

To: Pension Fund Committee

Meeting date: 19 December 2024

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Subject: Governance and Compliance Report

Purpose of the report: To provide the Pension Fund Committee with information on:

- 1) McCloud (section 3.1-3.8)
- 2) Pension Dashboards (section 3.9-.3.21)
- 3) Scheme Advisory Board (section 3.22-3.23)
- 4) The Pensions Regulator (section 3.24-6.25)
- 5) The Pensions Ombudsman (section 3.26-3.28)
- 6) LGPS England and Wales (section 3.29 – 3.31)
- 7) Skills and knowledge opportunities (section 3.32-3.35)

The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (section 4).

Recommendations: The Pension Fund Committee is asked to note the Governance and Compliance Report.

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1. Background

1.1 This report provides an update on developments and issues that impact the LGPS that members of the Pension Committee need to be aware of to fulfil their responsibilities to the Fund's key stakeholders.

2. Executive summary

2.1 This report provides the Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Cambridgeshire Pension Fund.

- McCloud (section 3)
- Pension Dashboards (section 4)
- Scheme Advisory Board (section 5)
- The Pensions Regulator (section 6)
- The Pensions Ombudsman (section 7)
- Skills and knowledge opportunities (section 9)

2.2 The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (section 10).

3. McCloud

Annual benefit statements and McCloud

3.1 The Ministry of Housing, Communities and Local Government (MHCLG) laid the Local Government Pension Scheme (LGPS) (Information) Regulations 2024 on 28 August 2024. The regulations came into force on 23 September 2024, with backdated effect to 1 October 2023.

3.2 The regulations removed the requirement to include estimated underpin information in the 2023/24 statements. However, there is a discretion to provide the information for certain members or classes of members if able to do so. The changes apply to annual benefit statements (ABS) for active, deferred, deferred pensioner and pension credit members.

3.3 The regulations also provide a discretion not to include estimated underpin information in the 2024/25 statements for a particular member or class of members. Authorities using this discretion will need to decide before 31 August 2025 and tell affected members. MHCLG is still considering whether to issue guidance on the circumstances in which it may be appropriate to use this discretion.

3.4 TPR has confirmed there will be no requirement to report a breach of law for not including estimated underpin information in the 2023/24 statements. However, it encourages authorities to report breaches where they are having problems complying with ABS requirements and administration in general. It is keen to get an accurate picture of the challenges public service pension schemes are facing.

McCloud update – teachers with excess service

3.5 The Teachers' Pension Scheme (TPS) sent an updated timeline for excess service cases to their administering authority contacts earlier this month. TPS has contacted employers in groups based on region. The updated timeline confirms when initial communications and reminders were/will be sent to employers in each region. The TPS

update also included an email communication sent to employers about common errors in the files that have been returned so far.

McCloud public service pensions history forms

- 3.6 LGA have published forms for administering authorities to use as part of the McCloud project. The McCloud public service pensions history form is for collecting information about previous pensions for members who are not protected by the remedy based on their LGPS membership in a particular fund.
- 3.7 Administering authorities are taking different approaches to this part of the project. The new document includes two forms and accompanying member notes which can be adopted for each approach:
1. Ask members to return the form only if they have relevant previous pension membership. The member notes that accompany this form provide greater detail about what membership is relevant for this purpose. Administering authorities who take this approach will need to decide whether a further check is needed when a member who did not complete a form is approaching retirement, dies or requests a transfer out.
 2. Ask all members to return the form. Administering authorities who take this approach will receive completed forms that do not affect a member's protection status – members who are already protected, or members who first joined a public service scheme after 31 March 2012, for example. However, administering authorities who take this approach may not have to perform any further checks when a member who has completed a form is approaching retirement, dies or requests a transfer out.
- 3.8 Administering authorities will need to make local changes to the form:
- to fit in with their processes
 - to suit the member groups they are making the form available to
 - depending on how they make the form available.

Pension Dashboards

Dashboards connection guide and AVCs and Dashboards guide published

- 3.9 Both the Pension Dashboard connection guide and the Additional Voluntary Contributions (AVCs) and Dashboards administrator guide have been published. The Pensions Dashboards connection guide is updated to include the regulatory and guidance changes made since November 2023 when the draft version was published, such as the change in 'connection deadline' and the introduction of a 'connect by' date.
- 3.10 The guide aims to help administering authorities identify the steps needed to connect to the pensions dashboards ecosystem. It does not duplicate information available elsewhere. It provides a synopsis of each topic with hyperlinks to where the detailed information can be found online. Authorities will need to create a project plan to implement dashboards, and this guide helps them do that. It sets out the necessary actions and decisions, with recommendations on timings based on the 'connect by' date of 31 October 2025. These are detailed throughout the guide and summarised in the 'Preparing to connect checklist' in appendix one.
- 3.11 The AVCs and Dashboards administrator guide is a new guide and has been created with help from the National LGPS Technical AVC sub-group. Its aim is to establish common approaches on the preparation and provision of AVC view data to the pensions dashboards ecosystem.

