

Cambridgeshire Pension Fund

Pension Fund Committee

22 July 2021

Report by: Head of Pensions

Subject: Governance and Compliance Report

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

- 1) Scheme Advisory Board - Good Governance Review
- 2) The Pensions Regulator – new code of practice
- 3) Relevant Government Consultations
- 4) New legislation
- 5) Skills and knowledge opportunities.

Recommendations That the Pension Fund Committee notes the content of the 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 also potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. Scheme Advisory Board – Good Governance Review

2.1 In February 2021, the Scheme Advisory Board published the phase 3 report of the Good Governance Review that was produced by the Hymans Robertson project team. The phase 3 report provides further details on some of the recommendations that were included in the phase 2 report which should be read in conjunction with each other.

2.2 The phase 3 report provide further detail on the following recommendations, among others:

2.2.1 The LGPS senior officer – a single named officer who is responsible for the delivery of LGPS activity for a Fund. The report covers the core functions of the role, the personal competencies needed to fulfil the role and how the role could be incorporated into different organisational structures.

- 2.2.2 Conflicts of interest – all administering authorities should publish a conflicts of interest policy that is specific to the LGPS. That policy should cover how it identifies, monitors and manages any conflicts. The report includes more detail on what LGPS-specific areas should be covered by the policy.
- 2.2.3 Representation – each administering authority must publish a policy on how scheme members and non-administering authority employers are represented on its committees and the reasoning behind those decisions.
- 2.2.4 Skills and training – introduce a requirement for key individuals, such as pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently. The administering authority must publish an administration strategy that sets out its policy on delivery, assessment and recording of training plans.
- 2.2.5 Service delivery – regulation change to make it compulsory for an administering authority to publish an administration strategy.
- 2.2.6 Key performance indicators – that focus on ensuring that each administering authority has defined service standards and has the governance in place to monitor those standards.
- 2.2.7 Business planning process – the senior officer and the committee must be satisfied with the resource and budget allocated to administer the LGPS each year. Require expenditure should be based on the business plan for the coming year with an inflationary increase.
- 2.3 At the Scheme Advisory Board meeting in February 2021 the Board agreed that the Chair should submit the Board’s good governance action plan to the Local Government minister for consideration. The action plan sets out:
- Changes that MHCLG could take forward by amending regulations or producing statutory guidance
 - Work associated with the changes made by MHCLG that could be done by SAB or other bodies
 - Actions that SAB can take to improve governance and administration immediately, regardless of which changes are progressed by MHCLG.
- 2.4 Please see full information on the [good governance project hyperlink](#)
3. The Pensions Regulator – new code of practice
- 3.1 In March 2021 the Pensions Regulator (TPR) launched a consultation on its new Code of Practice which closes on 26 May 2021.
- 3.1.1 The draft new code consolidates (with updates and amendments) most of the existing 15 codes of practice including the public service code of practice 14 into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.
- 3.1.2 Please see further details on [the Pensions Regulator Code of Practice](#)

3.1.3 The new code of practice is expected to come into force in November 2021. The Fund will have six months in order to become compliant with the code of practice. An action plan will be produced to ensure compliance is achieved in that timescale.

4. Consultation – Implementing the increase to the minimum pension age

4.1 In February 2021, HMT published a consultation on the implementation of increasing the normal minimum pension age. In 2014, the Coalition Government consulted on increasing the normal minimum pension age from 55 to 57 from 6 April 2028 as part of the freedom and choice on pensions consultation. The current consultation re-confirms the Government's commitment to this.

4.2 The consultation seeks views on the implementation of the rise in the normal minimum pension age and protections for pension scheme members who have a right under the scheme rules to take benefits before age 57 at the date of this consultation.

5. Legislation – The Pension Schemes Act 2021

5.1 On 11 February 2021 the Pension Schemes Act 2021 received Royal Assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them to do so.

5.1.2 The provisions of the Act that will affect the LGPS include climate risk reporting, pensions dashboards and transfers out.

5.1.3 Climate risk reporting - on 27 January 2021, the Government launched a consultation on draft regulations entitled 'Taking action on climate risk: improving governance and reporting by occupational pension schemes'. The regulations would require trustees of pension schemes in scope to meet the climate change governance requirements that underpin the 11 recommendations of the Taskforce on Climate-related Financial Disclosures and to report on how they have done so. The regulations will not apply to the LGPS, however, it is expected that MHCLG will bring forward regulations which substantially mirror the requirements set out in the consultation document.

5.1.4 Pensions Dashboards – administering authorities are encouraged to use the Pensions Dashboard Programme's Data Standards Guide to identify any data gaps to ensure that they are ready to supply the right information to the dashboards once they are live.

5.1.5 Transfers Out – secondary legislation is awaited to provide the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.

6. Skills and knowledge opportunities – training events

6.1 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee appendix 1 lists the main events that are deemed useful and appropriate.

- 6.2 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.
- 6.3 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 will conclude in September 2021.
- 6.4 A recording of all these training sessions has and will be made available to all members of the Pension Fund Board and Committee in the event attendance cannot be achieved in real time.
- 6.5 It is important that Pension Fund Board and Committee members undertake this training to ensure there is sufficient individual knowledge to make decisions and forthcoming meetings.

7. Relevant Pension 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.

8. Risk Management

- 8.1 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 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.
- 8.2 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.

Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. (Green residual risk rating)
Failure to administer the scheme in line with regulations and guidance. (Green residual risk rating).
Failure to provide relevant information to the Pension Fund Board to enable informed decision making. (Green residual risk rating).

8.3 Please see full details of the [Cambridgeshire Pension Fund Risk Register](#)

9. Finance & Resources Implications

9.1 There are no financial or resource implications connected to the contents of this report is for information only.

10. Communication Implications

10.1 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.

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

11. Legal Implications

11.1 Not applicable

12. Consultation with Key Advisers

12.1 Not applicable

13. Alternative Options Considered

13.1 There are no alternative options to be considered.

14. Background Papers

14.1 Not applicable.

15. Appendices

15.1 Appendix 1 – Schedule of virtual training events.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 8/7/2021

Has this report been cleared by Head of Pensions? Mark Whitby – 25/6/2021

Has the Chair of the Pension Fund Committee been consulted? Councillor Whelan – 8/7/2021

Has this report been cleared by Legal Services? Fiona McMillan – 28/6/2021