

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 23 February 2018

Report by: Head of Pensions

Subject:	Statutory and non-statutory policies and strategies relating to the operation, management and governance of the Cambridgeshire Pension Fund
Purpose of the Report	To present to the Board with an overview of statutory and non-statutory policies and strategies relating to the operation, management and governance of the Cambridgeshire Pension Fund
Recommendations	The Board are asked to note the contents of the report.
Enquiries to:	Name – Michelle Oakensen, Governance Officer. moakensen@northamptonshire.gov.uk

1. Purpose of the report

- 1.1 This report is designed to provide an overview of the statutory and non-statutory policies and strategies required under the Local Government Pension Scheme. The main aim of the report is to ensure the Board are making appropriate recommendations within the parameters of the law.

2. Statutory policies/strategies

- 2.1 Cambridgeshire County Council is the administering authority responsible for maintaining and managing the Cambridgeshire Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.
- 2.2 Cambridgeshire Pension Funds policies and strategies can be found on the LGSS Pensions Service website as public documents at the following address - <http://pensions.northamptonshire.gov.uk/index.php/governance2/key-documents>

3.1 Investment Strategy Statement

- 3.1.1 Under powers contained in The Public Service Pensions Act 2013 and The LGPS Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replace the 2009 Investment Regulations. These regulations came into force on 1 November 2016.

- 3.1.2 Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State, and replaces the existing requirement to produce and maintain a Statement of Investment Principles.
- 3.1.3 The ISS must include:
- (a) A requirement to invest money in a wide variety of investments;
 - (b) The authority's assessment of the suitability of particular investments and types of investments;
 - (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - (e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 3.1.4 For full regulation details please see - http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_20160946_en.pdf
- 3.1.5 The Investment Strategy Statement was last reviewed in April 2017 and is due for review in April 2018.

3.2 Governance Policy and Compliance Statement

- 3.2.1 The Governance Policy and Compliance Statement is enforceable by regulation 55 of the LGPS Regulations 2013.
- 3.2.2 The LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority. The regulations require administering authorities to consult such persons as it considers appropriate when preparing the policy and compliance statement.
- 3.2.3 For the full regulation details please see - <http://www.legislation.gov.uk/ukxi/2013/2356/regulation/55/made>
- 3.2.4 The Governance and Compliance Statement was reviewed in October 2017 and included the changes to the constitution resulting from to asset pooling. The statement is due to be reviewed again in October 2018.

3.3 Annual Report and Statement of Accounts

- 3.3.1 The Annual Report and Statement of Accounts is enforceable by regulation 57 of the LGPS Regulations 2013.

- 3.3.2 An Administering Authority must, in relation to each year beginning 1 April 2014 and every subsequent year, prepare a document which contains key information such as the management and financial performance during the year, policies in place and the actuarial position.
- 3.3.3 The report must be completed by 1 December following the scheme year end and must have regard for the guidance set by the Secretary of State.
- 3.3.3 For the full regulation please see –
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/57/made>.
- 3.3.4 The Annual Report and Statement of Accounts was last produced for the 2016/17 financial year.

3.4 Funding Strategy Statement

- 3.4.1 The Funding Strategy Statement is enforceable by regulation 58 of the LGPS Regulations 2013.
- 3.4.2 The LGPS and CIPFA guidance provide the statutory framework from which the administering authority is required to prepare the Funding Strategy Statement.
- 3.4.3 The Funding Strategy Statement must be revised and published whenever there is a material change in either policy set out in the Funding Strategy Statement or in the Investment Strategy Statement. A consultation with employers must take place before the administering authority can publish their Funding Strategy.
- 3.4.4 For the full regulation please see –
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/58/made>
- 3.4.5 The Funding Strategy Statement was last reviewed in 2016 and is due to be reviewed in 2019 in line with the valuation cycle.

3.5 Administration Strategy

- 3.5.1 Regulation 59 of the LGPS Regulations 2013 states that the administering authority may put in place an Administration Strategy.
- 3.5.2 The aim of the administration strategy is to ensure both the administering authority and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service.
- 3.5.3 Delivery of a high standard of administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.
- 3.5.4 The strategy applies to all employers in the Fund. The strategy sets out the expected levels of administration performance of both the administering authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

- 3.5.5 For the full regulation details please see –
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/59/made>
- 3.6.6 The Pension Administration Strategy was last reviewed in August 2017 and is due to be reviewed in August 2018.

3.7 Statement of policy about exercise of discretionary functions

- 3.7.1 The Statement of policy about exercise of discretionary functions is enforceable by regulation 60 of the LGPS Regulations 2013.
- 3.7.2 Discretions is taken to include where the administering authority is required to do something but an element of choice exists as to how it is done. Some examples of discretions include – payments of death grants, commutation of small pensions, admitting admission bodies and revision of employers' contribution rates.
- 3.7.3 For the full regulation details please see –
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/60/made>.
- 3.7.4 The discretions were last updated and published in June 2014 following the changes to the regulations, a further review will be carried out when there is a change to the regulations.

3.8 Communication Strategy

- 3.8.1 The Pension Communication Strategy is enforceable by regulation 61 of the LGPS Regulations 2013.
- 3.8.2 The aim of the Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme.
- 3.8.3 The strategy sets out who we will communicate with, how this will be done and how the effectiveness of that communication will be monitored. It also outlines the type of communications the administering authority will provide to its stakeholders.
- 3.8.4 For the full regulation details please see –
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/61/made>.
- 3.8.5 The Communication Strategy was last reviewed in March 2017 and is due to be reviewed in March 2018.

