Fund have deemed the non issued statements to be insignificant based on the minimal percentage and the complexities of the introduction of the 2014 Scheme (affecting all Funds) and have therefore not reported to the Pensions Regulator.

The following Key Performance Indicators are based on the performance of the employers within the Fund

Function /Task – Employer Key Performance Indicators	Indicator	Target	Within Target	Update/Additional Information
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	Contributions to be received by individual employers by 19th calendar day of month after deduction and statement/schedule was received by the same date as payment.	100%	95%(n/a)	Work is continuing with employers to ensure timely submission of both payments and schedules for each calendar month. More robust processes are being developed to target the 5% of employers that have submitted a late payment or return for this quarter.
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%	9.91% (n/a)	18.53% received in total but only 9.91% on time and in the correct format. One large payroll provider who was responsible for submitting 68% of the contribution data did not submit their data until 5 May 2015. A concentrated effort on obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being issued.
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%	44.45% (33%)	The low percentage reflects interfaces not being submitted on time and in the correct format. Close liaison between the Pension Service and the large payroll providers has resulted in progress in this area and the performance is expected to increase further.

Agenda Item No: 4

CAMBRIDGESHIRE PENSION FUND

Pensions Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

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:	Name: 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. Governance – Activity of the LGPS Scheme Advisory Board

2.1 Separation

2.1.1 On 16 June 2015, the Shadow Advisory Board released a proposal for assistance in developing options for separation of the host authority (administering authority) from the Pension Fund as part of its 2015-16 work plan.

2.1.2 KPMG was successful in tendering for this work and was asked to present their findings to the Board on 21 September 2015.

2.1.3 Full details of the initial 3 options for separation can be found in **appendix 1**.

2.2 Benchmarking

2.2.1 The Scheme Advisory Board is undertaking, with support from DCLG, a national exercise to benchmark the performance of all LGPS Funds in England and Wales during late 2015 prior to a mandatory exercise linked to the 2016 triennial valuations.

2.2.2 During 2014, a suite of 18 LGPS self-assessment key indicators (4 core and 14 supplementary, of which 10 are governance and 8 are performance related) were developed by a SAB Scheme Reporting Working Group (comprising LGPS funds, NAPF, CIPFA, and the ACA).These indicators are the result of considerable input from a working party of administrating authorities and other LGPS experts. While not necessarily perfect, they are viewed as a step in the right direction, and will evolve over time in light of feedback and their usage.

2.2.3 Collectively they are designed to help the Scheme Advisory Board to nationally assess the relative health of the funds and scheme as a whole. More importantly, the indicators are intended to be a valuable benchmarking tool for administering authorities, and the newly formed Local Pension Boards, to help with the governance process and continuous improvement.

2.2.4 They were piloted in May 2015 using 2014 data on a voluntary basis by 13 other LGPS Funds of different sizes, and in light of the feedback received by the Scheme Advisory Board, the KPIs have been clarified to improve their efficacy.

2.2.5 The Scheme Advisory Board have now asked all LGPS funds to provide data on the KPIs using 2014-15 information (and 31 March 2013 for actuarial data unless more recent data is available). By taking part in this exercise it is an opportunity for the Fund to:

- Assess the Fund against the examples of best practice for high performing Funds and the examples of concern for each KPI;
- Inform the Scheme Advisory Board how much effort/time/cost undertaking the exercise consumed compared with that reported by the pilot Funds; and
- Provide general feedback on the KPIs and the examples of best practice and the examples of concern, and to offer suggestions for their further clarification, refinement, and improvement.

2.2.6 The Scheme Advisory Board secretariat will consider the outcome from the 2015 exercise during December 2015. The Scheme Advisory Board will make recommendations to DCLG about the KPIs as part of the 31 March 2016 triennial valuation process. They will then be issued in April 2016 and from December 2016 used as tool to assess and support Funds accordingly.

3. Governance - The Pensions Regulator

3.1 Compliance and Enforcement Policy for public service pensions

3.1.1 In June 2015 the Pensions Regulator published its public service pension schemes Compliance and Enforcement Policy which can be found at the following link;

http://www.thepensionsregulator.gov.uk/doc-library/strategy-and-policy.aspx#s18493

3.1.2 The policy sets out the Pensions Regulator's approach to compliance and enforcement in relation to public service pension schemes. It describes the Pensions Regulator's expectations for compliance with relevant legal requirements and how they will proceed in cases of non-compliance, including when they may use their enforcement powers.

3.1.3 The production of the Policy on Reporting Breaches of the Law to the Pensions Regulator demonstrates the Fund's understandings of its legal duties and to implement effective controls to prevent any non-compliance with the law.

3.2 Public service pension scheme survey

3.2.1 LGSS Pensions Officers have recently completed a Pensions Regulator survey on the governance and administration standards in public service pension schemes.

3.2.2 The results of the survey will play a key part in the Pensions Regulator's understanding of how schemes are meeting the legal requirements and the standard to which public service pension schemes are being run. The results of the survey will help the Pensions Regulator focus their efforts on areas where they may most usefully provide more guidance, education and support to raise standards.

3.2.3 The Pensions Regulator will produce a report on the data gathered in the autumn to enable the Fund to identify its position amongst its peers. Full details of the report will be presented to the board at the first available opportunity. The Pensions Regulator will also use the information gathered to risk assess schemes for intervention as set out in the Pensions Regulator's Compliance and Enforcement Policy.

4. Governance – Activities of the Pension Fund Board (Local Pension Board)

4.1 The first meeting of the Cambridgeshire Pension Fund Board took place on 16 July 2015. At this meeting Councillor Mac McGuire (employer representative) was elected as Chairman and Barry O'Sullivan (employee representative) as Vice-Chairman.

4.1.2 The second meeting of the Cambridgeshire Pension Fund Board was held on 21 October 2015 during which the following items were discussed:

- Reporting Breaches of the Law to the Pensions Regulator Policy (to note report);
- Knowledge Management Policy for Pension Fund Board Members (to approve as part of the Board's terms of reference);
- Governance and Legislation, Business Plan Update, Employers Admissions and Cessations Report (to note reports submitted to the Pensions Committee in June 2015);
- Annual General Meeting (to note the investment performance reports presented at the Annual General Meeting in July 2015).

4.1.3 The next meeting of the Pension Fund Board is on 20 January 2015.

4.2 On 1 September a joint training day for the Pension Fund Board and Pension Committee of both Cambridgeshire Pension Fund and Northamptonshire Pension Fund was held to discuss the role of the Pension Fund Board and how it would interact with the Pensions Committee. This was a well attended event by both officers and members of the Pensions Committee and Pension Fund Board from both Funds.

4.2.1 Hymans Robertson delivered the session and in addition to the content detailed in 4.1 covered important topics such as the responsibilities to report breaches of the law to the Pensions Regulator if they are deemed to be of material interest to the Pensions Regulator.

4.2.2 Going forward and where relevant, joint training will be delivered across Funds, Committees and Boards.

5. Legislation

5.1 The following legislation has been issued that may have an impact on LGPS member benefits:

Legislation	**Outline/Relevance to the LGPS**
2015/1452 The Occupational Pension Schemes (Schemes that were Contracted-out) Regulations 2015 http://www.legislation.gov.uk/uksi/2015/1452/contents/made	Revoke and replace most of the Occupational Pension Schemes (Contracting-out) Regulations 1996 as a consequence of the Pensions Act 2014 which created a new state pension for those reaching pensionable age from 6 April 2016.
2015/1475 Pensions Act 2014 (Commencement No 5) Order 2015 http://www.legislation.gov.uk/uksi/2015/1475/contents/made	Brings into force provisions in the Act relating to the cessation of contracting-out for salary related pension schemes and the introduction of the new State Pension provisions
2015/1502 The Pensions Act 2014 (Savings) Order 2015 http://www.legislation.gov.uk/uksi/2015/1502/contents/made	Saves certain provisions of the Pension Schemes Act 1993 to enable former contracted out salary related pension schemes, such as the LGPS, to carry out necessary activity relating to contracted out employment which occurred before 6 April 2016 (“the second abolition date”).
2015/1529 The State Pension Credit (Amendment) Regulations 2015 http://www.legislation.gov.uk/uksi/2015/1529/contents/made	Makes changes restricting the provision and amount of the state benefit ‘Pension Credit’ from 6 April 2016 as a result of the introduction of the new State Pension.
2015/1455 The Registered Pension Schemes (Provision of Information) (Amendment No 2) Regulations 2015 http://www.legislation.gov.uk/uksi/2015/1455/contents/made	Introduces new information provision requirements relating to the additional pension flexibilities introduced in April 2015 for defined contribution schemes.
2015/1454 The Registered Pension Schemes (Transfer of Sums and Assets) Amendment No 2) Regulations 2015 http://www.legislation.gov.uk/uksi/2015/1454/contents/made	Makes provisions relating to the transfer of annuities as a result of the additional pension flexibilities introduced in April 2015.
2015/1483 The Public Service	Adds a number of specified offices that, if held, allow

Pensions Act 2013 (Judicial Offices) (Amendment) Order 2015 http://www.legislation.gov.uk/uksi/2015/1483/contents/made	membership of a judicial pension scheme for the purposes of the Public Service Pensions Act 2013.

5.2 The legislation listed above is primarily concerned with overarching changes that the Government has made to pensions with regard to
a) the introduction of the new State Pension from 6 April 2016,
b) the cessation of contracting-out for defined benefit pension schemes from 6 April 2016, and
c) the additional pension flexibilities (Freedom and Choice) introduced from 6 April 2015.

5.3 The cessation of contracting-out will have direct cost implications on both members and employers as it removes the rebate in National Insurance contributions that they have enjoyed since 6 April 1978 by virtue of membership of a pension scheme which was contracted-out of the earnings related element of the State Pension, i.e. State Earnings Related Pension Scheme (SERPS) to 5 April 2002 and State Second Pension (S2P) from 6 April 2002.

5.4 The changes to State Pension provision and contracting-out may have consequences for ongoing Pensions Increase liabilities on the Pension Fund relating to those members who accrued Guaranteed Minimum Pension entitlement under SERPS between 6 April 1978 and 5 April 1997, however the decision from Government about this aspect is still awaited.

5.5 The Chancellor, in his Summer Budget on 9 July 2015, announced that the Government would bring in measures to limit the Annual Allowance of high earners. Annual Allowance is the limit on a member's 'Pension Input' across 'Pension Input Periods' that end in a given tax year which, if exceeded, may lead to a tax charge on the member.

5.5.1 This will be done by the introduction of a tapered annual allowance for 2016-17 onwards whereby the annual allowance for an individual will be reduced by £1 for every £2 of 'adjusted income' they have over £150,000. The adjusted income for defined benefit schemes like the LGPS will be broadly calculated as:

- the individual's net income ('threshold income') plus:
- the individual's 'Pension Input' amount.

5.5.2 The annual allowance will be tapered to a maximum reduction of £30,000, meaning that those with an adjusted income of £210,000 or more would have an Annual Allowance of £10,000 and would not lose any further Annual Allowance. The taper will not apply where the individual has 'threshold income' of £110,000 or less. Members with unused Annual Allowance can carry this forward to future years, but in future it will be the unused tapered Annual Allowance that will be carried forward.

5.5.3 In order to implement the Annual Allowance changes, the Government will put in place transitional arrangements for 2015-16 so that, from 6 April 2016 onwards, Pension Input Periods will align with tax years and, therefore, end on 5 April. As the LGPS Pension Input Periods have, up to now, run from 1 April to 31 March each year, the transitional arrangements will mean there will be two Pension Input Periods in 2015-16, the first from 1 April 2015 to 8 July 2015 and another from 9 July 2015 to 5 April 2016.

