

# PENSION FUND COMMITTEE



**Date: Thursday, 08 December 2016**

**Democratic and Members' Services**

Quentin Baker

LGSS Director: Law and Governance

**10:00hr**

Shire Hall

Castle Hill

Cambridge

CB3 0AP

**Kreis Viersen Room**

**Shire Hall, Castle Hill, Cambridge, CB3 0AP**

## AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-dec-of-interests>
2. **Minutes and Action Log of the Pension Fund Committee held 10th October 2016** **5 - 14**
3. **Governance and Legislation Report** **15 - 22**
4. **Employer Admissions and Cessations Report** **23 - 28**
5. **Internal Audit Update – Internal Audit Report 2015-16** **29 - 52**
6. **Asset Pooling Update** **53 - 58**
7. **Pension Fund Training Strategy 2016** **59 - 78**

**Break**

**8. Pension Fund Annual Business Plan Update report 2016-17 79 - 92**

**9. Exclusion of Press and Public**

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)*

**10. Valuation (oral)**

**DATE OF NEXT MEETING: 23rd March 2017 (10am)**

The Pension Fund Committee comprises the following members:

Councillor Roger Hickford (Chairman) Councillor Maurice Leeke (Vice-Chairman)

Mr Gareth Deeble Councillor Andrew Fraser Mr Matthew Pink Councillor David Seaton and Mr John Walker Councillor Peter Ashcroft Councillor Noel Kavanagh Councillor Gail Kenney and Councillor Joshua Schumann

*For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact*

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and
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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <http://tinyurl.com/cambs-constitution>.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccc-carpark> or public transport



## **MINUTES OF THE PENSION FUND COMMITTEE**

Date: Thursday 20<sup>th</sup> October 2016

Time: 10:00am – 12.40pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:

Councillors P Ashcroft, R Hickford (Chairman), N Kavanagh, G Kenney, M Leeke (Vice Chairman) and J Schumann; L Brennan, G Deeble, L Brennan and J Walker

Officers: C Blose, D Cave, S Heywood, M Oakensen, S Pilsworth, J Walton and M Whitby

Apologies: Matthew Pink (Liz Brennan substituting); Cllrs A Fraser and D Seaton

### **83. DECLARATIONS OF INTEREST**

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

Liz Brennan declared a personal interest as an active member of LGPS.

### **84. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE 28<sup>TH</sup> JULY 2016**

The minutes of the Pension Fund Committee meeting held on 28<sup>th</sup> July 2016 were approved as a correct record.

With regard to the Action Log item no. 51, regarding the discussion about cashflows, it was confirmed that a questionnaire had been sent to employers, and all but one of the largest employers had responded. There had been no significant changes in cashflows.

It was resolved to:

- (1) approve the minutes of the Pension Fund Committee meeting held 28<sup>th</sup> July 2016;
- (2) note the Action Log of the Pension Fund Committee meeting held 28<sup>th</sup> July 2016.

## **85. GOVERNANCE AND LEGISLATION REPORT**

The Committee received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

The Committee noted that Nicola Mark (Norfolk Pension Fund) had recently been selected as the preferred candidate for the non-voting practitioner seat on the Local Government Pension Scheme Advisory Board.

A number of amendments to regulations and guidance were noted.

It was resolved to:

note the content of the report.

## **86. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2016-17**

Michelle Oakensen presented the second Business Plan update for the 2016-17 financial year.

It was noted that the Key Performance Indicator for providing an estimate of employee benefits within 10 days had not been met (80% actual against 90% target). This was due to the prioritisation of other areas of work e.g. paying benefits given a high volume of redundancy work, retirements and staffing issues.

Turning to the performance for scheme employers, only 31.7% of year end submissions were received in the correct format and on time. 67.84% had been received after the deadline, following a drive by the team to contact those employers whose submissions were outstanding. The 0.44% that had not been received related to two small employers with a total of seven employees in the LGPS. Next year the aim is to ensure 100% of employers provided their submissions on time.

Scheme members had been accessing the self-service website, but data was not available on the number who were actually viewing annual benefit statements as opposed to calculating estimates or viewing information: the software could currently only monitor the number of people logging on to the website, not what pages they visited. Approximately 1000 scheme members were logging on to the website each month, but this increased to 4263 scheme members in September, when there was a publicity drive on member self-service.

Officers provided more detail on the case of a large employer who had made two late payments and two non-payments for the period. This related to a transfer of staff, and there had been some uncertainty as to which Fund those scheme members should go to. The employer had lacked confidence in the contribution amounts requested by payroll. Officers were confident the issue would be resolved satisfactorily shortly. It was confirmed that the full amount owed by the employer would be paid shortly, and it was agreed that a confidential email would be sent to the Committee, updating them on the situation, and advising whether any interest had been paid on the outstanding amounts. **Action required.** In response to a question as to whether the situation could have been avoided, officers explained that even though they had been involved at an early stage, a key issue had been the initial uncertainty on the Fund the members should have been allocated to.

Noting the visitor numbers to the website had increased, a Member asked if officers were confident that the software was robust enough to meet a massive amount of enquiries i.e. if a lot of members tried to log on at the same time for some reason, could the system cope? Officers responded that the issue was more about the server capacity: a third party, who was the number one provider for hosting services to local government systems, hosted the website, so officers were as confident as they could be. There were much larger funds with many more scheme members who had no problems accessing the website. On a related issue, officers were looking to upgrade software from the same provider, so that members could access the site from their mobile phones etc. A business case would be brought to a future meeting.

It was resolved to:

1. note the Pension Fund Business Plan second update for the 2016-16 financial year.