- 3.12 Administering authorities will need to be able to accommodate a variety of approaches from different AVC providers. One size will not fit all. Even though a variety of approaches will be adopted in sending view data to the ecosystem, authorities should be able to achieve consistency within each form of approach. The guide helps do that and expands on the AVC actions set out in the Pensions Dashboards connection guide.

TPR Dashboards compliance and enforcement policy

- 3.13 On 5 September 2024, The Pensions Regulator (TPR) published:
- Pensions dashboards compliance and enforcement policy
 - response to the consultation on the policy
 - updated breach of law guidance.
- 3.14 The policy outlines TPR's approach to ensuring occupational pension schemes comply with their dashboard legal duties. It sets out:
- the principles that will drive TPR's approach
 - key risk areas TPR will focus on
 - what TPR expects schemes to do to comply
 - how TPR will monitor compliance
 - TPR's approach to non-compliance.
- 3.15 The policy also includes scenarios of non-compliance and how TPR may respond to each one. In particular, the updated breach of law guidance contains an example of how TPR will approach non-alignment of illustration dates between main scheme benefits and additional voluntary contributions (AVCs). LGA will update their Pensions Dashboards Connection Guide and AVCs and Pensions Dashboards Administrator Guide to refer to these latest publications in due course. TPR published a blog on pensions dashboards compliance on the same day to accompany the policy release.

Compliance during the user testing period

- 3.16 TPR expects schemes to connect to the dashboards ecosystem in line with the timeline set out in DWP's guidance on connection: the stage timetable. The timeline has been designed to reduce delivery risk to industry, but it will also ensure that the system can be thoroughly tested to ensure the successful launch of dashboards.
- 3.17 Once schemes and pension providers are connected to the ecosystem the following requirements will apply:
- to remain connected
 - to receive 'Find' requests
 - to undertake matching, and
 - to return 'View' data
- 3.18 TPR expects schemes and providers to take prompt and effective actions to investigate and correct any issues identified during the user testing stage.

Dashboards hot topics

- 3.19 TPR has produced a 'hot topics' article focusing on some of the issues it is hearing about through its engagement with the industry. This includes:
- connecting in line with the dates in the DWP guidance
 - how dashboard duties apply to a change of administrator
 - TPR's approach to compliance and enforcement.

Draft technical standards – version 1.1

- 3.20 The Pensions Dashboards Programme (PDP) published version 1.1 of the draft technical standards on 4 September 2024. All PDP standards are published as 'draft' until approved by the Secretary of State for Work and Pensions. The standards outline a common set of connectivity mechanisms and interfacing rules for pension providers and schemes, and dashboard providers. They determine how these parties will interact with and communicate with the central digital architecture and each other.

PDP confirms identity service provider

- 3.21 PDP has confirmed that users of pensions dashboards will verify their identity with GOV.UK One Login. This will make it easier for those who have previously registered with One Login for other Government services. The identity service for dashboards will ensure that people must prove who they are before they can access confidential pensions information.

Scheme Advisory Board (SAB)

'Levelling Up' reporting in the annual report guidance

- 3.22 The Board's Annual Report guidance issued in March 2024 included a request for funds to report certain information about investments that support the 'Levelling Up missions'. This was in expectation of a statutory requirement to produce 'Levelling Up' plans which the previous Government was planning to legislate for. The Board has received queries about whether this reporting is still needed considering that it is understood that 'Levelling Up' isn't a term that the new Government uses.
- 3.23 The Board understands that MHCLG is likely to want funds to report in future years on investments that support local growth in the UK. Therefore, funds are encouraged to still comply with the reporting ask in the guidance, while noting that this section was always a 'may' rather than a 'must' and there was also an acknowledgement in the guidance that this was the first time this request had been made, so 'best endeavours' and proportionate efforts only were anticipated.

The Pensions Regulator (TPR)

TPR scheme return

- 3.24 The Pensions Regulator (TPR) sent out scheme return notices to managers of public service pension schemes in October 2024. The scheme return needed completing within six weeks of receiving the notification. Completing the scheme return is a legal requirement, failure to complete and submit the return by the deadline, you result in a fine.
- 3.25 This year's return included new questions about AVCs provider(s) and the number of members who hold an AVC with them.

The Pensions Ombudsman (TPO)

Corporate Plan 2024/25

- 3.26 TPO published its corporate plan for 2024/25 on 31 July 2024, which outlines its key priorities and areas of work for the year. TPO's priorities are to:
- make changes to its processes to reduce waiting times
 - deliver a reduction in the number of older, complex cases from its historical caseload
 - improve signposting and pre-application journey, with more self-service information, so that the 'right' complaints come to TPO
 - secure long-term funding of the Pensions Dishonesty Unit, to ensure it can continue its valuable work
 - expand and build TPO's specialist pensions expertise
 - review current systems to ensure TPO has a clear view of requirements to deliver further efficiencies and meet the projected increase in demand.