5.6 The Pension Savings Statements for the Pension Input Period that ended 31 March 2015 are due to be issued by 6 October 2015. These statements are issued to those LGPS members that have exceeded the Annual Allowance of £40,000 in that Period by virtue of their pension saving in the Pension Fund. The timing and issue of such statements is a requirement of the Registered Pension Schemes (Provision of Information) Regulations 2006. The letter accompanying the statements will indicate whether it is clear that an Annual Allowance Charge will be due or whether it appears that the member has sufficient Carry Forward from previous years to cover the excess in 2014-15. It is a member's personal responsibility to determine whether a Charge will be due, taking into account all of their Pension Savings not just that in the LGPS, and the amount of that Charge. If the Charge is greater than £2,000 the member may request that the Scheme pays the Charge to HM Revenue and Customs on their behalf, and has a reduction to their pension entitlement applied, based on actuarial tables issued by the Department for Communities and Local Government.

6. Consultations/Call for Evidence

6.1 The Government launched their "Public sector exit payment cap consultation" https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap on 31 July 2015 and this ran until 27 August 2015.

6.1.1 The consultation sought views on proposals to legislate for a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from a public sector employment.

6.1.2 LGSS Pensions Service provided input into the consultation response that was issued by LGSS in respect of the County Council.

6.1.3 It is recognised that should the proposal progress, consequential amendments to the LGPS Regulations would be required since the "value of exit payments" in this context is to include any strain cost arising from early payment of benefits; the regulation that currently requires immediate payment of unreduced benefits where employment is terminated on grounds of redundancy at or after age 55 may be problematic otherwise.

6.2 The Government launched "Strengthening the incentive to save: a consultation on pensions tax relief" https://www.gov.uk/government/consultations/strengthening-the-incentive-to-save-a-consultation-on-pensions-tax-relief on 8 July 2015 and this closed on 30 September 2015.

6.2.1 The consultation sought views on whether there is a case for reforming pensions tax relief or simply retaining the current system.

6.2.2 The stated context for reform is:

- people are living longer which has increased the need for them to have adequate savings to meet their aspirations in retirement,
- pension provision models have changed with defined contribution schemes becoming even more prevalent and all public service pension schemes having moved to a career average basis,
- the Government wish to support individuals to save for their retirement by offering clear, simple and transparent incentives, while ensuring such support is sustainable in the long term.

6.2.3 The current system is based on an “exempt – exempt – taxed” principle which defers taxation until retirement, i.e.
Exempt - employee and employer contributions are exempt from income tax and employer contributions are exempt from National Insurance contributions (subject to the Annual Allowance limitations).
Exempt – No personal tax is charged on investment growth.
Taxed – Pensions in payment are taxed as income, with up to 25% of the value of the pension benefits being able to be taken as tax free lump sum at retirement.

Benefits in excess of the Lifetime Allowance are subject to additional tax charges.

6.2.4 Whilst stating that the conclusion may be to maintain the current system, the Government not ruling out suggestions of a fundamental reform to a “taxed – exempt – exempt” principle based system, or less radical options such as retaining the current system but altering the Annual and Lifetime Allowances.

7. Training Events

7.1 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.

7.2 In order to facilitate the acquisition of skills and knowledge, appendix 2 lists all events that are deemed useful and appropriate.

7.3 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.

8. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders’ understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds’ stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

9. Finance & Resources Implications

9.1 There are no significant financial and resource implications as a result of the contents of this to note report.

10. Risk Implications

10.1 There are no associated risks connected to the content of this report.

11. Communication Implications

Training	All staff involved in the administration of the LGPS is aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.

12. Legal Implications

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

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 There are no alternative options to be considered.

15. Background Papers

15.1 None

16. Appendices

16.1 Appendix 1 – Scheme Advisory Board – Options for separation of host authority and pension fund

16.2 Appendix 2 – List of training events

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	No
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 – 29/09/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 21/09/2015
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford - 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Options for separation of host authority and pension fund

Proposal for assistance

Introduction
The LGPS Scheme Advisory Board (The Board) is established under the Public Service Pensions Act 2013 to advise the Secretary of State for Communities and Local Government on the development of the Local Government Pension Scheme.

In support of its work plan for 2015-16, the Board is inviting proposals from interested parties to assist it in developing options with regard to the increased separation of LGPS pension funds and their host authorities for consideration prior to potentially making recommendations to the Secretary of State.

The work
The work required is to develop the options set out in the annex to these instructions in the form of a report to be presented to the Board.

For each option the successful organisation will be required to produce a comprehensive review to include a detailed description of:

1. The end position together with the steps required to reach that position

2. The impact (positive and negative) on the accountability of the scheme manager to
   - Scheme members
   - Scheme employers
   - Local taxpayers

3. The impact (positive and negative) on
   - Compliance with the IORP and in particular articles 8 and 18
   - Conflicts of interest between the scheme manger and the host authority

4. The impact (positive and negative) on financial transparency, in particular
   - Production of comprehensive and clear accounts
   - Dedication of resources
   - Management and administration costs
   - Investment costs

5. The ease or complication of the legislative requirements to implement the option, in particular the need for new or amended
   - Primary legislation
   - Secondary legislation
   - Statutory guidance
   - Third party (e.g. CIPFA) codes of practice/guidance

Scheme Advisory Board Secretariat
Local Government House, Smith Square, London SW1P 3HZ **T** 020 7187 7344 **E** Elaine.english@local.gov.uk www.local.gov.uk

6. The impact (positive and negative) on management costs and funding or investment costs including:-
    - Set up costs
    - Ongoing costs

7. The impact (positive and negative) on service delivery to stakeholders including
    - Scheme members
    - Scheme employers
    - Third parties (e.g. TPR, HMRC)

Budget
The Board is working within a fixed budget to be agreed by the Department with a wide and varied work plan to complete. Bidders should be aware that the value of bids will be an important element in the selection of the successful organisation.

Proposals
Proposals from interested parties should consist of the elements below with each element restricted to no more than 1 side of A4. Further information may be provided as annexes however standard marketing material should not be included. Proposals should be returned no later than 17.00 on Thursday 2nd July 2015 to liam.robson@local.gov.uk copied to jeff.houston@local.gov.uk.

Important - Where the bidder is (or in the case of a joint bid one or more of the bidders are) an organisation represented in the Scheme Advisory Board in any capacity the bidder must include in its submission:-

- A declaration of the nature and extent of the representation

- A statement detailing how it will effectively manage the potential conflict of interest arising from the delivery of this work to the Board

Elements required

1. **Introduction** - set out the approach you would take to the work and your objectives, in particular how you would work with members of the Board and how you would manage confidentiality issues.

2. **Your pitch** - set out what sets you apart from others who may bid for this work in particular the experience and expertise you bring.

3. **Fee structure** - state the cost of the work either as a fixed fee or as a daily rate. If the latter specify the number of days included in your bid.

4. **Expertise of team** - set out the names, job titles and experience of members of your organisation who would be involved in delivering this work. Also specify a named lead member for the team who would be responsible for the co-ordination and delivery of the work.

5. **Input from Board organisations and other stakeholders -** set out the input you will require from organisations involved in the scheme and state if that input will be in the form of face to face meetings or written material.

6. **Timescale -** potential bidders should set out the timescale required to complete the work together with important milestones with a view to making a presentation to the 21st September Board meeting

Board secretariat
16th June 2015

Local Government House, Smith Square, London SW1P 3HZ **T** 020 7187 7344 **E** Elaine.english@local.gov.uk www.local.gov.uk

ANNEX 1 Options for reform

The Current Position

Whilst the LGPS in England and Wales is one scheme, it is comprised of 88 different administering authorities. The size of the funds varies widely, as do the arrangements for its management. In some instances, pensions operations are integrated within the HR and Finance functions of the relevant administering authority; in others, discrete pensions units have been created to take on the task.

Each Administering Authority (as defined in Part 1 of Schedule 3 of the LGPS Regulations 2013) is responsible for managing and administering the LGPS in relation to any person for which it is the appropriate administering authority under the Regulations. The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS.

The majority of Administering Authorities are local authorities and therefore operate in accordance with local government law requirements. However some Administering Authorities are not local authorities such as the Environment Agency, the London Pensions Fund Authority and the South Yorkshire Pensions Authority. Such bodies operate in accordance with their own legal constitutions.

There are diverse approaches to how each LGPS Fund operates. In some instances, two or more Administering Authorities may share their administration function, for example through a shared service arrangement, or in other ways. However, where this happens each local authority still retains its own individual Administering Authority status and therefore legal responsibility for its own Fund.

In practice decisions about pensions are delegated by the Administering Authority in accordance with Section 101 of the 1972 Act to:

- Committees or sub-committees made up of councillors from all the political groups and will be politically balanced; or
- Officers.

The delegation of pension functions varies from Administering Authority to Administering Authority depending on local circumstances. The Regulations require an Administering Authority’s governance compliance statement to set out whether the Authority delegates its functions and the detail of the delegation given.
In addition there are specific legal requirements (as well as precedent through case law and statutory guidance) for the Section 151 officer or the Chief Financial Officer relating to the LGPS. These existing requirements are further elaborated upon in the details under option 1 below (Stronger role for Section 151 Officer).

The following options each seek to improve the governance of pension funds by increasing the degree of separation between the scheme manager function (the management and administration of the scheme and the local fund) and the host authority.

Option 1 - Stronger role for Section 151 Officer within a distinct entity of the host authority

Primary recommendations

- Separation of financial statements and audit arrangements
- Pension fund-specific annual governance statement
- Specific delegations or require a senior officer to lead the function
- Group the responsibility for all LGPS related activities within one function.

Brief description of option

Separate accounts
At present, regulations require that LGPS fund financial statements be incorporated with the financial statements of the administering authority. This option proposes amending the Accounts and Audit Regulations to require LGPS administering authorities prepare the pension fund financial statements as a discrete financial report outside of the host authorities' accounts.

This option would necessitate the setting of separate budgets for all pension fund related activities together with separate audit arrangements for the pension fund.

Pension fund-specific annual governance statement
Regulation 4(3) of the Accounts and Audit Regulations 2011 requires that a local authority produce an annual governance statement (AGS) to accompany its financial statements, which reports on the effectiveness of its systems of internal control. This option proposes a requirement for a separate AGS for the pension fund.

Specific delegations or separate senior officer role
This option envisages either
1. Use of delegation to move some or all pension fund-related finance responsibilities from the section 151 officer to another, whilst maintaining the required oversight and control or
2. Requiring the host authority to create a dedicated senior officer position to take on all responsibilities for pension fund-related responsibilities

Either of the above officers would then be responsible for the separate dedicated unit described below.

One function led by a senior officer
Under this option each host authority would be required to group all LGPS related activities within one discrete organisational unit. Currently the arrangement of how LGPS activities are managed is determined by individual administering authorities. The result is a variety of outcomes ranging from the diverse to the distinct.

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Option 2 - Joint Committee of two or more administering authorities

Primary recommendations

- Delegation of full scheme manager function and all decision making to a section 102(5) joint committee
- Employment of staff and contractual issues dealt with through lead authority or wholly owned company
- Ownership of assets unchanged
- Consideration be given to enshrining the structure in legislation in the form of a combined authority

Brief description of option: Under this option each of the LGPS administering authorities involved would delegate the function of scheme manager in its entirety to a joint committee under Section 102(5) of the Local Government Act 1972 (Part 2 paragraph 5).