## **87. EMPLOYERS ADMISSION AND CESSATIONS REPORT**

The Committee received a report on the admission and cessation of a number of bodies to the Cambridgeshire Pension Fund.

Members received an update on Indigo Spa. As the company was now insolvent, the company's liabilities had transferred to Huntingdonshire District Council, who had paid the outstanding amounts owed.

It was noted:

- that 'Easy Clean' had a number of separate and distinct contracts with different schools, with each one being a separate legal entity;

- NPS Peterborough was a joint venue between Peterborough City Council and NPS;

It was resolved to:

- 1) note the admission of the following academies to the Cambridgeshire Pension Fund:
  - University of Cambridge Primary School
- 2) note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
  - Accent Catering Limited (Fulbridge Academy)
  - Action for Children (London Road Contract)
  - Easy Clean (Godmanchester Primary School)
  - NPS Peterborough Property Consultants
  - Mountain Healthcare
  - Kealey HR Ltd
- 3) note the cessation of the following bodies from the Cambridgeshire Pension Fund:
  - Indigo Spa Management
  - Easy Clean Contractors Ltd (St Peters School)

## **88. ASSET POOLING REPORT**

Members received a verbal update on the latest progress with collaboration of the ACCESS group, working together on LGPS asset pooling arrangements.

Officers explained that at the moment the Chairmen of each Fund meet and agree in principle on matters under discussion, and then come back to the relevant Pension Fund to endorse their decisions. Given the timescales and importance of these issue, the County Council was dealing with this by holding interim Task & Finish Group.

On 02/09/16, a Task & Finish Group had met to discuss whether to rent or build an operator. The report set out why the Rent option was favoured by the Access Group. Whilst one reason for this was that to meet the April 2018 timeline i.e. it was not possible to Build within those timescales, a bigger issue was the initial cost of the build option. The decision to progress with the Rent option had already been ratified by a number of other Funds, and to focus was now on the governance structures. It was noted that the County Council's full Council already delegated decisions on pensions to the Pension Fund Committee (PFC) and it was not possible for the PFC to in turn delegate to the Pool, so specialist advice was being sought to identify an appropriate governance arrangement. A report would be presented to a full Council meeting early next year. It was critical that this matter was dealt with before Spring, as there was potential for delay following the County Council elections



in May i.e. the risk was that there would be numerous new Members who were unaware of the background and progress to date.

Given the potential costs of pooling, the Chairmen had agreed unanimously the need for confirmation from central government that the Access pool proposals submitted in July 2016 were approved, prior to incurring further material costs. The Committee noted the correspondence already exchanged with government on this issue.

The Chairman explained that there were some very knowledgeable Chairs on the ACCESS pool, and there had been considerable debate on the rent or buy decision - quite a few were unhappy with a pure rental option. The presentation from officers clearly favoured the rental option, without exploring all options. Although it had been a unanimous decision to rent, this was after considerable debate and was a compromise, when the time factor being what swayed it i.e. if opted to buy, the pool would put itself under a lot of time pressures. Renting and then looking to buy longer term was an option favoured by many of the Chairmen. There was also a discussion on risks associated with the proposal, and with not undertaking the proposal: if the pool went ahead without government approval, the risk sat with the Councils in the pool. The risk of not undertaking the proposal was that the pool fell behind the timeline. Therefore the decision was subject to ratification from government that this needs to be done. This was a particular issue as this requirement came out of the previous (pre-Brexit) administration.

It was confirmed that the costs of implementation and annual running costs of a rental operator would be shared equally between all the Pension Funds in the ACCESS pool. Whilst these initial costs were shared equally, some future cost apportionments would be on the basis of size. Mr Walker advised that the Unison membership was expressing concern that the pool was effectively being managed by the chairmen of the Funds, without any direct member interest. Unison was therefore asking that as a minimum, one Unison member observer was on each Board. There was general agreement that it was important to feed down information to Scheme members.

It was noted that whilst Capita had prepared the presentation on the outline method for selecting a rental provider, there was no preference or bias towards them as a provider. Officers advised that they had issued a Prior Information Notice, so that potential parties could come forward and set out what they could offer. Twenty expressions of interest had been received, which included nine genuine potential suppliers. Capita was just one of the parties this had been discussed with.

There was a question on the delegation of the necessary powers to the pool. The Chairman advised that there was only one full Council meeting between now and the end of the year. February was not an option as that was the annual budget. Officers confirmed that advice on the governance issues was required quickly so that it could be submitted to full Council in time. Whilst acknowledging that assurance was sought from government on the obligation being put on Councils to pool, it was suggested that the mandate was

effectively already established that pooling needed to be happen. There was a discussion about different governance issues, specifically delegations, and the MiFID requirement that everyone involved should be authorised to give investment advice.

There was a discussion on the democratic processes being used i.e. through the Task & Finish Group and workshops, to ensure there was regular Pension Fund Committee Member involvement. It was agreed that this remained the best way forward.

It was resolved unanimously to:

1. note the progress made on the Asset Pooling proposal and approve the submission;
2. approve the agreement of the Chairmen on the 2<sup>nd</sup> September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.

## **89. RISK REGISTER**

The Committee considered a report on the Risk Register, which details the Fund's risk and mitigations. The Risk Register recorded the details of all risks that had been identified, along with their analysis and plans for how those risks would be treated. The list of 54 suggested risks was appended to the report.

