

**CAMBRIDGESHIRE PENSION
FUND**



Pension Committee

Date: 23 March 2017

Report by: Head of Pensions

Subject:	The Pensions Regulator's Public Service Pension Scheme Compliance Assessment Tool
Purpose of the Report	To inform the Pension Committee of the extent of compliance with the Pensions Regulator's Code of Practice and actions necessary to achieve full compliance.
Recommendations	That the Pension Committee notes the content of the report.
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1. Background

- 1.1 The Public Service Pension Act 2013 introduced the framework for the governance and administration of public service pension schemes and provided an extended regulatory oversight by the Pensions Regulator.
- 1.2 The Pensions Regulator is required to issue one of more codes of practice covering specific matters relating to public service pension schemes. Code number 14 (governance and administration of public service pension schemes) came into legal effect on 1 April 2015 and sets out the legal requirements for public service pension schemes in respect of these matters. The code also contains practical guidance and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
- 1.3 If scheme managers and the members of pension boards as well as pension committees are, for any reason, unable to act in accordance with the guidance within the code of practice or an alternative approach that meets the underlying requirements, they should consider their statutory duty under section 70 of the Pensions Act 2004 to assess and report breaches of the law.
- 1.4 The Pensions Regulator expects all schemes to carry out a thorough review of their schemes legal requirements and the guidance in the code of practice. The Pensions Regulator understands that this is a significant piece of work and has produced a tool which sets out some processes and actions that they expect to see in a well-run scheme.

- 1.5 The tool provides an indicative risk rating as well as guidance and links to further information and a template to create a plan to address any issues identified to help achieve best practice.
- 1.6 An assessment of Cambridgeshire Pension Fund's compliance with the code of practice has been undertaken and the results of which can be found in **appendix 1**.
- 1.7 Section two of this report details where full compliance has not yet been achieved and section three details the steps required and associated timescales to achieve full compliance.

2. Results of the compliance assessment

- 2.1 The Pensions Regulator's compliance assessment tool looks at three key areas:
- Governing the scheme;
 - Managing risks and issues; and
 - Administration
- 2.2 Upon completing the self-assessment tool, the Cambridgeshire Pension Fund was compliant to the following extent:

Area	Extent of compliance / Risk Rating
Governing the scheme	86% (6 out of 7 areas achieving full compliance) / Amber
Managing risks and issues	80% (4 out of 5 areas achieving full compliance) / Amber
Administration	60% (3 out of 5 areas achieving full compliance) / Amber

3. Governing the scheme

- 3.1 The only area that the Cambridgeshire Pension Fund was not completely compliant in the section on scheme governance was with the use of training plans for members of the Local Pension Board (and Pension Committee).
- 3.2 The code of practice requires board members (and pension committee members) to have an appropriate degree of knowledge and understanding so they can perform their role properly. Members should regularly review their skills, knowledge and competencies to identify gaps and weaknesses and invest sufficient time in their learning and development. The Pensions Regulator draws attention to the use of individual training plans.
- 3.3 In order to achieve full compliance in this area, LGSS Pensions have produced a revised training strategy that is to be presented for approval by the Pension Committee at this meeting. The revised training strategy, in particular section 6.2, sets out the intended approach to the use of training plans.

4. Managing risks and issues

- 4.1 In order to achieve full compliance in this area, Cambridgeshire Pension Fund needs to be able to fully demonstrate that where services are outsourced that those outsourced providers demonstrate that they have internal controls in place.
- 4.2 The code of practice requires the scheme manager to establish and operate internal controls via use of documented systems, arrangements and procedures to ensure the scheme is run in accordance with legal requirements. This applies equally where schemes outsource services such as pensioner payroll provision in the case of Cambridgeshire Pension Fund.
- 4.3. In order to achieve full compliance in this area, LGSS are in the process of producing a service level agreement for internal traded services which will cover the provision of pensioner payroll services which are currently undertaken by LGSS Payroll and HR Transactions. Further information on this service level agreement will be presented to the Pension Committee in due course.