The joint committee will then be responsible for all decisions relating to the management and administration of the scheme including asset allocation, manager selection, administering authority discretions, provision of administration services, appointment of advisors and procurement of related services (e.g. actuarial, legal and custodial).

The constitution of the joint committee would need to be contained in a formal agreement entered into by the authorities. The joint committee as constituted would not be a separate legal entity therefore it cannot own assets, have liabilities, raise taxes, enter into contracts or employ staff. The ownership of assets (administering authority) and responsibility for meeting liabilities (employers) would not change.

Employment of staff, entering into contacts and other operational matters would be delivered via a lead authority using a LG Act 1972 Section 113 agreement or an arrangement under the Good and Services Act 1970. Alternatively the authorities could create a jointly owned and controlled company to perform this function.

Giving the structure a legal identity
Consideration in this option will need to be given to giving the joint committee a legal identity (therefore avoiding the need for a lead authority or jointly owned company) by the creation of a combined authority similar to those in place for transport and planning. Such a combined authority would also be able to employ the necessary staff, enter into contracts and deliver all aspects of the function by utilising existing local government legislation.

The combined authority would become the scheme manager responsible for the management and administration of the scheme in relation to the group of employers assigned to it. The assets and liabilities of existing scheme manager/s would need to be transferred to the combined authority base.

Option 3 - LGPS complete separation of the pension fund from the host authority

Primary recommendations

- DCLG or Treasury to create single purpose Pensions Bodies
- Remove decision making from elected members

DCLG or Treasury to create Pensions Authorities

This option proposes that a government department creates pension bodies to take over the role of scheme managers within the LGPS. Unlike option 2 (combined authorities) these bodies would not be local authorities but could still exist in the public sector.

They would be designed to comply fully with the IORP (articles 8 and 18) in the same manner as private sector trust based pension institutions are obliged to. The bodies would have Boards that include employer and member representation with the same or similar make up as pension institutions in the private sector.

Existing administering authority staff wholly or mainly dedicated to LGPS scheme manager activities would transfer to the new bodies which would have constitutions making them to be responsible for

1. Administering the pension scheme in the most efficient and cost effective way possible
2. Collecting the required contributions from employers and members
3. Ensuring assets are invested in the best interests of members and beneficiaries, and in the event of a conflict of interest the institution must ensure that investments are made in the sole interest of members and beneficiaries
4. Paying benefits as and when they fall due

The option also seeks to ensure clear separation of pension fund monies from those of the host authority.

All of the assets and liabilities of the administering authority with regard to its function as an LGPS scheme manager would transfer to the new body

Remove decision making from elected members

This option seeks to remove the potential for conflict of interest between the host authority (sponsor) and the pension fund (institution) by removing the fund and placing it in a separate body with its own duties and interests that are solely aligned with those of the beneficiaries. Elected members of a current host authority may well be on the board of the new body but as employer representatives with no more or less say in the direction of investment policy than any other board member.

The option aims to remove any possibility of the host authority from taking decisions on investments which prefer its interests over the interests of the members of the LGPS or other employers in the fund.

Appendix 2

Internal/External training and events 2015-16

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.

Date	Event	KICs	Relevant for:
22 April 2015	LGPS Investment Risk	2	Officers, Committee/Board Members
18 – 20 May 2015	NAPF Local Authority Conference	4	Officers, Committee/Board Members
21 May 2015	LGE Training	2	Board Members
29 May 2015	Schroders Trustee Training 2015	2	Committee/Board Members
23 – 24 June 2015	Heywoods Class Group AGM	2	Officers
25 – 26 June 2015	12th Annual LGPS Trustees Conference	2	Committee/Board Members
26 – 27 June 2015	LGC Pension Fund Symposium	2	Officers
7 – 9 July 2015	CIPFA Annual Conference	3	Officers
10 July 2015	CIPFA Pensions Network Operational Governance of the LGPS	2	Officers
9,13, 23 July 2015	AON Pension Board Member Training	2	Committee/Board Members
17 August 2015	Pooled Investments in the LGPS	2	Officers
1 September 2015	LGSS Pensions - Joint Local Pension Board Training	2	Officers, Committee/Board Members
10 – 11 September 2015	LGC Investment Summit	3	Officers, Committee/Board Members
25 September 2015	Introduction to the LGPS	2	Committee/Board Members
October 2015	heywoods User Group	2	Officers
14 – 16 October 2015	NAPF Annual Conference - Manchester	2	Officers, Committee/Board Members
15 October 2015	LGE Trustee Training (Fundamentals 1)	2	Newly elected Board and Committee Members
21 October 2015	13th Annual LG Investment Forum	2	Officers, Committee/Board Members
27 October 2015	LGSS Pensions - LDI & Passive Training Day	2	Officers, Committee/Board Members
November 2015	CIPFA Pensions Network Annual Conference	2	Officers and depending on agenda, PFB Members

November 2015	LGC Investment Awards	0	Officers and ISC Members
3 November 2015	UBS First Steps Seminar	2	Committee/Board Members
10 November 2015	LGE Trustee Training (Fundamentals 2)	2	Newly elected Board and Committee Members
17 – 18 November 2015	Pensions Managers' Annual Conference	4	Officers
25 November 2015	UBS Second Steps Seminar	2	Committee/Board Members
December 2015	Eversheds Pensions Conference	2	Officers
2 -4 December 2015	LAPFF Annual Conference	3	Officers, Committee/Board Members

Internal/External training and events 2016-17

April 2016	LGC Investment Seminar	2	Officers, Committee/Board Members
May 2016	NAPF LA Conference	2	Officers, Committee/Board Members

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Employer Admissions and Cessations Report**
Purpose of the Report	**To report on the admission of one scheduled body and to gain approval for five admission bodies to join the Cambridgeshire Pension Fund.** **To further report on four cessations from the Fund and their final cessation payments.**
Recommendations	**That the Pension Fund Committee** **1) notes the admission of the following scheduled body to the Cambridgeshire Pension Fund:** • Greater Peterborough University Technical College (UTC) **2) approves the admission of the following admission bodies to the Cambridgeshire Pension Fund:** • Accent Catering Services Ltd • Alliance in Partnership Ltd • Churchill Contract Services Ltd • Smart Kidz Play and Learn Ltd • Sports Leisure Management Ltd **3) Notes the update on the cessation for the following bodies:** • Hemingford Grey Parish Council • Huntingdonshire Citizens Advice Bureau (CAB) • Mepal Outdoor Centre • ABM Catering
Enquiries to:	Mark Whitby, Deputy Head of Pensions Tel – 01604 368502 E-mail – Mwhitby@northamptonshire.gov.uk

1. Background

1.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.

1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

2. New Scheduled Body

2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes an Academy as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.

2.2 The LGPS Regulations recognise the proprietor of the Academy as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported as they are therefore not recognised as new scheme employers.

2.3 The following became a new scheme employer either as a result of conversion to Academy status or opening as a brand new educational establishment.

Date	New Scheduled Body
01/09/2015	Greater Peterborough UTC – a brand new University Technical College for Peterborough, which is set to open to students on 1 September 2016. Prior to this caretaker and ground staff became members of the LGPS with effect of 1 September 2015.

2.4 Actuarial advice will be sought on appropriate employer contribution rates from the Fund actuary and these will be advised to the new Academy.

3. New Admission Bodies

3.1 Paragraph 1of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.

3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states "*The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations*."

3.3 The Pension Fund Committee is asked to approve that the following become new admission bodies in the Cambridgeshire Pension Fund.

Date	New Admission Body	Background information
01/09/2015	Accent Catering Services Ltd	Transfer of catering services from Cambridgeshire County Council to provide the catering services at Fulbridge Academy. Three employees with LGPS membership have transferred.
01/09/2015	Alliance in Partnership Ltd	Transfer of catering services from Cambridgeshire Catering and Cleaning Services (CCS), a trading division of Cambridgeshire County Council, to provide the catering services at Woodland Academy. Two employees with LGPS membership have transferred. This is a pass through agreement.
15/06/2015	Churchill Contract Services Ltd	The outsourcing of Cambridge City Council's building cleaning services. One employee with LGPS membership has transferred.
01/09/2015	Smart Kidz Play and Learn Ltd	Transfer of nursery services from Cambridgeshire County Council to provide the services at Girton Glebe Primary School. Two employees with LGPS membership have transferred. This is a pass through agreement.
01/06/2015	Sports Leisure Management Ltd (SLM Ltd)	Transfer of part of the leisure services from Cambridgeshire County Council. One employee with LGPS membership has transferred. This is a pass through agreement.

4. Cessations

4.1 The last meeting recorded the suspension of Hemingford Grey Parish Council's cessation due to a potential new clerk joining the LGPS (Agenda item 5: 1.4.3). As yet they have been unable to recruit to the position. Therefore we are extending the suspension and will review the position again on the 30 September 2015 as it is now expected that a new Clerk will be appointed at the Council's September meeting.

4.2 Huntingdonshire Citizens Advice Bureau (CAB) was voluntarily liquidised on 31 December 2012, with a deficit payment due of £271,000. The Fund received a final payment from the liquidator, towards the deficit, of £938.05. This represents 0.0035p in the £ sought from the cessation valuation. Huntingdonshire CAB will now be pooled with other ceased employers in the 'No Active Members' pool and monitored at each valuation along with other employers in that pool, as set out in the “Cessation funding considerations and Orphan liabilities” report.

4.3 At the Pension Fund Committee meeting on 25 June 2015, officers reported the cessation of Mepal Outdoor Centre, as an admission body, following their last active member leaving the Fund on 30 September 2012 (Agenda item 5: 1.4.2). A cessation valuation identified a deficit, on exit, of £474,000, calculated on the more prudent gilts based approach. Officers sought approval from the Pension Fund Committee to write off this debt as Mepal Outdoor Centre have, via disclosure of their public accounts, shown that it does not have sufficient assets to make this payment. The Pension Fund Committee did not give such approval and instructed that the money should be recovered over a period of time via affordable instalments.

4.4 Officers have investigated this possibility but there is no provision under Clause 38 of The Local Government Pension Scheme (Administration) Regulations 2008 (the relevant regulations under which Mepal Outdoor Centre ceased to be an employer in the Fund), which allows for the recovery of an exit payment over a period of time. This provision was first introduced in the Local Government Pension Scheme Regulations 2013.

4.5 Even if the regulations had permitted the recovery of an exit payment over a period of time, the employer would need to contribute a minimum payment of £30,810.000 per annum to simply cover the accumulating interest on the deficit. As the employer has previously shown they do not hold any assets it, clearly, would not have been affordable for them to do so.

4.6 As mentioned in the case of Huntingdonshire CAB, above and describeded in more detail in the “Cessation funding considerations and orphan liabilities” report, we have an actuarially sound approach to dealing with such liabilities by separating them from the rest of the Fund via the “No Active Members” pool.

4.7 ABM Catering’s last active member ceased on the 25 August 2015. As a Pass Through admission all liabilities will pass back to the ceding employer, Cambridgeshire County Council. Therefore there is no cessation payment due. As part of the standard process in these cases we have sought confirmation from the Funding Team that all contribution payments are correct and up to date.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters. Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

6. Finance & Resources Implications

6.1 Actuarial costs in obtaining employer contribution rates, bond levels and funding position at commencement are recharged directly to the relevant employer.

6.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.