A Member queried Risk 25: "Failure to react to major change in market/ economic conditions", pointing out that as the Committee did not have control over this, it was not really the Fund's risk, as it could not mitigate against it. Officers advised that they had discussed this risk at length, it was an inherent risk that was always present, and it would be wrong to exclude it from the Risk Register. It was suggested that the issue should read "timing of reaction" or "failure to anticipate change" rather than "failure to react", and the residual impact should be 4 rather than 5. It was further suggested that this risk could be further broken down into individual market/economic risks. Officers explained that they had originally started with a list of 80 risks, and therefore a lot of risk areas had been broadened out rather than narrowed down. The Committee concluded that more work was needed on Risk 25.

With regard to Risk 25, a Member noted that one of the controls listed was the receipt of quarterly performance reports by a recognised industry professional to Investment Sub-Committee, considering both strategic and operational aspects of investment. He queried whether having more than one advisor would be useful, rather than just one organisation providing all the intelligence. Whilst this point was acknowledged, it was felt that the broader knowledge and awareness of officers and Members mitigated the risk of

taking advice from one source, and it would be an unnecessary expense to have additional advisors.

It was unanimously resolved to:

approve the Risk Register, with the caveat that more work would be done on Risk 25.

#### **90. EXCLUSION OF PRESS AND PUBLIC**

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

#### **91. FUNDING STRATEGY STATEMENT AND VALUATION ASSUMPTIONS**

Geoff Nathan of Hymans gave a presentation on the key assumptions of the valuation process.

It was resolved to:

- 1) approve the draft of the Funding Strategy Statement for consultation;
- 2) approve the proposed assumptions to be used in the triennial valuation process.

#### **92. DATE OF NEXT MEETING: 8 DECEMBER 2016 (10am)**



## CAMBRIDGESHIRE PENSION FUND

### Pension Fund Committee

### Agenda Item: 2

#### Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 20 October 2016 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at

#### Outstanding actions from 24 March 2016 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
51	Pension Fund Annual Business Plan and Medium Term Strategy, 2016-17 to 2018-19	Mark Whitby	In a discussion about cash flows, it was agreed that this information would be provided on an annual basis. There was a discussion on the 'appropriate gap' if it was anticipated that cash flow would become negative in future (i.e. benefits exceeding contributions), so that strategy could be adjusted accordingly. It was noted that there would be a significant review of valuations in 2019. It was noted that cash flow were based on known activity levels, but there was an option to model different scenarios. It was agreed that it would be useful to model the impact on the Fund e.g. of a 10% reduction from of income from the top ten employers.	<b>Completed</b> - A survey of employers was undertaken to assess whether, at a Fund level, there would be material changes in staff levels to impact on the cash flow projections given in the meeting on 24 March 2016. Response from the top 10 employers indicates that whilst there will be some movement of staff between organisations, at a Fund level, there will be no material changes, as assumed at the time of producing the financial projections. The projections therefore remain correct and we feel there is no need to carry out such modelling.

# **Outstanding actions from 20 October 2016 meeting of the Pensions Committee**

<b>Item No.</b>	<b>Item</b>	<b>Action to be taken by</b>	<b>Issue</b>	<b>Action/Status</b>
86	Pension Fund Annual Business Plan Update Report 2016-17	Joanne Walton	In a discussion regarding an employer who had made 2 late payments and 2 non-payments for the period, it was confirmed that the full amount owed by the employer would be paid shortly. It was agreed that a confidential email would be sent to the Committee, updating them on the situation, and advising whether any interest had been paid on the outstanding amounts.	<b>Ongoing</b> - The Employer is due to make payment of the outstanding contributions the Fund W/C 28/11/2016. The Employer has been reminded of their statutory obligations and has been reported to the Pension Regulator.

**CAMBRIDGESHIRE PENSION  
FUND**



**Pension Committee**

**Date:** 8 December 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Governance and Legislation Report</b>
<b>Purpose of the Report</b>	To provide the Pension Committee with: 1) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; 2) Information on new or amending legislation affecting the LGPS; 3) Details of relevant consultations affecting the LGPS; and 4) Details of forthcoming training events.
<b>Recommendations</b>	<b>That the Pensions Committee notes the content of the report.</b>
<b>Enquiries to:</b>	Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

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

**2. The Pensions Regulator**

**2.1 The Pensions Regulator self-assessment tool for public service pension schemes**

- 2.1.1 The Pensions Regulator (TPR) has published a self-assessment tool for those involved in running public service pension schemes to assess how they are getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's code of practice number 14 – governance and administration of public service pension schemes.
- 2.1.2 The tool sets out a range of processes, tools and actions that TPR expects to see in a well-run scheme and, upon completion, the tool provides schemes with indicative risk ratings in certain key areas.

- 2.1.3 LGSS Pensions had previously tested the tool and provided feedback to TPR regarding its functionality.
- 2.1.4 A complete version of the self-assessment tool will be presented at the March 2017 meeting of the Pension Committee.

## **2.2 Survey of public service pension schemes**

- 2.2.1 Following last year's survey of the governance and administration of public service pension schemes, TPR have commenced its 2016 survey. The survey builds on the content of last year's survey, but with a greater emphasis on record-keeping, internal controls and communications
- 2.2.2 The survey has been directed to the contact details TPR hold for each scheme manager, and TPR will also be writing to Local Pension Board Chairmen to advise them of the survey.
- 2.2.3 LGSS Pensions are working with the Chairman of the Local Pension Board to complete the survey.