Blog on expedited decision-making

- 3.27 The Pensions Ombudsman (TPO), Dominic Harris, published a blog on expedited decision-making on 25 September 2024. The blog provides an update on TPO's operating model review.
- 3.28 As part of the review, TPO will extend the use of short-form decisions and determinations ('expedited decision-making') to resolve complaints at earlier stages. The blog includes more information on expedited decision-making and updates on pilots run over the summer. It also confirms that TPO fully rolled out expedited decision-making in September 2024. As TPO will not publish expedited determinations, it is exploring ways to share any industry-wide learnings, such as through case studies or broader insight products.

LGPS England and Wales

Pension Review

- 3.29 In July 2024 the government launched a landmark Pensions Review of workplace defined contribution pensions schemes (DC) and the Local Government Pension Scheme in England and Wales (LGPS).
- 3.30 The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds.
- 3.31 The "LGPS: Fit for the future" consultation was launched on 14 November 2024, which sets out the proposals for asset pooling, local investment and governance. The consultation can be found [here](#), the proposals and consultation response will be discussed further in the ACCESS agenda item. The consultation closes on 16 January 2025.

Skills and knowledge opportunities

- 3.32 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.

- 3.33 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Board, appendix 1 lists the main events that are deemed useful and appropriate.
- 3.34 If members of the Pension Board would like to attend any of the events listed in appendix 1, please contact a member of the Fund's governance team who will make the necessary arrangements if an invitation has not already been sent.
- 3.35 The Training Strategy was approved at the July 2023 meeting of the Pension Committee and members had until 20 July 2024 to complete the mandatory training modules. Please find the Training Strategy [here](#). Reminder emails were sent to members that had not completed the training by the deadline and subsequent emails were sent to the Chair of the Committee and Board to highlight non-compliance. Any training not undertaken has been reflected in the Fund's Risk Register.

4. Cambridgeshire Pension Fund Policy/Strategy updates

- 4.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three-year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.
- 4.2 For the period the following policies/strategies were reviewed:

Policy/Strategy	Review reason	Amendments made/ comments
Anti-Fraud and Corruption Policy	Annual officer review due	Completed. Being presented at this meeting.
Administration Strategy	Committee review due	Completed The Committee previously approved the amended draft strategy for consultation with employers. No material changes have been triggered by the consultation but an additional appendix has been added to the strategy providing an escalation process for employers to use when the administering authority is not meeting expected performance levels. The process includes 4 stages: Stage 1: Escalation to the relevant team leader Stage 2: Escalation to the Operations manager Stage 3: Escalation to Employer services manager Stage 4: Escalation to Head of Pensions
Cyber Strategy	Committee review due	Completed. Being presented at this meeting (exempt).
Cessations Policy	Annual officer review due	The policy has been reviewed in partnership with the Fund actuary and some required changes have been identified. An amended policy will be presented to the Committee once it has been updated.
Admission Bodies Scheme Employers and Bulk Transfer	Committee review due	Completed. Being presented at this meeting.

Policy.		
Cash Management Strategy	Annual officer review due	Completed. The following changes are due to be applied: 1) The latest treasury guidance has been included. 2) The risk regarding a dependency on treasury has been removed as this reliance has been removed.

4.3 The below table provides an update of upcoming reviews:

Policy/Strategy	Review reason	Comments/amendments made
Risk Strategy	Annual officer review due	A comprehensive review is currently being undertaken in conjunction with the Fund's governance advisors. An update on proposed revisions will be provided at the March 25 Committee meeting and April 25 Board meeting.
Training Strategy	Annual officer review due	The Training Strategy review is dependent upon feedback being received on the Online Training platform to help shape our refresher training approach. Due to the summer period and conflicting priorities the survey was rescheduled to later in the year than initially anticipated. In addition, the COP has highlighted the need to have a mechanism in place to provide assurance on the competence of Committee and Board members to carry out their roles and to identify any gaps. An update on proposed revisions will be provided at the January 25 Board meeting and March 25 Committee meeting.
Contribution rates policy	Annual officer review due	Due to be reviewed by Officers in early 2025 and will be confirmed via the Governance and Compliance Report thereafter.
Communication Strategy	Committee review due	Due to be presented to the Committee in March 2025.
EEDI Policy	New policy	Due to be presented to the Committee in June 2025. Delayed due to conflicting priorities.

5. Relevant Pension Fund objectives

- 5.1 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.
- 5.2 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.
- 5.3 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.

5.4 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

6. Implications (including financial implications)

6.1 Resources and financial

6.1.1 There are no resources or financial implications arising from the report.

6.2 Legal

6.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

6.3 Risk management

6.3.1 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;

- (i) Determining the Fund’s knowledge and skills framework;
- (ii) Identifying training requirements;
- (iii) Developing training plans; and
- (iv) Monitoring attendance at training events.

6.3.2 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

6.3.3 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below –

6.3.4 The Fund’s risk register can be found on the Pensions website: [Cambridgeshire Pension Fund Risk Register](#).

Risk	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

6.4 Consultation

6.4.1 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board. No consultation was required for this report.

7. Background papers

7.1 None.

8. Appendices

8.1 Appendix 1 - Cambridgeshire Pension Fund Training Plan