6.3 The failure to recover the full exit payments from the exiting employer, Mepal Outdoor Centre, will result in unpaid liabilities being borne by the whole Fund. An employer risk register was prepared as part of the triennial valuation process.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
Future pension liabilities that cannot be supported by an academy.	There is a Secretary of State guarantee if an academy fails.	Green

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

Risk	Risk Rating
Non compliance with CLG guidance that, an application by an admission body falling under paragraph 1(d)(i) of Part 3 Schedule 2 of the regulations, cannot be declined where the requirements of the LGPS Regulations are met.	Red
Non compliance with the mandatory requirement to allow academies admission to the Pension Fund.	Red
If we continue to pursue payment of the exit payment by Mepal Outdoor Centre, it is likely that this will make the charity insolvent and therefore require them to enter into liquidation. Forcing the closure of a popular local charity to be damaging to the reputation of the Pension Fund and the Administering Authority.	Red

8. Communication Implications

Direct Communications	Direct communications will be required to facilitate employer start up in the LGPS.
Newsletter	Regular pension bulletins are issued to the scheme employers on topical matters.
Induction	New employers require an introduction to their employer responsibilities under the LGPS.
Seminar	Employers will be entitled to attend an annual Employer Forum.
Training	Generic and bespoke training courses will be made available.
Website	New employers are given access to the employer's guidance available on the pension's website.

9. Legal Implications

9.1 Admitted Bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

10. Consultation with Key Advisers

10.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

10.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

11. Alternative Options Considered

11.1 None available.

12. Background Papers

12.1 N/A

13. Appendices

Checklist of Key Approvals	
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 Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 29/09/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 22/09/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 13/10/2015

Agenda Item No: 6

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Overpayments Report**
Purpose of the Report	**To provide the Pension Committee with;** **1) Details relating to overpayments that have occurred; and** 2) **An analysis of action taken and current position.**
Recommendations	**That the Pension Committee notes the content of the report.**
Enquiries to:	Name: 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 new standing item that reports the overpayments of pension that have occurred during the reporting period and the relevant actions that have been taken .

1.2 The report details all the overpayments of pension for the period 1 April 2015 to 31 July 2015.

1.3 The overpayments of pension and the respective action taken with them is a statutory requirement for inclusion in the Fund's Annual Report.

2. Overpayment analysis

2.1 During the reporting period there were a total of 123 individuals overpaid. 90 of the incidences were due to the delay in completing quality assurance checks that would ensure that the pensions increase uplift was applied correctly in all cases. Processes have been amended to ensure these checks are carried out before the payroll is run in each April. The errors identified involved only small amounts of individual overpayments with the highest individual overpayment amount made being £12.93.

2.2 The £173.72 was down to an isolated administration error and is in the process of being recovered.

2.3 During this period 32 scheme members died and the date of notification to the Fund resulted in an overpayment of the late members' pensions. The total value of these overpayments was £7,584.45 of which £2,722.24 remains outstanding and £2,410.35 written off due to the individual overpayments being less than £250.00. £2,451.86 has been recovered. Invoices have been raised for the 5 cases pending recovery.

2.4 Subsequent reports will provide an update of any overpayments still in the process of being recovered and will continue to be reported until the overpayment is fully recovered.

2.5 The information in 2.1, 2.2 and 2.3 is summarised in the following table:

Overpayment Type	**Action**	**Amount**	**Total**
Retirement	Written off	£193.09 (90 cases)	£366.81
	Recovery	£173.72 (1 case)	
	Recovered	£0	
Death of a Pensioner /Dependent	Written off	£2,410.35 (25 cases)	£7,584.45
	Recovery	£2,722.24 (5 cases)	
	Recovered	£2,451.86 (2 cases)	

3. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.

Perspective	Outcome
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

4. Finance & Resources Implications

4.1 The inability to recover monies due to the Fund.

5. Risk Implications

5.1 The inability to recover monies due to the Fund.

6. Communication Implications

Website	All overpayments of pension and the associated success and failure to recover will be reported in the Fund's Annual Report which will be published on the LGSS Pensions Service Website by 30 November each year.

7. Legal Implications

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

8. Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 There are no alternative options to be considered.

10. Background Papers

10.1 None

11. Appendices

11.1 None

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	No
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?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 18/09/2015
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 29/9/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

CAMBRIDGESHIRE PENSION FUND

PENSION COMMITTEE

22 October 2015

Report by: THE DEPUTY HEAD OF PENSIONS

Subject:	**Overpayment of Pension Policy**
Purpose of the Report	**To approve the Overpayment of Pension Policy following the set of principles that was agreed at the Pension Committee meeting on 25 June 2015.**
Recommendations	**That the Pension Committee:** **1. Approves the Overpayment of Pension Policy; and** **2. Delegates to the Deputy Head of Pensions in consultation with the Chairman and Vice Chairman any immaterial amendments to the Overpayment of Pension Policy.**
Enquiries to:	Jo Walton, LGSS Pensions Governance & Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1 Background

1.1 It is important for the Fund to have a policy on how overpayments of pension are managed once identified. Such a policy will provide assurance to the Fund's stakeholders that all overpayments are treated in a fair and equitable manner and that the Fund seeks to recover overpayments of pension and has in place steps to prevent and investigate potential fraudulent activity.

1.2 At the meeting of the Pension Committee on 25 June 2015 a report was presented to identify how the Committee would want to treat an overpayment of pension which could occur under a range of different circumstances.

1.3 At this meeting the Pension Committee agreed a set of principles which have now been adopted into a formal policy which Officers will apply to all overpayment cases that are identified. The Overpayment of Pension Policy has now been drafted and can be found in **appendix 1**.

1.4 Paragraph 1.4 of the 26 June Overpayment of Pension report identified that clarification would need to be sought on Her Majesty's Revenue and Custom's treatment of overpayments. Clarification has now been sought which determines that HMRC will regard some overpayments as unauthorised payments and as such a tax charge can be levied against the scheme member and the Fund. In the context of the types of overpayments that are covered by this policy an unauthorised payment will only occur if a pension is continued to be paid at an incorrect rate for an unreasonable period of time or if a pension is continued to be paid to a deceased member 6 months after their date of death. Should the Fund find an overpayment that meet these criterion the case would need to be dealt with on an individual basis with HMRC.

1.5 Paragraph 1.4 of the previous report also detailed the need for the Policy to be reviewed by both LGSS Internal Audit and LGSS Law. Both LGSS Internal Audit and LGSS Law have reviewed the Policy and provided comment which where necessary has been incorporated.

2. National Guidance on overpayments of pension

2.1 Following the notice by Government that the ability to contract out of the State Pension Scheme will cease on 5 April 2016, every pension scheme will need to carry out a reconciliation exercise to ensure that the correct contracting out liability is held for every member of the scheme compared with the records held by HMRC.

2.2 Nationally, it is recognised that the reconciliation exercise will identify a number of overpayments of pension due to inaccurate contracting out data being held by a pension scheme and how that data interacts with the annual increase that is applied to a pension.

2.3 Initially it was felt that guidance on how to treat overpayments that have occurred for this reason would be provided to administering authorities by DCLG. However, DCLG deemed the issuing of guidance inappropriate as they did not wish to take away from administering authorities the ability to make local decisions on managing overpayments.

2.4 Following further consideration and appreciation for the scale of the reconciliation exercise and the demand from pension professionals in the industry, it is likely that guidance will now be issued. However, this guidance will take a number of months to produce and it is unclear at this stage whether it will become statutory guidance.

2.5 The Pension Committee is therefore asked to be aware that it may be necessary to revisit this Policy once guidance has been issued.

3. Relevant Pension Fund Objectives

Perspective	**Outcome**
Governance	• To have robust governance arrangements in place to facilitate informed decision making supported by appropriate advice, policies and strategies.

	• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

4. Finance & Resources Implications

4.1 As detailed in section 1.4 of this report in some cases an overpayment can constitute an unauthorised payment under HMRC legislation. An unauthorised payment can lead to a tax charge being imposed on both the Scheme member and the Scheme itself. However, as the majority of overpayments are not of a deliberate nature it should not have a bearing on the decisions made to formulate this policy.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
It is not possible to identify all overpayment scenarios for the Committee to take a view on in the formulation of this policy.	This report identifies a wide range of scenarios which will allow for a best fit judgement to be made on how best to manage an overpayment.	Amber

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

Risk	Risk Rating
If an overpayment of pension policy is not approved and implemented it could be argued that the Fund may be demonstrating a lack of direction and consistent approach to dealing with overpayments which is ultimately public money. The absence of a policy may also increase the amount of cases that are referred to the Pensions Ombudsman which could lead to reputational damage.	Amber

6. Communication Implications

Website	The Overpayment of Pension Policy will be published on the LGSS Pensions website and therefore be available to the public. The Fund will need to report the values of pension overpayments that are both written off and recovered in the Annual Report and also to each meeting of the Pension Committee via a suitable reporting mechanism. These documents will be available for the public to view on the LGSS Pensions website and on the County Council's website respectively.

7. Legal Implications

7.1 The final draft of the Pension Overpayment Policy has been reviewed by the LGSS Law to ensure compliance with legislation.

8. Consultation with Key Advisers

8.1 LGSS Law and LGSS Internal Audit have been consulted in the formulation of this policy.

8.2 Independent advice has also been sought from Karen McWilliam of Aon Hewitt who are providers of advice on governance matters to the Fund.

9. Alternative Options Considered

9.1 There are no alternative options to be considered as it is good governance to have a policy in place that ensures transparency and equity of treatment. Not having a policy can leave the Fund open to criticism and unfavourable decisions made by the Pensions Ombudsman.

10. Background Papers

10.1 Report on overpayments of pension as presented at the 25 June 2015 meeting of the Pension Committee.

11. Appendices

11.1 Appendix 1 – Overpayment of Pension Policy

Checklist of Key Approvals	
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 Director of Finance/Section 151 Officer?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 18/09/2015
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Cambridgeshire
Pension Fund

Overpayment of Pension Policy

2015

LGSS

Cambridgeshire
Pension Fund

Contents

LGSS

1. Introduction

1.1 This is the Overpayment of Pension Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority). The administration of the Fund is carried out by the LGSS Pensions Service which incorporates administration for both the Cambridgeshire Pension Fund and Northamptonshire Pension Fund.

Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.

Cambridgeshire Pension Fund recognises the need to take a pro-active approach to identifying potential fraudulent activity and overpayments.

2. Policy Objectives

2.1 The Policy objectives aim to ensure the Fund:

- Provides a high quality, friendly and informative administration service to the Funds' stakeholders;
- Administers the Fund in a cost effective and efficient manner utilising technology;
- Ensures it and it's Stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund;
- Puts in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary;
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- Maintains accurate records and ensure data is protected and has authorised use only;
- Identifies errors as soon as possible;
- Rectifies overpayments with the cooperation of the individual;
- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

3. Purpose of the policy

3.1 The policy is designed to provide assurance to the Fund's stakeholders that;

- all overpayments are treated in a fair and equitable manner;
- the Fund seeks to recover overpayments that have occurred;
- and has steps in place to prevent and also investigate potential fraudulent activity.
-

4. Effective date

4.1This policy was approved by the Pensions Committee on XX and effective from XX.

5. Review

5.1 This policy will be reviewed annually and updated as necessary. Updates will be approved by the Pensions Committee and published as a public document following approval.

6. Scope

6.1 The policy applies to:

- All members of the Cambridgeshire Pension Fund in receipt of a pension;
- Executors of the Estates of Cambridgeshire Pension Fund members
- Administrators of the scheme; and
- The Pension Fund Committee.

7. Managing overpayments of pension on the death of a scheme member

7.1 Understandably, notification of a death of a pensioner member of the scheme does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur.