## **3. Scheme Advisory Board**

### **3.1 Legal opinion on LGPS and application of Financial Services Markets Act 2000**

- 3.1.1 The LGA has obtained a legal opinion from Nigel Giffin QC on the extent to which a local authority or other body which is the administering authority of an LGPS fund might in that connection be subject to regulation by the Financial Conduct Authority ("FCA") pursuant to the Financial Services and Markets Act 2000 ("FSMA").
- 3.1.2 In the opinion, Mr Giffin concluded that, in managing an LGPS fund, the administering authority is not carrying out a regulated activity, and does not require FSMA authorisation.
- 3.1.3 The full legal opinion can be found on the Scheme Advisory Board website at the following link;

<http://www.lgpsboard.org/index.php/board-publications/legal-opinions>

### **3.2 Investment Fees – Code of Transparency**

- 3.2.1 The move toward investment fee transparency and consistency is seen by the Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.
- 3.2.2 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Scheme Advisory Board is working to develop a voluntary Code of Transparency for LGPS asset managers. As part of this work a consultation meeting was held on 21 September 2016 with representative fund accountants. The minutes of this meeting can be found at the following link;



#### **4. Debate following e-petition on LGPS investment regulations**

- 4.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:
- the proposed Government intervention power in scheme investments,
  - the requirement for an improved capacity for investment in infrastructure, and
  - ensuring that investments be made in the interests of scheme members.

- 4.2 As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available at:

<https://hansard.parliament.uk/commons/2016-10-24/debates/A7FADB91-3C81-4C9D-A6C9-791C57EEC3B2/LocalGovernmentPensionScheme>

#### **5. Early Day Motion to annul LGPS Investment Regulations 2016**

- 5.1 On 25 October, MPs from the Labour Party submitted an Early Day Motion (EDM) praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion has been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above).
- 5.2 Historically, it is very rare that an EDM to annul a statutory instrument is successful, but it is possible that the date the regulations come into force (currently planned for 1 November 2016) may be delayed slightly.

#### **6. Publication of LGPS (England and Wales) statistics 2015/16**

- 6.1 Following the completion of the 2015/16 SF3 data collection forms by LGPS administering authorities in England and Wales, DCLG have published the results.
- 6.2 The key points from the England release are:
- Total LGPS expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1% compared to 2014-15.
  - Total LGPS income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4% compared to 2014-15.
  - Employers' contributions to the LGPS in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
  - The market value of LGPS funds in England at the end of March 2016 was just over £200 billion.
  - The LGPS in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future.

- 6.3 It should be noted when looking at the figures that:
- Comparisons on a fund level from 2012/13 to 2015/16 may be difficult given the transfer of probation staff to Greater Manchester Pension Fund in 2014/15.
  - There have been changes in the way that administration costs are now recorded, meaning that historical comparisons may also be difficult in respect of the costs of the scheme.
- 6.4 The full report can be found at the following link:

<https://www.gov.uk/government/collections/local-government-pension-scheme>

## **7. LGC Investment Awards 2016**

- 7.1 On the 9 November 2016, the 23<sup>rd</sup> LGC Investment Awards were held to celebrate the very best in the LGPS. A total of 13 awards were presented with the Lifetime Achievement Award going to Former Chair of CIPFA Panel, Bob Summers.
- 7.2 The Best Collaboration was awarded to Project POOL. The category criteria was to recognise the best collaborative approach by a fund or a partnership of funds and the entrants had to demonstrate how the project had improved standards, has or reduced costs to employers and scheme members and how the principles of the collaborative project could apply more widely across the LGPS.

## **8. Consultations**

### **8.1 Government publish response to college insolvency consultation**

- 8.1.1 Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England (see articles in bulletins 148 and 149), the Department for Education has published its formal response.
- 8.1.2 The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS. In particular, the Government's views are as follows:
- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
  - However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pensions deficit as there would be a merger with, or transfer to, another provider.
  - Pension funds should nevertheless assess the strength of each employer's covenant.
  - Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does provide a limited guarantee, is therefore not fitting because academies are public bodies.
  - During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

8.2.3 The Government will now take forward their plans via primary legislation when parliamentary time permits.

## 9. Training Events

- 9.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 9.2 In order to facilitate the acquisition of skills and knowledge, appendix 1 lists all events that are deemed useful and appropriate.
- 9.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

## 10. 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

## 11. Finance & Resources Implications

11.1 Not applicable

## 12. 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

<b>Risk</b>	<b>Risk Rating</b>
That the Committee are ill-informed about important consultations and changes affecting the Fund they are responsible for administering	Red

### **13. Communication Implications**

<b>Training</b>	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.
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### **14. Legal Implications**

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

### **15. Consultation with Key Advisers**

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

### **16. Alternative Options Considered**

16.1 There are no alternative options to be considered.

### **17. Background Papers**

17.1 Not applicable

### **18. Appendices**

18.1 Appendix 1 - List of training events/conferences

<b>Checklist of Key Approvals</b>	
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 – 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016

## Appendix 1

### Internal/External training and events 2016-17

The list of training events will be updated as we become aware of definitive dates and new events. We will also continue to email details of the training events as soon as we are notified where we feel members of the Pension Committee, Investment Sub-Committee and Pension Fund Board will benefit from attending.

