

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

29 April 2022

Report by: Head of Pensions

Subject	Governance and Compliance Report
Purpose of the Report	<p>To provide the Pension Fund Board with information on:</p> <ol style="list-style-type: none"> 1) Department for Levelling Up, Housing and Communities – Levelling Up the United Kingdom White Paper 2) Scheme Advisory Board – UN Letter regarding investments in the Israeli settlement economy and Scheme Member representation on Asset Pools 3) Department for Work and Pensions – Consultation on draft Pensions Dashboards Regulations 2022 4) The Pensions Regulator – Reporting pension scams 5) New legislation –Pensions Wise guidance 6) Fund policy/strategy updates 7) Skills and knowledge opportunities
Recommendations	The Pension Fund Board are asked to note the Governance and Compliance Report
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1. Background

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

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

2.1. Levelling Up the United Kingdom – White Paper

- 2.1.1 On 2 February 2022, the UK Government published its white paper on Levelling Up that sets out the Government's plans to spread economic opportunities more equally across the UK. The plans are wide-ranging with the intention to address six drivers of spatial disparity across "missions". The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital. Specifically, for the LGPS, the paper notes the progress to date with the increasing investment in infrastructure from £1bn in 2016 to £21bn in 2021 (largely through the asset pools). As part of the proposals individual LGPS Funds will need to publish their plans to target up to 5% of their assets being invested in "local" projects.

- 2.1.2 The Scheme Advisory Board understands that the context of local refers to the UK rather than local to a particular LGPS Fund and that there will be no mandating beyond the requirement to have a plan.
- 2.1.3 It is expected that the government will release a consultation on this matter in the summer of 2022 which will also include the outstanding climate risk and reporting regulations and the pooling guidance.
- 2.1.4 Further information can be found in the white paper on page 162 - [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk/levelling-up-the-united-kingdom).

2.2 Scheme Advisory Board

2.2.1 UN Letter about investments in the Israeli settlement economy

- 2.2.1.1 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 asked 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 and the Local Authority Pension Fund Forum (LAPFF) met with Michael Lynk on 11 January 2022. The following statement was subsequently released by the Scheme Advisory Board:

“The discussion was productive and it was agreed to follow up with another call in a month or so. It was made clear that LGPS Funds’ primary objective in investments is to ensure pensions are paid but they do take into account human rights issues seriously in their decisions and through LAPFF are actively engaged with many companies listed on the [United Nations] database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it. LGPS Fund who are considering responding to Mr Lynk may wish to reference this ongoing discussion”.

- 2.2.1.2 Officers, in light of the ongoing national dialogue, do not at this time intend to respond to Mr Lynk’s letter which can be found [here](#).

2.2.2 Scheme member representation in Asset Pools

- 2.2.2.1 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.
- 2.2.2.2 SAB subsequently amended the statement to reflect that ACCESS had complied with SAB’s policy by explaining their reasons for excluding scheme members.
- 2.2.2.3 At the Joint Committee meeting of the ACCESS asset pool on 7 March 2022 proposals were agreed that will enable each ACCESS Authority’s Local Pension Board (LPB) to send two observers on a rotational basis to Joint Committee meetings. In practice, observers from three ACCESS Authority LPBs at a time will attend Joint Committee meetings in person, allowing each LPB to be represented at least once a year. The observers can be drawn from scheme member representatives, employer representatives or independent LPB members.

Whilst it will be for each LPB to agree the two observers, it is desirable that at least one of the observers from each LPB is a scheme member representative. This arrangement will be reviewed after its first full year. The Inter Authority Agreement will need to be revised accordingly, followed by the Fund's Governance and Compliance Statement and the Council's constitution.

2.3 Department for Work and Pensions (DWP) – Draft Pensions Dashboards Regulations 2022 Consultation

- 2.3.1 On 31 January 2022 the DWP published a consultation on the draft Pensions Dashboards Regulations. The consultation closes on 13 March 2022.
- 2.3.2 Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.
- 2.3.3 The consultation proposes a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide scheme member data to them via the dashboards.
- 2.3.4 The Local Government Pensions Committee responded to consultation stating that it is their view that the LGPS will not be able to connect and meet its statutory duties by the proposed connection deadline of April 2024 for the following reasons:
- The value data required goes beyond what LGPS administering authorities must currently provide
 - LGPS administering authorities will already be under significant pressure at the time because of implementing the McCloud remedy
 - The proposed response times for value data mean that funds will need to collect and validate data on a monthly basis (whilst the Cambridgeshire Pension Fund collects data on a monthly basis, not all other LGPS Funds will).
 - Recruitment and retention of suitably skilled staff remains a barrier
 - A number of other technical issues that are unique to the LGPS.
- 2.3.5 The LGPC response to the consultation can be found in full [here](#). The Local Pension Board will be kept up to date with developments regarding the Pensions Dashboard.

2.4 The Pensions Regulator

- 2.4.1 On 18 January 2022, the Pensions Regulator (TPR) published a press release following concerns that too few schemes are reporting suspected pension scams. Failing to report suspicions of pension scams does not enable TPR to understand the scale of the problem or put in place successful interventions.
- 2.4.2 Reporting concerns about potential pension scams to Action Fraud is being incorporated into the relevant transfer out processes by Officers of the Cambridgeshire Pension Fund.

2.5 The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022

- 2.5.1 The above regulations were laid before Parliament on 17 January 2022 and come into force on 1 June 2022.
- 2.5.2 These regulations will require administrators of occupational pension schemes including the LGPS, to give their members, in certain cases a stronger 'nudge' to obtaining Pension Wise guidance.
- 2.5.3 Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about defined contribution pension options, such as additional voluntary contributions (AVCs).
- 2.5.4 Administering authorities will need to give the stronger nudge where it receives an application, or a communication in relation to an application, from a scheme member to start receiving their AVCs on or after 1 June 2022. These regulations also apply to applications from scheme members aged 50 or over to transfer out their AVCs.
- 2.5.5 As part of the application process, administering authorities must:
- Offer to book a Pension Wise appointment on behalf of the scheme member
 - Where the member accepts, take reasonable steps to book the appointment
 - Where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, gives details to the member of how to book the appointment themselves
 - Explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
 - Explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority. The member may only give the notification in a separate communication made solely for that purpose.
- 2.5.6 Administering authorities must keep a record of whether, in respect of an application, the member attended a Pension Wise appointment or opted out of attending one.
- 2.5.7 Officers are currently reviewing the processes and documentation for scheme members who retire with AVCs and so these future changes will be incorporated as part of that review ready for implementation on 1 June 2022. Officers will also review the process for scheme members who are over the age of 50 who make an application to transfer out their AVCs to ensure full compliance with the new Regulations by the same date.

2.6 Fund Policy/Strategy Updates

- 2.6.1 Officers have reviewed the Fund's Payment of Employee and Employer Contributions Policy and only non-material changes were made to the policy such as updating job titles and the removal of reference to LGSS. The revised policy can be found on the Fund's website [here](#).

2.7 Skills and knowledge opportunities

- 2.7.1 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 Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 2.7.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board, appendix A lists the main events that are deemed useful and appropriate.
- 2.7.3 If members of the Pension Fund Board would like to attend any of the events listed in appendix a 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. 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>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

4. Risk Management

- 4.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

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

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

5. Communication Implications

- 5.1 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.
- 5.2 Employers - All relevant items are communicated to scheme employers via website updates.

6. Finance & Resources Implications

6.1 There are no financial and resource implications associated with this report.

7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

8.1 Consultation with the Fund's 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 Schedule of training events.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 5 April 2022