7.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will seek recover overpayments that are greater than £250.00 in value. A value of £249.99 or less in the instance of the death of a scheme member has been deemed uneconomical to pursue. The sum written off is treated as a liability against the scheme member's former employer.

7.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.

8. Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement the Fund will seek to recover monies through the scheme member's ongoing pension, this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment; the member will be notified in writing.

9. Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably be aware of the overpayment

9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate as detailed in the table below;

	Type of overpayment	How overpayment has occurred
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.
2	Re-employment where abatement affects rate of pension due	Re-employment not notified and within the terms of the Administering Authority policy on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment. Identified through NFI exercise or other means.
3	Entitlement to pension ceasing	Non notification that a child's pension is no longer payable as the child aged 18 or above is no longer in full time education or vocational training.
4	Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
5	Failure to action an alteration to the payroll record /reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long term rate.
6	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement a reduction to a pension as a result of National Insurance Modification (at State Pension Age for those members who both left the LGPS before 1 April 1998 **and** had membership before 1 April 1980).

9.2 If the Scheme member has been notified of the correct rate of pension in writing, it can be said that the member can reasonably be aware that they are being over paid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore seek to recover the total value of the overpayment, with this being recovered from the Scheme member's ongoing pension. The pension will also be reduced to the correct level for the next monthly pension payment. The member will be notified in writing of the error and the course of action to be taken.. Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged to recover the overpayment.

10. Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment

10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware;

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions).	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
2	Incorrect level of Guaranteed Minimum Pension (GMP) being paid	New information from HMRC leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will seek to recover the total value of the overpayment through the Scheme member's ongoing pension. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment and the member will be notified in writing a minimum of 2 weeks prior to this.

11. Recovery period

11.1 The Fund will seek to recover overpayments that have occurred within the last 6 tax years plus the current tax year or all of the overpayment period if shorter. Therefore overpayments that have occurred outside of this period will have the appropriate proportion written off.

12. Length of time to recover overpayment

12.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. Upon challenge the Fund can allow this to be extended by a further 50% of the time period in which the overpayment occurred.

13. Scheme member is unable to return overpayment

13.1 In cases where a Scheme member is unable to return the overpayment officers of the Fund will enter into negotiations with the scheme member, where appropriate the Fund will seek expert legal advice. This approach will reduce the number of Internal Disputes and referral to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Cambridgeshire Pension Fund would have demonstrated engagement and negotiation with the individual.

14. Scheme member refuses to engage in any correspondence with regards to overpayment

14.1 In cases where the Scheme member refuses to engage in any correspondence the Fund will suspend the pension after three written attempts of contact within three months. This should prompt the member to get in touch and allow for discussions to take place, where appropriate the Fund will seek expert legal advice.

15. Monitoring repayments

15.1 In cases where recovery is not being made through the payroll and an invoice has been raised, the responsibility for chasing the payment rests with the LGSS Debt Recovery Team. If a final reminder is issued, officers are notified and a decision is made by the Deputy Head of Pensions as to whether to take legal action, taking into consideration the amount and circumstances against the perusal of legal action.

16. Authority to write off overpayments

16.1 In line with the County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments –

Total value of overpayment*/**	**Authority to write off overpayment**
No more than £250.00 on death of a pensioner	Automatic write off
Up to no more than - £3,000.00 (includes overpayments on the death of a pensioner that are greater than £250.01 up to no more than £3,000.00)	Deputy Head of Pensions (in the absence of the Deputy Head of Pensions authority will move to the Chief Finance Officer)
£3,000.01 to no more than £10,000.00	Chief Finance Officer
£10,000.01 to no more than £25,000.00	Chief Finance Officer in consultation with the Chairman/woman of the Pension Fund Committee
£25,000.01+	Pension Fund Committee
*The value of overpayment occurring within the last 6 full tax years plus current tax year	
** Subject to a full evidence based report produced by Officers of the Fund	

17. Reporting to the HMRC and effects on the Fund and individual

17.1 The Finance Act 2004 sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.

17.2 Cambridgeshire Pension Fund recognises that for some overpayments engagement with Her Majesty's Revenue and Customs will be required and these will be treated on a case by case basis.

18. Prevention

18.1The Fund has in place processes in order to minimise the risk of overpayments occurring.

18.2 The Tell Us Once service has been adopted whereby deaths are notified through a central system accessible by the Fund. This increases the notification of the death of scheme members and therefore minimises potential overpayments.

18.3 The National Fraud Initiative is conducted by the Audit Commission every two years; it compares files of pensioners and deferred members with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Cambridgeshire Pension Fund actively participates in this initiative.

18.4 Cambridgeshire Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member.. The Fund also investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure that the welfare of the scheme member and to protect payment of the Fund’s money.

18.5 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct timely manner. This would be in circumstances such as a change from a short term dependant’s pension to a long term pension.

Cambridgeshire
Pension Fund

LGSS

Agenda Item No: 8

CAMBRIDGESHIRE PENSION FUND

LGSS

PENSION COMMITTEE

Date: 22 October 2015

Report by: THE DEPUTY HEAD OF PENSIONS

Subject:	**July Budget – asset pooling and the LGPS**
Purpose of the Report	To brief the Committee on the issues arising from the Chancellor's announcement in the July 2015 Budget.
Recommendations	**That the Pension Committee:** 1. Note the briefing on implications of the July 2015 Budget. 2. Note that Officers are:- 2.1 Consulting with DCLG and LGA on asset pooling criteria to be published in November 2015; 2.2 Working with other Funds in a Hymans led project to provide credible proposals for Government approval; 2.3 Collaborating with other funds to discuss specific collaboration to address the Government proposals.
Enquiries to:	Name: Paul Tysoe, Tel: 01604 368671 Email: phtysoe@northamptonshire.gov.uk

1. Background

1.1 The Call for Evidence on the future structure of the LGPS was published jointly by DCLG and the LGA in June 2013 and a public consultation exercise ran until 27 September 2013.

1.2 In May 2014, the DCLG released a consultation in response to the call for evidence entitled: *Consultation on opportunities for collaboration, cost savings and efficiencies in the Local Government Pension Scheme*.

1.3 The consultation focussed on how LGPS funds could deliver savings of up to £660m per year by adopting a more collaborative and efficient approach to investment, based largely upon analysis provided in a report commissioned from Hymans Robertson, which suggested that the greatest potential for cost savings would result from greater use of passive management and less use of expensive fund of fund arrangements for alternatives.

1.4 The savings of £660m suggested in the report produced by Hymans comprised investment manager fees (£230m), exiting from fund of funds arrangements for alternatives (£240m) and reduced transaction costs in (£190m). The savings for investment manager fees and transaction costs assumed that all equities and bonds were moved to passive management.

1.5 The Budget in July 2015 included an announcement that the Government would work with LGPS Administering Authorities "*to ensure that they pool investments to significantly reduce costs, while maintaining investment performance*". The Government expects funds to come forward with their own proposals to meet common criteria for delivering savings. A consultation will be published later in 2015 setting out common criteria for cost savings "*as well as back stop legislation to ensure that authorities that do not put forward sufficiently ambitious proposals are required to pool investments*."

1.6 It appears that Government thinking has moved on and that asset pooling is being seen as an alternative means to reducing fees by taking advantage of economies of scale (although it remains to be seen whether backup legislation may suggest a passive approach).

1.7 Transaction costs could be reduced by moving to passive investment but this would need to be consistent with the Government's stated aim of maintaining overall investment performance. It is also worth noting that transaction costs are not a visible cost paid by the LGPS (or any other investor) as they are accounted for within reported performance numbers.

2. Issues

2.1 Until the Government consultation is published, which is expected to be during the Autumn, the criteria against which cost savings will be measured remains open to speculation. However, it is likely that the consultation will ask LGPS funds for specific and quantifiable proposals to deliver asset pooling and subsequent cost savings under the threat of back stop legislation. Whilst the Government has not put a value on the size of the required savings, it is likely to be measured in hundreds of millions in order to be considered "sufficiently ambitious".

2.2 The following issues will need to be considered in preparing for funds' responses to the consultation.

2.3 Asset "pooling" is intended to have a wider meaning than setting up collective investment vehicles ("CIVs"). This could include other initiatives including joint procurement.

2.4 There is the opportunity to build upon work already done by local authorities such as the London CIV, joint procurement initiatives and other collaboration efforts such as Lancashire and the LPFA.

2.5 There may be an emphasis on the size of pools. Some commentators suspect that the Government has in mind pool sizes of tens of billions. Presumably this assumes that pools of this size, with appropriate governance, can deliver significant benefits.

2.6 Potentially larger pools for investment in infrastructure (or other alternatives) may allow funds access to larger and more innovative projects across the UK.

2.7 It is unlikely that the Government will want to operate a default pooled investment vehicle so it is likely that it will look to force funds that fail to propose plans that are sufficiently ambitious to participate in pooling arrangements established by other funds.

2.8 Investment strategy and asset allocation decisions will likely remain with individual pension committees but the selection and dismissal of managers will move to pooled arrangements.

2.9 The potential options range, in order of severity, from: sharing information, joint procurement, pooling assets, Collective Investment Vehicles ("CIVs"), Delegation, Internal teams, to Scheme Mergers.

3. Likely solutions

3.1 It is considered that the likely solutions will be found in the middle of this range i.e. joint procurement, pooling assets and CIVs.

3.2 Before considering new opportunities for collaboration with other funds, it is a natural point to start by assuming that the Cambridgeshire and Northamptonshire funds will build upon the recent joint procurement exercises for Global equity managers with a renewed focus on achieving joint outcomes that will maximise fee savings.

3.3 In the market, passive management fee scales are increasingly competitive, driven by a small number of providers and the fact that there are clear economies of scale with passive management. Joint procurements may drive down fees by several basis points, but in the context of the average LGPS fund of £2.5bn a saving of 1 bps equates to £250,000, the potential savings are not considered sufficiently ambitious.

3.4 Pooling funds would mean agreements between funds to appoint the same managers and to unitise each fund's holding. However, although there is some commonality between mandates across LGPS it is unlikely to be enough to simply pool assets in their current form.

3.5 CIVs are a more formal version of asset pooling and may represent a longer term solution. They are housed within a (FCA) regulated structure that may be either built by the funds or "rented" from a third party provider.

3.6 There are a range of CIV models each of which would have an investment committee (whose membership may include representatives of the investing authorities) that determines manager selection decisions. Depending upon the model chosen the economies of scale come from the collective assets of the funds involved but may well also leverage the scale of assets of the third party provider of the "rented" structure.

3.7 In a pooled arrangement the governance arrangements over manager selection and monitoring will fall to the CIV investment committee rather than committees of the investing LGPS funds who invest collectively. It will be important to ensure that the CIV's governance arrangements are robust in order to ensure that investment performance is maintained in line with the Government's brief. Strategic asset allocation and funding issues which have the greatest impact at fund level will remain a responsibility at a local fund level.

4. Officer Engagement.

4.1 Both Funds are represented on the LGPS Pooling working group supported by Hymans, the objective is to provide a cohesive set of acceptable proposals, avoiding a myriad of overlapping proposals the majority of which are unlikely to meet government criteria.

4.2 In addition officers have instigated meetings with other Funds to create a collective of like minded Funds to facilitate discussions on how Funds will collaborate on the acceptable proposals going forward.

5. Summary of conclusions and next steps

5.1 The Government consultation due later in 2015 is expected to seek ambitious proposals from LGPS funds that set out specific and quantifiable plans that are designed to deliver a significant level of cost savings that can only be delivered through the scale that results from increased collaboration between funds.