2 February 2016	LGSS Triennial Valuation Training Day (NPF)	2	Officers, Committee/Board Members
3 February 2016	LGSS Triennial Valuation Training Day (CPF)	2	Officers, Committee/Board Members
26 February 2016	Schroders Trustee Training (Part 1)	1	Committee/Board Members
3 – 4 March 2016	LGC Investment Seminar	2	Officers, Committee/Board Members
15 April 2016	Schroders Trustee Training (Part 2)	1	Committee/Board Members
16 - 18 May 2016	PLSA Local Authority Conference	2	Officers, Committee/Board Members
June 2016 tbc	Heywood Class Group AGM	2	Officers
10 June 2016	Schroders Trustee Training	2	Officers, Committee/Board Members
23 – 24 June 2016	13 <sup>th</sup> Annual LGPS Trustees Conference	3	Committee/Board Members
29 June 2016	Local Pension Board – One year on Seminar	2	Board Members
19 – 20 July 2016	LGC Pension Fund Symposium	2	Officers
8 – 9 September	LGC Investment Summit	3	Officers, Committee/Board Members
28 September 2016	CIPFA – Introduction to the LGPS	2	New Committee/Board Members
October 2016 tbc	Heywood User Group	2	Officers
6 October 2016	Fundamentals XV 2016 – Day 1	2	Officers, Committee/Board Members
19 – 21 October 2016	PLSA Annual Conference and Exhibition	2	Officers, Committee/Board Members
1 November 2016	Fundamentals XV 2016 – Day 2	2	Officers, Committee/Board Members
2 November 2016	PLSA Local Authority Forum	2	Officers, Committee/Board Members
8 November 2016	UBS Seminar Steps 1	2	Officers, Committee/Board Members
22 November 2016	UBS Seminar Steps 2	2	Officers, Committee/Board Members
22 – 23 November 2016	Pensions Managers' Annual Conference	4	Officers
29 November 2016	Fundamentals XV 2016 – Day 3	2	Officers, Committee/Board Members
8-9 December 2016	LAPFF Annual Conference	3	Officers, Committee/Board Members
2 - 3 March 2017	LGC Investment Seminar	3	Officers, Committee/Board Members

With effect from October 2015, the National Association of Pension Funds (NAPF) was renamed Pensions and Lifetime Savings Association (PLSA).



**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 8 December 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Employer Admissions and Cessations Report</b>
<b>Purpose of the Report</b>	<ol style="list-style-type: none"><li>1) To report the admission of five admission bodies to the Cambridgeshire Pension Fund.</li><li>2) To further report on the admission of one designating body to the Cambridgeshire Pension Fund</li></ol>
<b>Recommendations</b>	<p><b>That the Pension Committee</b></p> <ol style="list-style-type: none"><li>1) notes the admission of the following admission bodies to the Cambridgeshire Pension Fund:<ul style="list-style-type: none"><li>• Easy Clean (Eastfield Infants LEA)</li><li>• Lunchtime (Gorefield)</li><li>• Lunchtime (Over)</li><li>• Lunchtime (St Matthews)</li><li>• Lunchtime (Swaffham Prior)</li></ul></li><li>2) notes the admission of the following designating bodies to the Northamptonshire Pension Fund:<ul style="list-style-type: none"><li>• Melbourn Parish Council</li></ul></li></ol>
<b>Enquiries to:</b>	Name – Mark Whitby, Head of LGSS Pensions Tel – 01604 368502 E-mail – <a href="mailto:mwhitby@northamptonshire.gov.uk">mwhitby@northamptonshire.gov.uk</a>

## 1. Background

- 1.1. The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Committee.

## 3 New Admission Bodies

- 3.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states *“The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations.”*
- 3.3 A body which falls under paragraph 1(a) of Part 3 of Schedule 2 is an admission body that is a body which provides a public service in the United Kingdom which operates otherwise than for the purpose of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest. The committee has discretion over allowing entry to a body that falls under this paragraph.
- 3.4 The Pension Committee is asked to note that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

Date	New Admission Body	Background information
10/10/2016	Easy Clean Contractors Ltd (Eastfield Infants)	Eastfield Infants, an LEA school, has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/01/2015	Lunchtime Company (Gorefield Primary School)	Gorefield Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some



		Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
20/04/2016	Lunchtime Company (Over Primary School)	Over Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/09/2014	Lunchtime Company (St Matthew's Church of England Primary School)	St Matthew's Church of England Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
27/05/2015	Lunchtime Company (Swaffham Prior Church of England Primary School)	Swaffham Prior Church of England Primary School has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.

#### 4. New Designating Body

- 4.1 Regulation 3 (1) of the Regulations provides for a person, who is employed by a body listed in Part 2 of Schedule 2 and is designated, or belongs to a class of employees that is designated, by the body, to be an active member of the Local Government Pension Scheme.
- 4.2 The designating body has to pass a resolution to designate employees as being eligible for membership of the Local Government Pension Scheme.
- 4.3 The Pension Committee is asked to note that the following employer is a designating body by means of being a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 and has passed a resolution to allow employees of the Council to join the LGPS.

Date	New designating body
01/01/2017	Melbourn Parish Council

#### 5. 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

#### 6. Finance & Resources Implications

- 6.1 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer.
- 6.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 6.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund. Measures to mitigate such an eventuality are readily available for admission bodies and set out in section 8 below.

## 7. Risk Implications

### a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
An admitted body does not pay the pension contributions due in full or on time.	A late payments policy is in place which sets clear policies on how we deal with late or non-payment of contributions. Further to this, there is the ability, under the terms of the admission agreement, to require the letting authority to set off against any payments due to the Admission Body an amount equal to the sum due and pay the sum to the Fund.	Green
A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
A Parish Council or Admission Body joining the Fund may cease as an employer in the Fund if they have no more active members	We maintain regular two way communication regarding the current funding position of the employer, reductions in membership numbers and any other activity that may affect the continuation as an employer in the Fund.	Amber

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

<b>Risk</b>	<b>Risk Rating</b>
Non-compliance with CLG guidance that, an application by an admission body falling under paragraph 1(d)(i) of Part 3 Schedule 2 of the regulations, cannot be declined where the requirements of the LGPS Regulations are met.	Red
Non-compliance with the mandatory requirement to allow designating bodies and scheduled bodies admission to the Pension Fund.	Red

## 8. Communication Implications

<b>Direct Communications</b>	Direct communications will be required to facilitate employer start up in the LGPS.
<b>Newsletter</b>	Regular pension bulletins are issued to the scheme employers on topical matters.
<b>Induction</b>	New employers require an introduction to their employer responsibilities under the LGPS.
<b>Seminar</b>	Employers will be entitled to attend an annual Employer Forum.
<b>Training</b>	Generic and bespoke training courses will be made available.
<b>Website</b>	New employers are given access to the employer's guidance available on the pension's website.