3.9 Actuarial Valuation Report

- 3.9.1 The Actuarial Valuation Report is enforceable by regulation 62 of the LGPS Regulation 2013.
- 3.9.2 The purpose of the triennial actuarial valuation is for the administering authority to determine:
- The expected cost of providing the benefits built up by members at the valuation date ("the liabilities"), and compare this against the funds held by the Fund (the "assets").
 - An appropriate plan for making up the shortfall if there are less assets than liabilities

- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in the running the Fund.

3.9.3 For the full regulation details please see –

<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/62/made>

3.9.4 The Actuarial Valuation Report was last produced in respect of the 2016 triennial valuation and published prior to 31 March 2017 deadline. The next report will be produced for the 2019 triennial valuation to be published by 31 March 2020.

4. Non-statutory policies/strategies

4.1 Non-statutory policies demonstrate good governance by applying best practice principals. The below table shows the best practice policies currently in place -

Policy/Strategy	Purpose	Review date
Admitted Bodies, Scheme Employers and Bulk Transfer Policy	To ensure fair treatment of admission bodies and scheme employers and the bulk transfer of pension rights to and from the Scheme.	Due for review (last reviewed in 2015)
Annual Business Plan and Medium Term Strategy	To document the priorities and improvements to be implemented in the operation and management of the Scheme over the next three years outlining associated financial and resource requirements.	March 2018
Anti-Fraud and Corruption Policy	To detail the deterrents and controls in place to prevent fraud and corruption and the processes in place to deal with suspected fraud and corruption.	October 2018
Cash Management Strategy	The Pension Fund must operate a separate bank account to that of the administering authority for the activities of the Pension Fund and the strategy sets out how compliance will be met.	Due for review (last reviewed 2013/14)
Overpayments of Pension Policy	Overpayments of pension benefits can occur for a variety of reasons. The policy sets out how overpayments are managed once they are identified.	Currently being reviewed (last reviewed October 2015)

Policy/Strategy	Purpose	Review date
Payment of Employee and Employer Pension Contributions Policy	Sets out the expectations of the scheme employer with regards to the payment of employee and employer pension contributions and the associated reconciliation processes performed by the Fund.	October 2018
Reporting Breaches of the Law to the Pensions Regulator Policy	Sets out the procedures to be followed in relation to identifying, recording and potentially reporting breaches of the law to the Pensions Regulator.	Due for review (last reviewed December 2015)
Risk Strategy	Sets out the approach to managing the risks faced by the Fund and how such risks are measured.	Due for review (last reviewed March 2016)
Training Strategy	To aid Pension Fund Committee and Pension Board members and senior officers in performing and developing personally in their individual roles to ensure the Fund is managed by individuals who have the appropriate levels of knowledge and skills as required by the Pensions Regulator.	March 2018

5. Pending policies and next steps

5.1 During the 2018/2019 financial year the following policies will be developed –

5.1.1 **Conflicts of Interest Policy** – The policy will detail how actual and potential conflicts of interests are identified and managed by those involved in the management and governance of the Fund.

5.1.2 **Record Keeping Policy** – The policy will demonstrate how the Fund fulfils its legal obligations in terms of keeping records. The Pensions Regulator's guidance will be used when devising the policy to ensure best practice is applied.

5.1.3 **Data Quality Improvement Plan**– The plan will detail how the Fund will continue to improve the quality of the data it holds to ensure integrity and to comply with various legislation on the accuracy and presence of data.

5.2 All the existing policies, plans and strategies will be reviewed in the 2018/2019 and a process put in place to ensure their regular and appropriate review.

6. Relevant Pension Fund Objectives –

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*

7. Finance and resource implications

7.1 None.

8. Risk implications

- 8.1 If the fund does not have appropriate policies in place it risks financial and reputational damage.

9. Communication implications

Direct Communications	All policies and relevant documents are public documents and held on the LGSS Pensions Website.
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10. Legal implications

- 10.1 Statutory policies must be in place to ensure compliance with the legislation.

11. Consultation with key advisers

- 11.1 Not applicable

12. Alternative options considered

- 12.1 Not applicable

13. Background papers

- 13.1 Not applicable

14. Appendices

- 14.1 Not applicable

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
Has this report been cleared by Head of Pensions?	Mark Whitby – 6 February 2018

Appendix 1 – 2018/2019 Implementation and Review Plan

Policy/Strategy	Implementation/Review
Overpayments of Pension Policy	Currently being reviewed
Annual Business Plan and Medium Term Strategy	March 2018
Communication Strategy	March 2018
Training Strategy	March 2018
Investment Strategy Statement	April 2018
Admitted Bodies, Scheme Employers and Bulk Transfer Policy	April 2018
Annual Report and Statement of Accounts	April 2018
Cash Management Strategy	April 2018
Reporting Breaches of the Law to the Pensions Regulator Policy	April 2018
Risk Strategy	April 2018
Conflicts of Interest Policy	For April 2018 LPB and for June 2018 Committee
Data Improvement Plan	For June 2018 Committee
Administration Strategy	August 2018
Governance Policy and Compliance Statement	October 2018
Payment of Employee and Employer Pension Contributions Policy	October 2018
Anti-Fraud and Corruption Policy	October 2018
Record Keeping Policy	For October 2018 Committee
Funding Strategy Statement	March 2019