5.2 Funds that do not provide sufficiently ambitious plans may be covered by backstop legislation and be forced to join a pooling arrangement.

5.3 Officers of the Fund have attended feedback meetings with DCLG and LGA to influence the autumn criteria guidance and the new investment regulations. Additionally officers have engaged proactively with other Funds to better inform both the pre autumn consultations and the February 2016 responses.

5.4 Both Funds are represented on the LGPS Pooling working group supported by Hymans, to produce credible and widely supported proposals, which individual Funds will adopt in their specific collaborative discussions to form asset pools.

6. Recommendation

6.1 The Pension Committee is asked to:

6.1.1 Note the briefing on implications of the July 2015 Budget.

6.1.2 Note that Officers are:-

1) Consulting with DCLG and LGA on asset pooling criteria to be published in November 2015;

2) Working with other Funds in a Hymans led project to provide credible proposals for Government approval;

3) Collaborating with other funds to discuss specific collaboration to address the Government proposals.

7. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

8. Finance & Resources Implications

8.1 There are no financial or resource implications at this time that require consideration.

9. Risk Implications

a) Risk(s) associated with the proposal:

Risk	Mitigation	Residual Risk
None at this stage – no action being suggested other than to investigate potential options	n/a	n/a

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

Risk	Risk Rating
The Government may impose investment structures using backstop legislation without proper input by LGPS funds.	Amber

10. Communication Implications

10.1 Not applicable.

11. Legal Implications

11.1 Not applicable.

12. Consultation with Key Advisers

12.1 The report was produced in consultation with Mercer Limited, the Fund's appointed Investment Consultant, and in compliance with the LGPS (Management and Investment of Funds) Regulations 2009.

13. Alternative Options Considered

13.1 None.

14. Background Papers

14.1 None.

15. Appendices

15.1 **Appendix 1** – Extract from Summer Budget July 2015.

Checklist of Key Approvals	
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 the Deputy Head of Pensions?	Mark Whitby – 25/09/2015
Has this report been cleared by the Section 151 Officer / Director of Finance?	Sarah Heywood – 29/09/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Extract from Summer Budget 2015

Copy of the Summer Budget Report – July 2015 as laid before the House of Commons by the Chancellor of the Exchequer when opening the Budget.

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2.19 Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance.

The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Cessation Funding Considerations and Treatment of Orphan Liabilities**
Purpose of the Report	**To provide assurance to the Committee over the scale of the potential liability that could fall on the whole Fund if scheme employer ceases and any deficit on exit cannot be recovered from them, a bond or guarantor.**
Recommendations	**That the Committee notes the contents of this report and the approach to dealing with orphan liabilities in the Cambridgeshire Pension Fund. That the Committee also notes progress reports as and when required.**
Enquiries to:	Mark Whitby, Deputy Head of Pensions Tel – 01604 368502 E-mail – Mwhitby@northamptonshire.gov.uk

1. Background

1.1 At the Pension Committee meeting held on 25 June 2015, the Employer Admissions and Cessations Report discussed the long standing cessations of two scheme employers from the "Small Admitted Bodies" pool. These employers were Mepal Outdoor Centre and Red 2 Green.

1.2 Mepal Outdoor Centre has shown, through disclosure of their financial accounts that they are unable to afford to pay any of their outstanding deficit. Red 2 Green expressed that they are unable to pay their entire deficit, as calculated on the more prudent cessation basis, but requested negotiations over paying a mutually agreeable amount.

1.3 Both employers were "old style" admission bodies for which there was no guarantor of last resort to assume responsibility for any deficit that couldn't be paid upon cessation. For this category of scheme employer the LGPS Regulations require any unpaid deficit at exit should be spread across all other employers in the Fund.

1.4 In the report presented to the Pensions Committee on the 25 June, officers recommended that the cessation payment for Mepal Outdoor Centre should not be pursued because the there are no tangible assets for the Fund to make a claim against. It was also recommended that the Fund should be prepared to negotiate with Red 2 Green over a mutually agreeable cessation payment.

1.5 Officers advised that there are other “old style” admission bodies remaining in the Fund who would be in a similar situation if they ceased. These employers form part of the “Small Admitted Bodies” pool. Officers felt that the risks associated with this group of employers to the Fund were of an immaterial size in the context of the value of the whole Fund.

1.6 Officers provided assurance to the Committee that arrangements were in place for dealing with “old style” admission bodies who cannot afford to pay their deficit on exit.. This arrangement is through a “No Actives” pool and is described further in section 4 of this report.

1.7 The Committee expressed strong concerns with the recommendations made by officers as detailed in section 1.2 of this report as to the wider implications of the deficit to the Fund associated with employers in the “Small Admitted Bodies” pool and the potential financial impact on the Fund. The Committee requested that officers provide a report setting out the gilt based cessation value of each “old style” admission body and the scale of risk to the Fund should they cease as scheme employers. This report sets out the scale of the risk to the Fund and a plan for mitigating the risk.

2. Types of Scheme Employer

2.1 Employers in the Fund can be classified under a number of types of scheme employer, as set out in the Local Government Pension Scheme Regulations 2013. For the purposes of this report the potential risk to the Fund falls under the following employer types:

<table>
<tr><th>Employer Type</th><th>Risk Exposure</th></tr>
<tr><td>Transferee Admission Bodies</td><td rowspan="3">The Fund is protected by either:
a) a ceding employer, on whom the pension liabilities fall if the admission body cannot pay off their deficit; or
b) a bond or guarantor</td></tr>
<tr><td>Community Admission Bodies</td></tr>
<tr><td>Admission Bodies as classified under the 2014 LGPS Regulations</td></tr>
<tr><td>“Old style” Admission Bodies</td><td rowspan="2">If either type of body cannot pay off their deficit on exit, the liabilities must be spread across all other employers in the Fund</td></tr>
<tr><td>Parish Councils</td></tr>
</table>

2.2 As can be seen in the table above, the risk exposure to the Fund relates primarily to “old style” admission bodies and possibly Parish Councils. This is because there is no other body to take on their pension liabilities following their exit from the Fund. The liabilities are therefore spread across all other employers in the Fund.

3. Scope of this Report

3.1 A staged approach to considering the risks to the Fund has been taken. In light of the risks highlighted above, this report focuses on those employers in the “Small Admitted Bodies” pool as these present the highest risk to the Fund. This is due to the fact that they generally have a very small membership size, making them more likely to exit the Fund and as they do not have tax raising powers and generally little or no tangible assets, they are more likely to have problems paying their cessation deficit.

3.2 As some employers have already ceased with no entity standing behind their residual liabilities, including scheme employers exiting from the “Small Admitted Bodies” pool, this report also includes an assessment of the current position of those employers in the “No actives” pool. The assessment illustrates the current arrangement for dealing with “old style” admission bodies unable to pay their deficit at exit and the current funding position of this pool.

4. No Actives Pool

4.1 The “No Actives Pool” comprises employers that currently have no active members and have ceased making contributions to the Fund. There is no other body responsible for taking on the pension liabilities of these ceased employers and so the liabilities fall on the whole Fund.

4.2 The “No Actives” pool is assessed at each valuation by the Actuary to determine if the level of assets held in the pool is adequate to pay the liabilities. At the point where the Actuary considers that the pool is reaching a point where the assets held will not be adequate to meet the liabilities they will seek, with approval from officers and the Pension Committee, to spread the liabilities across all other employers in the Fund. This approach to dealing with employers who have no more active members has been applied through multiple valuation cycles.

4.3 As at 31 March 2013 the Actuary approximated that the “No Actives” pool had assets of £34.2m and corresponding liabilities of £39.4m leaving an estimated deficit of £5.2m. This has been assessed on a prudent basis and therefore represents, broadly speaking, a worst case scenario. The current financial climate has also had an effect on these figures as gilt yields are currently at a historical low. Just a small increase in the gilt yield of 0.5% p.a. would dramatically reduce the deficit by between 40% and 75% to around £3.1m and £1.2m respectively.

5. Small Admission Bodies Pool

5.1 The “Small Admission Bodies” pool comprises small employers which have no other scheme employer acting as a guarantor and for which it was thought would benefit from pooling. The reason for pooling these employers is to smooth the effect of experience on the individual employer’s contribution rate as the contribution rate paid by employers in the pool is based on the experience of the entire pool not the individual employer. The individual funding position of each employer is still individually tracked.

5.2 One of the disadvantages of the pool is that none of the employers will be paying the correct individual contribution rate; some will be paying more and some less. This only becomes an issue when one of the employers ceases participation in the Fund. As these are small employers with relatively few active members there is a risk that they are more likely to cease than other employers.

5.3 There are now only nine employers in this pool. If these employers were to cease participation in the Fund and be unable to pay off their deficit on exit the liabilities would fall onto all other employers within the Fund.

5.4 The pool was created because regulatory constraints and common practice at that time did not provide the flexibility to pre-fund a cessation by aiming for a target funding level above 100%.

5.5 The Actuary has provided estimates of what the cessation deficits would be for each employer, in the “Small Admission Bodies” pool, to assess the risk exposure to the Fund if these bodies were all to cease. The current aggregated deficit of these nine employers is £7,375,000 as at 27 August 2015. This is comprised of liabilities valued at £13,939,000 on a cessation basis and assets of £6,564,000. It should be noted that this represent 0.35% of the overall deficit of the Fund.

5.6 It should be noted that these figures are deliberately calculated on a much more conservative basis than the ongoing figures used at the valuation. Had the cessation deficit been calculated on an ongoing basis, the combined deficit for these employers would be reduced to £2,819,000.

5.7 Should the full cessation deficit of £7,375,000 be paid in its entirety by the outgoing scheme employer, this notional slice of the Fund would have a funding position of more than 100% on an ongoing basis. This means that an employer failing to pay a cessation deficit in full does not necessarily mean an additional liability will fall on the Fund. However, it does mean that the cushion required against adverse future experience is not provided to the extent it would otherwise have been.

5.8 In addition to the full cessation deficit already being considerably more prudent, the ongoing calculation basis itself has an element of prudence built into it. Therefore, if at least the ongoing deficit value is collected from an exiting employer a level of cushion would already be built into the value.

5.9 Furthermore, the current risk exposure is artificially inflated as gilt yields are currently at a historical low. If gilt yields rise, and all other things remain equal, deficits would fall. If gilt yields were to fall further, liabilities would increase and as shown previously, the deficits are highly sensitive to changes in gilt yields.

6. Further Steps

6.1 The next step will be to look at each individual employer in the “Small Admission Bodies” pool and carry out a more detailed analysis of their funding position, employer covenant, financial position and the quality of admission agreements in place. Officers will then take an appropriate approach for each employer which may result in removing them from their respective pool.

6.2 Officers would like to reiterate, that it is the nature of these types of employers to be able to afford to pay monthly pension contributions on an ongoing basis but not be able to pay their full deficit on exit. As seen with the example of Mepal Outdoor Centre this is because these types of employer usually have little or no tangible assets to use in paying their funding deficit.

6.3 Officers will also look at the “Designating Bodies” pool to assess the current funding level and risk to the Fund.

7. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.