## 9. Legal Implications

- 9.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

## 10. Consultation with Key Advisers

- 10.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 10.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

## 11. Alternative Options Considered

- 11.1 None available.

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
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 – 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Committee**

**Date: 8<sup>th</sup> December 2016**

**Report by: LGSS CHIEF INTERNAL AUDITOR**

<b>Subject:</b>	<b>Internal Audit Update – Internal Audit Report 2015-16</b>
<b>Purpose of the Report</b>	To brief members on completed audit for 2015-16
<b>Recommendations</b>	That members note the audit work undertaken.
<b>Report Author and Enquiries to:</b>	Paul Clarke, Group Auditor, LGSS Internal Audit Tel: 01604 367130 Email: <a href="mailto:pclarke@northamptonshire.gov.uk">pclarke@northamptonshire.gov.uk</a>

**1. Summary of Report**

- 1.1 The report presents the final report on the 2015-16 audit of LGSS Pensions Administration. The audit assessed the adequacy of design and implementation of controls for the administration of the Pensions Services of Cambridgeshire and Northamptonshire. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance for the controls in place and operating within LGSS pensions for 2015-16. The report is included as **Appendix A**

**2. Background**

- 2.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

### 3. Relevant Pension Fund Objectives

- 3.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the outcomes of the Pension Service:

Perspective	Outcome
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li> <li>To ensure that sufficient resources are available to meet all liabilities as they fall due.</li> <li>To maximise the returns from its investments within reasonable risk parameters.</li> </ul>
<b>Communications</b>	<ul style="list-style-type: none"> <li>Promote the Scheme as a valuable benefit.</li> <li>Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders understanding.</li> <li>Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.</li> <li>Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.</li> <li>Look for efficiencies in delivering communications including through greater use of technology.</li> </ul>
<b>Administration</b>	<ul style="list-style-type: none"> <li>Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li> <li>Administer the Funds in a cost effective and efficient manner utilising technology.</li> <li>Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li> <li>Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li> <li>Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li> <li>Maintain accurate records and ensure data is protected and has authorised use only.</li> <li>Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li> </ul>

<b>Perspective</b>	<b>Outcome</b>
<b>Governance</b>	<ul style="list-style-type: none"> <li>To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>

#### **4. Finance & Resources Implications**

4.1 Provision was made within the LGSS Audit Plan to undertake this work.

#### **5. Risk Implications**

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
The audit work may identify significant weaknesses with potential for reputational damage to the Pension Service.	A process is in place for timely and effective response to the findings of internal and external auditors.	Green

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

<b>Risk</b>	<b>Risk Rating</b>
Unmitigated risks to the objectives of the Pension Service are not identified and addressed. The legal obligation to ensure internal audit is undertaken would not be met.	Red

#### **6. Communication Implications**

<b>Website</b>	The work of auditors will be transparent and will be reported to the Pension Fund Committee and published on the internet.
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#### **7. Legal Implications**

7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2003 in England (Appendix 41) [4] should make provision for Internal Audit in accordance with the Code.

## **8. Consultation with Key Advisors**

8.1 We have confirmed with BDO and KPMG their requirements for internal audit.

## **9. Alternative Options Considered**

9.1 Continue with separate audits as was the case prior of the convergence process. This would be a failure to capitalise on the opportunity to deliver a more efficient and effective service.

## **10. Background Papers**

10.1 Previous report on 24<sup>th</sup> March 2016 – Internal Audit Update and Plan 2016-17.

## **11. Appendices**

**Appendix A** – Internal Audit Report - LGSS Pensions Administration 2015-16 – Executive Summary and Action Plan

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by The Head of Pensions?	Mark Whitby – 9/11/2016
Has this report been cleared by the Section 151 Officer?	Sarah Heywood – 22/11/2016
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016



**Appendix A**

**LGSS Audit & Risk Management Service**

# **Internal Audit Report**

## **LGPS Administration 2015/2016**

**Confidential**

Client LGSS

Issued To Matt Bowmer, Director of Finance

Cc Chris Malyon , S151 LGSS  
Mark Whitby, Head of Pensions  
Joanne Walton, Governance Regulations  
Manager  
Akhtar Pepper, Operations and Technical  
Paul Tysoe, Group Accountant

Date 11 August 2016

Lead Auditor Janette Lynn

Status of Report Final Report

Internal Audit Opinion Substantial Assurance

## Assurance Summary

Control Environment Assurance	Substantial
Compliance Assurance	Substantial

  

<i>Organisational Impact</i>	Minor
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## Executive Summary

### 1. Background to the review

The audit of the Local Government Pension Service for the Northamptonshire Pension Fund (NPF) and the Cambridgeshire Pension Fund (CPF) which is administered by LGSS includes the administration of:

- new members
- payment of pensioners and dependents
- transfers into and from the pension schemes
- receipt and recording of contributions from the employers
- administration processes on Altair operated by the LGSS pensions staff to ensure that there are appropriate separation of duties on key tasks
- reconciliations of financial systems
- User access

The audit provides assurance to the Pensions Committee and also the Pension Fund's External Auditors for their final accounts audit.

