

Cambridgeshire Pension Fund

Pension Fund Board

Date: 28 January 2022

Report by: Head of Pensions

Subject: Governance and Compliance Report

Purpose of the Report: To present the Governance and Compliance Report

Recommendation: 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 Local Pension Board need to be aware of in order to fulfil their responsibilities to the Fund's key stakeholders. The content of this report will also provide information that will support the scrutiny of decisions made by the Pension Fund Committee and assists members of the Pension Fund Board in the ongoing attainment of skills and knowledge as required by the Pensions Regulator and the Public Services Pensions Act 2013
- 1.2 This report provides the Local Pension Board with information on the following significant current issues which have an impact on the governance, management and administration.
- Department for Levelling Up, Housing and Communities – SF3 data 2020/21 and Section 13 Report
 - Scheme Advisory Board – UN Letter regarding investments in the Israeli settlement economy and Scheme Member representation on Asset Pools
 - New legislation – Pension Scams
 - Skills and knowledge opportunities

2. The Department for Levelling Up, Housing and Communities (DLUHC)

2.1 SF3 statistics 2020/21

- 2.1.1 On 21 December, DLUHC published the final SF3 statistics for 2020/21. This is a statistical release containing information on the LGPS' total expenditure, income and membership for 2020/21 in England and Wales. The statistics were based on data provided by all 85 administering authorities. The headline statistics are as follows:
- Total LGPS expenditure in 2020/21 was £13.6bn. This was an increase of £0.2bn (1.2%) on 2019/20.
 - Total LGPS income in 2020/21 was £17.3bn. This was an increase of £1.3bn (8.4%).

- Employers' contributions to the LGPS amounted to £10.3bn, up by 3.4%. This reflects the early deficit payments made by many employers following the triennial valuation.
- Employees' contributions to the LGPS were £2.4bn in 2020/21, up by 4.9%
- The market value of the 85 LGPS Funds at the end of March 2021 was £337.1bn, an increase of £64.7bn (23.8%).
- The LGPS encompassed 6.1 million people at the end of March 2021. Of this, 2 million are employees who still contribute to the scheme, 1.8 million are pensioners and 2.3 million are former employees who are entitled to a pension in the future.
- There were 82,936 retirements from the LGPS in 2020/21, a decrease of 6,070 (6.8%) compared with 2019/20.

2.1.2 The full SF3 report can be found [here](#).

2.2 Section 13 Report

2.2.1 On 16 December 2021, the DLUHC published the Government Actuary's Department (GAD) report on the 2019 LGPS Fund valuations as required by section 13 of the Public Service Pensions Act 2013.

2.2.2 GAD found the scheme's financial position had strengthened since its previous review in 2016 on the back of buoyant investment returns between 2016 and 2019. The main findings of the Section 13 report are as follows:

- Compliance – Fund valuations were compliant with relevant regulations.
- Consistency – Funds had implemented GAD's 2016 recommendation to provide a standard valuation dashboard to aid readers when comparing results for different Funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency – the size of Funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency – where relevant Funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four Funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers. The Northamptonshire Fund is not one of those four Funds.

2.2.3 GAD's recommendations for Funds or the SAB to consider during the 2022 valuations include:

- Improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements (McCloud) and setting employer contributions for new academies.
- Ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan.
- Continue with ongoing improvements on transparency through an expanded valuation dashboard.
- Review the governance around asset transfer arrangements from local authorities.

2.2.4 The full Section 13 report can be found [here](#).

2.3 Scheme Advisory Board

2.3.1 UN Letter about investments in the Israeli settlement economy

2.3.2 On 22 November 2021, Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories sent a letter to all Pension Committee Chairmen/women. The letter asks a number of questions of LGPS administering authorities concerning investment in companies that may be involved in the Israeli settlement economy. The Scheme Advisory Board has agreed that they will engage with the Local Authority Pension Fund Forum to discuss a response and has agreed to meet with Mr Lynk in early 2022.

2.4 Scheme member representation in Asset Pools

2.4.1 On 17 December the Scheme Advisory Board expressed its disappointment that the ACCESS asset pool continues not to have adopted the SABs policy on including member representation in its governance arrangement. SAB urges representatives of the pool's Funds to reconsider the position to include scheme member representation, either as full members, with, or without voting rights or as observers.

2.4.2 The next Joint Committee meeting of the ACCESS asset pool is to be held on 7 March 2022 with this issue being an item of discussion on the agenda.

2.5 New legislation

2.5.1 On 8 November 2021:

- the Government published its response to the Pension Scams: empowering trustees and protecting members consultation;
- The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid;
- The Pensions Regulator published its guidance on dealing with transfer requests.

2.5.2 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 took effect from 30 November 2021 and introduce further legal restrictions on the member's right to transfer out of the scheme.

2.5.3 The regulations give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances.

2.5.4 These changes will affect the payment of cash equivalent transfers for:

- Deferred members who request a statement of entitlement on or after 30 November 2021
- AVC members who elect for payment of a transfer on or after 30 November 2021
- Pension credit members (divorce benefits) who elect for payment of a transfer on or after 30 November 2021.

2.5.5 Officers have updated processes and documents for members impacted by these new regulations to ensure compliance.

2.6 Skills and knowledge opportunities

- 2.6.1 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 Local Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.
- 2.6.2 In order to facilitate the acquisition of skills and knowledge for members of the Local Pension Board, appendix 1 lists the main events that are deemed useful and appropriate.
- 2.6.3 It was recognised that recent local elections have resulted in a significant change to the membership of the Pension Fund Committee and so an introductory training session was held on 21 June 2021 covering at a high level the knowledge requirements of being a Pension Fund Committee and Pension Fund Board member hosted by the advisers from the Fund's benefits and governance advisors, Aon and legal advisors, Squire Patton Boggs.
- 2.6.4 A series of more in-depth training sessions to cover the CIPFA Skills and Knowledge core modules (see appendix 1), again hosted by Aon, began on 1 July 2021 and concluded in September 2021.
- 2.6.5 Web links to all of the recordings of all these training sessions have been made available to all members of the Pension Fund Board and Committee so that any missed sessions can be watched at a later date. Whilst the web links will remain live until 31 March 2022, it was hoped that all Board and Committee members will view all training sessions by the 31 December 2021 to ensure there is sufficient individual knowledge to be able to scrutinise and challenge decisions made by the Pension Fund Committee at forthcoming meetings. The deadline has now been extended further to 31 January 2022 to ensure all Board and Committee members complete this training.
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5. Relevant Fund objectives

To 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.

To 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.

To ensure that 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.

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

6. Risk Management

6.1 The Pension Fund Board are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Board 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.

6.2 The risks associated with the Pension Fund Board not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

| Risk | Residual risk rating |
|---|----------------------|
| Those charged with the 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 Board to enable informed decision making. | Green |

6.3 Please see full version of the [Cambridgeshire Risk Register](#)

7. Communication Implications

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

Employers - All relevant items are communicated to scheme employers via website updates.

8. Finance & Resources Implications

8.1 Any updated financial implications are set out in the relevant activities.

9. Legal Implications

9.1 Not applicable

10. Consultation with Key Advisers

10.1 Consultation with the Fund's advisers was not required for this report.

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 None

13. Appendices

13.1 Appendix 1 – Schedule of virtual training events.

Checklist of Key Approvals

Has this report been cleared by Head of Pensions? Mark Whitby 17/1/2022