8. Finance & Resources Implications

8.1 Actuarial costs in obtaining this report.

9. Risk Implications

a) Risk(s) associated considering this report

There are no risks associated with considering the contents of this report.

b) Risk(s) associated with not considering this report

Risk	Risk Rating
This is a report for the Committee to note. The risk of not considering this report is that the Committee will not understand the current risk exposure to the Fund or the appropriateness of the current approach for dealing with this risk.	Green

10. Communication Implications

10.1 Not applicable.

11. Legal Implications

11.1 Not applicable.

12. Consultation with Key Advisers

12.1 The accompanying **appendix** was produced by Hymans Robertson, the Fund Actuary.

13. Alternative Options Considered

13.1 Not applicable.

14. Background Papers

14.1 Not applicable.

15. Appendices

15.1 Appendix 1 “No Actives” pool at 2013 valuation

15.2 Appendix 2 “Small Admitted Bodies” pool

Checklist of Key Approvals	
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 Chief Finance Officer/Section 151 Officer?	Chris Malyon – 5/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 24/09/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 29/9/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker 09/10/2015

Appendix 1

Cambridgeshire Pension Fund
"No Actives" pool at 2013 valuation

	000's		
Employer	Assets	Ongoing Liabilities	Deficit
Peterborough Development Corporation	20,128	20,915	787
Anglia Higher Education College	300	387	87
Bowthorpe Hall	279	413	134
Centre 33	11	35	24
Connexions	3,732	5,966	2,234
Cambridge & County Folk Museum	103	156	53
Cambridge Institute of Education	76	70	-6
Cambridge ITEC	326	325	-1
Cambridge College of Agriculture & Horticulture	459	649	190
The Cresset	784	1,365	581
Commissions East	323	393	70
Cambs Career Guidance	-23	40	63
Eastern Arts Board	1,341	2,070	729
Farmland Museum	64	59	-5
Huntingdonshire Citizens Advice Bureaux	255	290	35
King's School Peterborough	89	134	45
Mepal Outdoor Centre	256	456	200
Methodist Homes for the Aged	3,863	2,948	-915
Nene Valley Research Committee	90	83	-7
Westgate Project	33	31	-2
Screen East Ltd	214	291	77
St Martin's Day Care Centre	104	162	58
St Neots Museum Ltd	12	52	40
Cambridge Federation of Tenants	167	470	303
Turning The Red Lights Green	81	112	31
Cambridgeshire & Peterborough MHT	5	38	33
Homerton School of Health Studies	793	1,134	341
Cambridge Sports Lake Trust	291	235	-56
Edwards & Blake Ltd	35	32	-3
Aaron Services Ltd	53	47	-6
Total for pool at 2013 valuation	**34,244**	**39,359**	**5,115**

Notes:
1) The above figures are as at the previous valuation date of 31 March 2013 and have been calculated on an ongoing basis.
2) The asset figures shown exclude any additional sums received after 31 March 2013 in respect of outstanding cessation deficit payments.
3) Figures in brackets represent a surplus.
4) Isle College funding is guaranteed by the College of West Anglia.
5) Contributions of £632,000 p.a. will be received from Ministry of Justice for 8 years from April 2013 in respect of Cambridgeshire Magistrates.
August 2015

Appendix 2

Employers Funding Positions (27 Aug 2015)

		Ongoing Basis (£000)		Cessation Basis (£000)	
Employer	**Assets**	**Liabilities**	**Deficit**	**Liabilities**	**Deficit**
ADEC	373	470	97	769	396
Drinksense	353	469	116	638	285
Cambridgeshire MENCAP	1,051	1,660	609	2,298	1,247
Conservators of the River Cam	853	1,032	179	1,604	751
Kelsey Kerridge Sports Hall Trust	2,299	3,364	1,065	4,888	2,589
Collections Trust	707	1,009	302	1,658	951
St. Columba Group Therapy	276	375	99	497	221
Wisbech and Fenland Museum	92	174	82	264	172
Wisbech Grammar School	560	830	270	1,323	763
Total	**6,564**	**9,383**	**2,819**	**13,939**	**7,375**

Agenda Item No: 10

CAMBRIDGESHIRE PENSION FUND

Pensions Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Reporting Breaches of the Law to the Pensions Regulator Policy**
Purpose of the Report	**To present the Reporting Breaches of the Law to the Pensions Regulator Policy to the Pensions Committee.**
Recommendations	**The Committee are asked to approve the attached Reporting Breaches of the Law to the Pensions Regulator Policy provided in the appendix to this report.**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 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.

1.2 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.

1.3 The Reporting Breaches to the Pensions Regulator Policy is attached in **Appendix 1**.

2. The Pensions Regulator Code of Practice

2.1 The Code of Practice identifies those individuals responsible for reporting breaches of the law and the associated legal requirements

2.2 The policy provides the process to report a breach to the Regulator and details surrounding timescales and urgency of cases.

2.3 The policy also identifies the need to record breaches that are not significant to the Regulator in order that processes can be improved to avoid repeated occurrences.

2.4 Examples of breaches of significance and non significance are documented in the appendix of the report, the purpose is to put into context the policy and when it may need to be enforced. Individuals will need to apply the principles of the policy when acting on reasonable cause to report a breach.

3. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

4. Finance & Resources Implications

4.1 Resources will need to be prioritised if a breach occurs to ensure compliance with the policy.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with approving and enforcing the policy as the policy demonstrates our acknowledgement and understanding of the need to report breaches of the law to the Pensions Regulator.		Green

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

Risk	Risk Rating
If the policy is not enforced incidences of breaches of the law may go unreported to the Pensions Regulator. It is better to self report breaches of the law than for other parties such as advisors to the Fund to report identified breaches.	Red

6. Communication Implications

Direct Communications	All individuals who are involved in the administration of the Fund will be advised of their obligations to report breaches of the law and the associated procedure as detailed in the policy.
Website	The policy will be published on the LGSS Pensions Service website.

7. Legal Implications

7.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines and imprisonment of those charged with responsibility of the Fund.

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Reporting Breaches of the Law to the Pensions Regulator Policy

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 – 29/09/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 18/09/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Reporting Breaches of the Law to the Pensions Regulator Policy 2015

LGSS

Contents

1. Introduction

1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund and Northamptonshire Pension Fund managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities).

1.2 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

1.3 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.

2. Policy Objectives

2.1 The Funds' objectives related to this policy are as follows:

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies; and

Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

3. Purpose of the policy

3.1 The purpose of the policy is to –

Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise;

Ensure that stakeholders of the Funds' are given appropriate information in order to understand the consequences of a breach; and

Ensure adequate procedures are in place to fully comply with the Code of Practice.

4. Effective date

4.1 This policy was approved by the Pensions Committee on XX and effective from XX.

5. Review

5.1 This Policy on Reporting Breaches of the law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed annually to ensure it remains accurate and relevant.

6. Scope

6.1 The policy applies to:

- officers of the Funds;
- members of the Pension Committees;
- members of the Pension Boards;
- employers of the Funds;
- relevant stakeholders; and
- professional advisors.

7. Legal Requirements

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme 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 of its functions.

8. Reasonable Cause

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The breach is likely to be of material significance to the Regulator where it was caused by:

- dishonesty;
- poor governance or administration;
- slow or inappropriate decision making practices;
- incomplete or inaccurate advice; or
- acting (or failing to act) in deliberate contravention of the law.

9.5 Reporters need to consider the effects of any breach, but with the Regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the Regulator:

- Pension Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered;

- Pension Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role;

- adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time;

- accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;

- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;

- anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded; and

- any other breach which may result in the Fund being poorly governed, managed or administered.

9.6 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

9.7 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.

9.8 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; and
- fail to notify affected scheme members where it would have been appropriate to do so.

9.9 Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the Regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or Pension Committee/Board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

10. Guidance on Reporting a breach to the Regulator

10.1 The guidance from the Pension Regulator on reporting breaches is as detailed below –

10.1.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement needs to be made on whether the Regulator would regard the breach as being material

10.1.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.

10.1.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported. 5.

10.1.4 Any report that is made (which must be in writing and made as soon as reasonable practicable) should be dated and include as a minimum:

- full name of the Fund;
- description of the breach or breaches;
- any relevant dates;
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter; and
- role of the reporter in relation to the Fund.

Additional information that would assist the Regulator would include, the reason the breach is thought to be of material significance to the Regulator; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

10.1.5 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

10.1.6 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

10.1.7 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

10.1.8 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

10.1.9 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

10.1.10 Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.

11. Process for reporting and recording material and non material breaches within Cambridgeshire and Northamptonshire Pension Funds

11.1 The following table details the process for reporting material and non material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
Urgent and Material	Responsible officer informs head of pensions and governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report urgent and material breaches to Section 151 officer, Chairman and Vice Chairman of Committee and Local Pension Board, full report to be submitted at the next available meeting.
Non urgent and material	Responsible officer informs head of pensions and governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pensions Committee/Pension Board meeting.
Immaterial	Responsible officer informs head of pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pensions Committee/Pension Board meeting.

12. Whistle blowing protection and confidentiality

12.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

12.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

12.3 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

12.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistle blowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

13. Contact details

13.1 The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Tel - 0845 6000707
E-mail - customersupport@tpr.gov.uk

13.2 Head of Pensions
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

Tel - 01604 366537
E –mail - mwhitby@northamptonshire.gov.uk

Appendix 1

Examples of breaches, but not limited to -

Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the Prudential. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Prudential. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that *is* relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s)he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Example 6

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

LGSS

Agenda Item No: 11

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Review of the Pension Fund Objectives**
Purpose of the Report	**To present revised Pension Fund Objectives to the Committee for discussion and agreement.**
Recommendations	**The Committee are asked to approve the Pension Fund Objectives**
Enquiries to:	Name: Jo Walton (LGSS Governance and Regulations Manager) Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 It is considered good governance for the Fund to regularly review the relevance and effectiveness of its objectives.

1.2 A number of the previously agreed objectives, as detailed in section 4 of the report, have been deemed to be no longer appropriate and more objectives need to be added to ensure good governance is fully achieved.

1.3 The proposed new objectives for the Cambridgeshire Pension Fund which the Committee are asked to discuss and approve are found in section 3 of this report.

2. Purpose of reviewing the objectives

2.1 The purpose of the objectives is to ensure the Fund operates under a framework that has a clear direction and purpose.

2.2 Effective objectives need to feed into the overall business aim of the Fund. In order to achieve this, objectives need to be specific, measurable, achievable, relevant and timely. The proposed objectives have been developed to that end.

2.3 Reviewing the objectives is the first stage in looking at the Fund's Risk Strategy and ensuring the Fund has established its overall aim and has linked relevant objectives to this. Once the objectives have been approved the next stage is to look at how success against the objectives is measured, the risks associated with not achieving the objectives and what the Fund can do to mitigate risk.

2.4 At December’s Committee meeting a Risk Management Policy and Risk Register which will enable the Fund to track movements in risk will be presented for consideration based on the objectives agreed at this meeting.

2.5 The objectives have been streamlined in some areas and have placed a greater emphasis on managing risk and ensuring the Fund is managed effectively.

3. Proposed objectives

1. 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.

2. 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.

3. 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.

4. Continually monitor and measure clearly articulated objectives through business planning.

5. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

6. Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.

7. Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

8. Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.

9. Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.

10. Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

11. Maintain accurate records and ensure data is protected and used for authorised purposes only.

12. Promote the Scheme as a valuable benefit.

13. Deliver consistent plain English communications to Stakeholders.

14. Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits.

15. Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

16. Ensure cash flows in to and out of the Fund are timely and of the correct amount.

17. Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

18. Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

19. Maximise investment returns over the long term within agreed risk tolerances.

20. Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

3 Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

4. Finance & Resources Implications

4.1 The objectives are already being met through business as usual, resource will be needed to monitor effectively.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no associated risks with adopting the proposed objectives.		Green

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

Risk	Risk Rating
The Fund looses direction in its purpose and does not practice good governance resulting in intervention from the Pensions Regulator, not managing risk to the Fund could result in reputational and/or financial damage.	Red

6. Communication Implications

Website	The revised objectives will be published on the LGSS website for all Stakeholders to view.