The audit seeks to provide assurance to management, External Audit and the employer organisations that expected controls are in place for pensions administration and key financial systems, such controls are adequate in design and function appropriately in practice.

#### 1.1 Key Risks

The audit relates the following risks from the LGSS Pension Service risk register:

- B4 Pension Fund Contributions are not collected on an accurate and timely basis
- B5 Payments to pensioners and not paid accurately
- B6 Lack of staff to administer and account for the fund

- C2 Failure to comply with legislative and regulatory requirements
- C3 Failure to comply with Data Protection and Freedom of Information Acts
- D1 Inability to attract or retain staff with the right skills and experience

Based on previous experience and the requirements of external audit the key risks identified are:

- Risk 1 – Pension payments are not made in accordance with the LGPS and council policy (including rates, annual uplift, lump sums, pensions, deferred pensions, early retirements, annual pension statements);
- Risk 2 – Pension payments are not recorded properly and not accounted for correctly;
- Risk 3 – New members are not set up on a timely basis and do not receive appropriate information;
- Risk 4 – Contributions and accompanying schedules are not received on time or are not correct; (includes employee and employer contributions, additional contributions from all scheme employers);
- Risk 5 – Transfers in and out of the scheme are not subject to appropriate checks and authorisation;
- Risk 6 – Reconciliations are not completed i.e. between Altair and Oracle and also for the Pensions bank account;
- Risk 7 – Performance of the service provided is not monitored and reviewed;
- Risk 8 – User access is not reviewed and so staff may have inappropriate access to the pensions system

## **1.2 Objectives**

Therefore, the objectives of the review were to provide management with assurance that there are appropriate controls in place to mitigate effectively the risks related to Pensions

## **1.3 Approach**

In order to test the operating effectiveness of the controls in place we performed sample testing for both the NPF and the CPF as follows:

- new members;
- new pensioners, calculations and pensions actually paid ;
- transfers into and out of the LGPS to ensure the calculations were checked and monies paid out were authorised and receipts monitored;

- deaths of pensioners and dependent pensioner benefits;
- monitoring the receipt of contributions and supporting documentation from employer organisations;
- year end reconciliations of contributions received;
- reconciliation of bank accounts;
- reconciliation of pensions payroll to the Altair records;
- the annual uplift of pensions on Altair;
- access to Altair

## 2. Internal Audit Opinion and Main Conclusions

### 2.1 Main conclusions

Based on the completion of our fieldwork and the testing carried out, we are giving **substantial** assurance for the controls in place within LGSS pensions for the administration of LGPS.

The team is benefitting from the continued impact of improved systems capturing data electronically and providing management information to assist with key processes.

Whilst most areas have been given substantial assurance due to this the areas of reconciliation are moderate as these had not been completed or were currently work in progress.

The day to day administration of benefits i.e. pensions paid, lump sums and transfers in, where the key financial risks are found have substantial assurance. The incidence of non compliance on these day to day processes has seen a significant reduction as demonstrated by the findings in the audits over the last three years.

The table below provides a breakdown on the level of assurance for both NPF and CPF for each of the process areas identified:

Process Area	NPF	CPF
New members	Substantial	Substantial
New pensioners	Substantial	Substantial
Transfers in	Substantial	Substantial
Transfers out	Substantial	Substantial
Deaths of pensioners	Good	Good
Contributions	Substantial	Substantial
Reconciliations	Moderate	Moderate
Systems and User Access	Substantial	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>	<b>Substantial</b>

### **New members - substantial assurance**

The Systems team have continued to improve their methods for capturing data from employers on new members and contract changes etc.

Improvements have been made since last year's audits so that information is now received electronically from the majority of employers or their payroll providers, reviewed and processed in a timely manner. These functions are monitored so that if delays occur or issues arise these are investigated and resolved.

### **New pensioners - substantial assurance**

Twenty five new pensioners were tested for NPF and for CPF.

The administration process was tested to check that appropriate controls were in place before a pension was awarded to ensure that the individual had left employment, calculations were prepared based on final pay and or CARE and in line with the members request as to whether there were to be any conversion of benefits. Calculations were prepared, checked and authorised and a separation of duties between these phases was in place. Separation of duties was also in place for notifications to the payroll provider, and the pension actually paid was checked to confirm it was correct.

A separation of duties was also in place for the payment of any lump sums that were due, based on the above calculations, and appropriate evidence for the payment was held on file in most cases.

### **NPF**

There were two instances where evidence of lump sum payments had not been placed on Altair.

### **Transfers in - substantial assurance**

Five transfers in were tested for NPF and five for CPF

Appropriate checks were completed before a transfer in was estimated. Calculations were prepared based on evidence of their service in other LGPS schemes or on the monetary value of non LGPS schemes that was to be transferred, this was then equated to a value of service credit that was to be awarded.

Calculations were prepared, offers issued, and final calculations prepared when the employee confirmed their request to transfer their previous pensions into the scheme.

The receipt of monies was monitored and recorded on Altair and a transfer in service credit recorded on the member's records.

A separation of duties was in place for all stages of the process.

#### **Transfers Out - substantial assurance**

Ten transfers out were tested for NPF and fifteen for CPF. The auditor was advised that there had been a delay in processing the transfers out due to software upgrades that were due to take place shortly, hence the sample sizes chosen were reduced from previous years numbers.

Appropriate checks were completed before a transfer out was permitted to ensure that the funds were to be transferred to an appropriate pension fund, that the member had left employment. Quotations were issued and on receipt of an authorisation from the member a final calculation was prepared based on evidence of their service and contributions paid.