5. Administration

- 5.1 In order to achieve full compliance with the code of practice in the area of administration, three aspects require further development.
- 5.2 The first area where only partial compliance has been achieved is ensuring that there are documented processes in place to monitor scheme records for all membership types on an ongoing basis and that they are accurate and complete.
 - 5.2.1 The code of practice requires scheme managers to ensure that certain data is complete and accurate in respect of active, deferred, pensioner members and beneficiaries.
 - 5.2.2 Cambridgeshire Pension Fund falls short of full compliance in this area as there are currently no formal documented record keeping policy or procedures for all types of members and beneficiaries.
 - 5.2.3 LGSS Pensions have developed and are operating a variety of processes and procedures to ensure accurate and fully complete membership records. These procedures and processes range from and are not limited to the following:
 - Whilst undertaking an activity on members records (such as an estimate of retirement benefits or change of personal details) the record is checked to ensure all relevant data is present and accurate.
 - Employer Self Service is available for scheme employers to check and update information held on their scheme members. In addition, all employers are sent a cut of data each year on their scheme members to check that all information remains current and to make changes via Employer Self Service where appropriate.

- To ensure the accuracy of year end information supplied by scheme employers for use in the production of annual benefit statements, a macro-enabled excel workbook is sent to employers to capture and submit only accurate and consistent information.
 - Membership data is also checked for accuracy when submitted to the actuary for calculation of contribution rates for new employers or for triennial valuations.
- 5.2.4 To achieve full compliance in this area LGSS Pensions will produce an overarching record keeping policy that details all the processes and procedures undertaken to ensure member records are kept up to date and accurate.
- 5.2.5 It is anticipated that the record keeping policy will be presented to the Local Pension Board for comments in October 2017 and to the Pension Committee for approval in December 2017.
- 5.3 The second area of only partial compliance is with ensuring that there are fully documented controls in place that ensure scheme employers provide timely, accurate and complete data.
- 5.3.1 The code of practice requires scheme managers to keep records of specific member data of which most will come from scheme employers. Schemes should therefore ensure that employers have processes in place to provide the right data at the right time and in the required format.
- 5.3.2 LGSS Pensions are in the process of reviewing the Fund's administration strategy which is a document that sets out the standards of administrative performance for both the scheme and the scheme employers. It is proposed that the revised administration strategy will include enforceable financial penalties for consistent poor performance on the submission of accurate and timely data relating to scheme members. The administration strategy is supported by the existing payment of employee and employer pension contributions policy which provides a formal process for reporting late payment of pension contributions which are felt to be of material concern to the Pensions Regulator.
- 5.3.3 The administration strategy will be presented to the Local Pension Board for comments in April 2017 before it is presented to the Pension Committee for approval in June 2017 after which it will be subject to a 30 day consultation with scheme employers.
- 5.4 The final area where only partial compliance has been achieved is concerned with the production of a formally documented improvement plan to address any identified poor quality or missing data.
- 5.4.1 The code of practice requires schemes to continually review data and carry out a data review exercise at least once a year and ensure the necessary steps are taken to resolve any issues identified. The Pensions Regulator expects schemes to produce a fully documented data improvement plan to address issues of poor quality and missing data. The data improvement plan must contain specific data improvement measures that can be monitored and an end date within a reasonable timeframe by when complete and accurate data will be achieved.

- 5.4.2 LGSS Pensions are always working to improve the quality of incoming and existing data and in the last year made significant progress through the various methods described in section 5.2.3 of this report and other undocumented activities. For instance, the process of transferring the pensioner payroll from Oracle to Altair included a large amount of data cleansing and the ongoing project to reconcile pensioner payroll data to administration data and guaranteed minimum pension held by the scheme and HMRC will continue to see further enhancements to the quality of the schemes data.
- 5.4.3 In order to achieve full compliance in this area a formal data improvement plan is to be produced to address all areas where data quality can be improved and to incorporate the actions already being undertaken.
- 5.4.4 It is proposed that the data improvement plan will be presented to the Local Pension Board for comments in October 2017 and to the Pension Committee for approval in December 2017.

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. <i>Objective 1</i>
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. <i>Objective 2</i>
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. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
11. Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>

7. Finance & Resources Implications

7.1 Not applicable

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

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

Risk	Risk Rating
This report does not contain a proposal. However, failing to comply with the Pensions Regulator's code of practice may result in a poorly run scheme which does not deliver timely and positive outcomes for its members.	Red

9. Communication Implications

Website	All policies mentioned in this report will be made publically available via the LGSS Pensions website.
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10. Legal Implications

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

11. Consultation with Key Advisers

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

12. Alternative Options Considered

12.1 There are no alternative options to be considered.

13. Background Papers

13.1 The Pensions Regulator's Code of Practice No. 14 can be found at the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

14. Appendices

14.1 Appendix 1 – The Pensions Regulator's self-assessment tool results

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 – 6/3/2017
Has this report been cleared by Head of Pensions?	Mark Whitby – January 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 6/3/2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 3/3/2017