7. Legal Implications

7.1 There are no legal implications to adopting the objectives.

8. Consultation with Key Advisers

8.1 A workshop was held with LGSS Pensions Officers and governance consultants on 13 August 2015 to formulate the proposed objectives as detailed in this report.

9. Alternative Options Considered

9.1 N/A

10. Background Papers

10.1 N/A

Checklist of Key Approvals	
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 Chief Finance Officer/Section 151 Officer?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 22/09/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

Agenda Item No: 12

CAMBRIDGESHIRE PENSION FUND

PENSION COMMITTEE

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**LGSS Pensions payroll provision**
Purpose of the Report	**To outline options for an IT refresh of the LGSS Pensions payroll system**
Recommendations	**The Pensions Committee are asked to:** **1. Review and ratify the recommendation for the replacement solution for the provision of pensions payroll and** **2. Agree the required funding for the IT Refresh Project for Pensions Payroll**
Enquiries to:	Mark Whitby, Deputy Head of LGSS Pensions Service Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk

1. Background

1.1 The LGSS Pensions Service currently use the *altair* pensions administration software solution which is licensed, hosted externally and managed by heywood. Payroll for the LGSS Pensions Service is managed and provided separately from this on the Oracle ERP platform by LGSS Payroll Services.

1.2 The framework contract for Oracle ERP provision comes to an end in November 2017. LGSS are moving away from Oracle ERP at the end of 2017 to Unit 4's Agresso and this will include payroll administration provision.

1.3 A Pensions Committee decision on which solution will be used for pensions payroll administration going forward is required.

2. Options

2.1 The default position of LGSS would be to move the pensions payroll function onto the Agresso system. However the Agresso charge for licences is significantly higher than the charge for *altair* payroll licences.

2.2 The current pensions administration solution, *altair,* also provides a payroll module. The *altair* payroll option would be more advantageous for the Pensions Service for a number of reasons:

1. Lower implementation costs than Agresso.

2. Achieve greater efficiency savings

3. Streamline processes and functions between pensions administration and pensions payroll.

4. Provide a full end-to-end offering for other parties which may consider contracting with LGSS Pensions for provision of their service. It would be easier to market whole pensions and payroll services to future customers, resulting in an improved perception of the Pensions Service.

2.3 For a number of years there has been an issue with reconciling data between the Oracle ERP and *altair* administration system. By having pensions and payroll data on one system would address these issues going forward. There is a time consuming project currently underway to reconcile data, but the reconciliation issue remains where there are separate pensions administration and payroll systems with the potential for further data misalignment and payment errors.

2.4 It is important to note that regardless of the payroll solution selected, the payroll service itself will continue to be undertaken by LGSS in the same way it is now, but using different technology.

2.5 Moving to another payroll system is expected to be a lengthy process. For example, a move to *altair payroll* is expected to take approximately 9 months, therefore the decision needs to be made soon as possible to allow sufficient time to migrate the payroll provision before Oracle ERP is decommissioned*.* If *altair* were to be the selected option, the move would need to be completed by Summer/Autumn 2016 to fit in with the necessary timescales. An Agresso implementation would need to be managed within the Next Generation Working Programme timelines.

2.6 A move to Agresso can be considered to be the default position but will be more expensive. Other options to move to an entirely new pensions system with associated payroll solution are outside the scope of this project and there are no tenable alternatives at present.

2.7 Both the *altair* and the Agresso options require investment to implement as detailed respectively in section 4 and 9 of this report.

3 Relevant Pension Fund Objectives

Perspective	Outcome
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only.

4. Finance & Resources Implications

4.1 The following table details the implementation costs of the altair pensions payroll solution.

***altair* payroll**	**£k**					
	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**5 yr total**
One-off costs (implementation)	181,000	0	0	0	0	**353,467**
Initial training costs	3,000					
Licence costs (one-off cost)	101,200					
Project Management costs	57,567					
Additional chargeable support costs	4,500					
LGSS IT costs (server hardware etc)	5,000					
Legal charges re contract creation etc	1,200					
Total costs	**353,467**	**0**	**0**	**0**	**0**	**353,467**
Cashable savings (efficiency savings and resources)	-26,825	-26,825	-26,825	-26,825	-26,825	-134,125
Total net costs	**326,624**	**299,817**	**272,992**	**246,167**	**219,342**	**219,342**

4.2 The main benefits of implementing *altair* payroll as the replacement for Oracle are around proving a full end-to-end pensions to payroll system thereby improving data quality and accuracy. This is turn will reduce the amount of incorrect payments, improve customer satisfaction, reduce queries and complaints whilst providing the LGSS Pensions Service with a more marketable pensions administration offering to potential customers.

4.3 Specific examples of improvements are:

- More efficient administration to payroll transfer with many processes automated leading to minimised processing time thus reducing resource requirements to administer;

- Reduced data integrity risk hence reduced audit and financial risks:
    - reduced errors in over/under payments as a result of data in one single system and reduced requirement to reconcile between systems;
    - reduced need for corrective journals in the GL finance system

- Improved governance and performance for members and employers and thus leading to improved customer satisfaction; and

- Scalable solution to offer to potential partners/customers; a resilient offering.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	**Mitigation**	**Residual Risk**
That the implementation cannot be achieved before the move away from Oracle ERP payroll	Project to start in January 2016 with implementation in Summer 2016.	Low
Current data reconciliation is not completed in time to migrate accurate data to the replacement system – resulting in inaccurate data being transferred.	Closely monitor progress and allocate additional resources if progress to target slips.	Low

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

Risk	**Risk Rating**
If the move to *altair payroll* is not approved and the funding provided, a move to Agresso will be completed as a default position – resulting in increased costs and on-going data integrity issues.	Medium

6. Communication Implications

Direct Communications	To members in receipt of pensions regarding: specific changes to payments (as applicable).
Website	To members in receipt of pensions regarding: payslip changes (if applicable) and general accuracy improvements.

7. Legal Implications

7.1 A new contract (with Heywood) for the pensions payroll solution would be required. Opportunities to tie this contract into the main contract should be investigated when the renewal time approaches as there may be opportunities to achieve additional contractual savings.

8. Consultation with Key Advisers

8.1 Not applicable.

9. Alternative Options Considered

9.1 As discussed above, Agresso payroll would be the LGSS default option. The work to move the pension payroll over to Agresso would be managed as part of the Next Generation Programme of work and thereby no additional contract with heywoods would be required. However, the Agresso option is more costly due to licence and support costs and has no efficiency savings for the LGSS Pensions Service:

***Agresso* payroll**	**£k**						
	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**		**5 yr total**
One-off costs (implementation)	181,000	0	0	0	0		**353,467**
Initial training costs	0						
Licence costs (one-off cost)	273,600						
Project Management costs	57,567						
Additional chargeable support costs	0						
LGSS IT costs (server hardware etc)	6,000						
Legal charges re contract creation etc	1,200						
Total costs	**519,367**	**0**	**0**	**0**	**0**		**519,367**
Cashable savings (resources)	0	0	0	0	0		0
Total net costs	**519,367**						**519,367**

9.2 Key dis-benefits for the Pensions Service:

- Higher net costs than the *altair* alternative;
- Minimal service improvements with continued double-keying requirement – leading to continuing reconciliation requirements with associated data accuracy and integrity issues leading to financial and audit risk;

10. Background Papers

10.1 None.

11. Appendices

11.1 None.

Checklist of Key Approvals	
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 Chief Finance Officer/Section 151 Officer?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 06/10/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Count – 06/10/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Date: 22 October 2015

Report by: Deputy Head of Pensions

Subject:	**Amendment of Policy for Admission Bodies, Scheme Employers and Bulk Transfer**
Purpose of the Report	**To provide the Committee with full details of the revised Admission Bodies, Scheme Employers and Bulk Transfer Policy as a result of new Regulations.**
Recommendations	**The Committee is asked to approve the Policy for Admission Bodies, Scheme Employers and Bulk Transfer of Members provided in the Appendix to this report.**
Enquiries to:	Mark Whitby, Deputy Head of Pensions Services Tel – 01604 368502 E-mail – Mwhitby@northamptonshire.gov.uk

1. Background

1.1 The Admission Bodies, Scheme Employers and Bulk Transfer Policy was last approved by the Pension Fund Committee in 2012 and has been updated to reflect The Local Government Pension Scheme Regulations 2013 (as amended) which is a change in name only and has not changed the nature of the existing policy. The policy has also been completely reformatted to enable the reader to easily access the information that they require.

1.2 The Local Government Pension Scheme Regulations 2013 (as amended) ("The Regulations") provides for a variety of different categories of body that have access to the LGPS as a pensions saving vehicle for their employees. The right of access varies and may be as an automatic right, at the discretion of the administering authority or contingent on a body agreeing admission terms.

1.3 The Regulations also set out broadly the manner in which an administering authority can manage the financial risks associated with bodies in the Pension Fund and the treatment of bodies withdrawing from the Fund.

1.4 The Regulations set out certain rules governing the treatment of bulk transfers, including when a transfer should be treated as bulk transfer as opposed to an individual transfer.

1.5 In formulating policies in these areas it is also important to consider the links with the Funding Strategy Statement and the guidance and regulatory framework beyond the

LGPS, such as Fair Deal, the Office of the Deputy Prime Minister's Code of Practice on Workforce Matters and the Best Value Authorities Staff Transfers (Pensions) Direction 2007.

2. Draft Policy

2.1 There are no major changes to the nature of the policy as a result of The Regulations except for the removal of reference to Community and Transferee Admission Bodies. The Regulations no longer refers to different types of employers by these names, though these bodies still exist. They are now referred to according to the relevant clause of The Regulations which permits their entry to the scheme.

2.2 The draft Policy for Admission Bodies, Scheme Employers and Bulk Transfer of Members is in appendix one.

3. Relevant Pension Fund Objectives

Perspective	**Outcome**
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Administration	• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only.

4. Finance & Resources Implications

4.1 The financial implications for each area of the policy are contained within the draft policy.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	**Mitigation**	**Residual Risk**
The reader will not have access to the background information that informed the policy	Full explanations can be provided upon request from the reader	Green

decisions		

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

Risk	Risk Rating
The length of the existing policy could deter employers from reading the policy document and hinder their understanding of the Fund's policies in these areas	Green

6. Communication Implications

Direct Communications	Approved policy to be communicated to employers
Website	Approved policy to be added to LGSS Pensions Service website
Training	Staff need training on updated policy and processes

7. Legal Implications

7.1 Not Applicable

8. Consultation with Key Advisors

8.1 Discussions between Officers in Pension Services and the Fund's actuarial and benefits consultancy adviser, Hymans Robertson were undertaken as part of the process in amending the policy.

9. Alternative Options Considered

9.1 In undertaking the review, consideration has been given to the existing policy in these areas, possible alternatives where they exist, as well as best practice across other LGPS Funds.

10. Background Papers

10.1 The key provisions of the draft policy can be found in the Local Government Pension Scheme Regulations 2013 (as amended). Other relevant guidance and applicable regulatory framework is referred to in the text of the proposed policy.

11. Appendices

11.1 Appendix 1 – Draft Policy for Admission Bodies, Scheme Employers and Bulk Transfer of Members

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Deputy Head of Pensions.	Mark Whitby – 24/09/2015
Has this report been cleared by the Section 151 Officer?	Sarah Heywood – 29/09/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015