Payments were then processed to the appropriate receiving pension provider.

A separation of duties was in place for all stages of the process.

#### **NPF**

Three payments had been made to pension providers and although the details had been recorded on Altair the supporting evidence had not been placed on the system. This was also true for a high value payment which had been authorised by the Head of Pensions.

#### **Deaths of Pensioners - good assurance**

a) Notified deaths and dependent pensions:

A walkthrough for two notified deaths was completed for the NPF and CPF

The administration process was tested to check that appropriate controls were in place when a death was notified, the actual death was confirmed and their pension payments stopped. Calculations were prepared for any dependent pensioners or lump sum payment due, these were checked and authorised and a separation of duties between these phases was in place. Separation of duties was also in place for notifications to the payroll provider, and the pension actually paid was checked to confirm it was correct.

A separation of duties was also in place for the payment of any lump sums that were due, based on the above calculations, and appropriate evidence for the payment was held on file.

b) Deaths of pensioners – check pension payments were stopped:

The records for five pensioners in the NPF and five in the CPF who had been reported as deceased were checked to confirm that their death had been confirmed, that pensions had been suspended and a reconciliation of payments completed to ensure that action was taken to recover monies owed to the scheme or the payment of any balances owed to the deceased pensioner's estate or dependents.

Possible un-notified death:

During the audit period whilst the pension team were undertaking the reconciliation of payroll to Altair it was identified that it appeared that an elderly pensioner had passed away but was still in receipt of pension. This is currently being investigated i.e. a copy of actual death certificate has been requested. The death had not been notified to the pensions service nor had it been picked up through the NFI (National Fraud Initiative) data matching process as the death had occurred between the data checking periods.

This incident has highlighted the need to review how the service checks if pensioners are still alive. Life certificates are not currently required and whilst the NFI process provides some checking facilities it may be that some pensioners would not be identified through this process. There are also particular risks around those pensioners who are resident outside of the UK and upon whom checks cannot easily be completed.

### **Contributions from employer organisations – substantial assurance**

Fifteen employers contributions records were tested for NPF and CPF.

Monthly returns from employers were reviewed and checked to contributions received which were coded to the appropriate employer.

Where variances were identified between the employers level of contributions, and expected and actual payments received these had been resolved or were work in progress.

### **Reconciliations - moderate assurance**

During the audit it was identified that a year end reconciliation for 2014/2015 of contributions from employers, received and posted in the accounts had been undertaken but this had not been compared to the employers' payroll information that was submitted as part of the year end processes.

Monthly bank reconciliations had been completed.

A reconciliation between pensions payroll and Altair had commenced but was not fully completed. This had highlighted a large number of variances in actual and expected payments:

NPF 13,962 of which 12,858 were below the acceptable tolerance threshold of £100, leaving 822 to be investigated.

CPF 14,658 of which 12,959 were below the acceptable tolerance threshold of £100, leaving 1,496 to be investigated.

There were a number of reasons why these variances occurred and these were being investigated. The reconciliation process was very detailed as records had in some cases to be checked back to the date that the pension was first awarded to confirm the correct starting value, and how this was made up i.e. possibly a combination of pensions or benefits.

It was not possible to ascertain the potential call on the pension fund for any underpayments or the benefit from any recoupment as it is not known whether the record on payroll or Altair was correct.

Those with the highest variances are being investigated as priority – of the 31 cases investigated for the NPF £122k can potentially be reclaimed from members and £24k is owed to members.

A breakdown for the 44 cases investigated for the CPF was not available, so it is not possible to state whether the split would be similar as the administration for both schemes on Altair and payroll has historical differences.

The task of reconciliation will take some considerable time unless additional resources are allocated to this in order to bring this to a swift conclusion.

Although the Pensions Committee have agreed an overpayments policy which is being used to inform decision making, there remains a significant reputational risk for LGSS Pensions i.e. the potential dissatisfaction of members and employers when pensioners are notified that they have been overpaid and repayment is required. Whilst reimbursement will only be sought for six plus the current years maximum, as agreed at the Pensions Committee, such charges may cause financial hardship or angst for pensioners.

### **Systems and User Access – substantial assurance**

The Systems procedures were reviewed and checked to ensure that when users were set up staff had appropriate levels of access and that when staff left their access was removed.

The annual uplift process was also reviewed to confirm that appropriate controls were in place and that pensions were increased as expected based on national guidance.



It has also been identified that now that the pensions calculations are based Career Average Revaluations Earnings (CARE) which are uplifted for each year, in future the audit should include checking of these calculations for those active members not yet in receipt of pensions, to confirm that the correct increases are added to each year's value.

## **2.2 Main recommendations**

For each of the issues identified we have made suggested recommendations in the accompanying action plan. When implemented these will positively improve the control environment and aid the Authority in its ability to effectively manage its risks.

## **2.3 Acknowledgement**

We would like to take this opportunity to thank all members of staff whom we contacted during the course of this review for their time and assistance.

## Findings and Management Responses

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
<b>1</b>	<b>New Pensioners</b>			
<b>M</b>	<p><b>NPF</b></p> <p>25 new pensioners were tested to confirm that the pension and any lump sum payment made to a new pensioner was correct. Although for lump payments a reference number was recorded on Altair under "Exit payment", for two of these evidence to support the payment was not held on Altair e.g. Oracle ERP screen print. Testing confirmed that correct payments had been made for these individuals.</p>	When payments are made details of the payee, the amount and date e.g. Oracle print should be held on Altair to provide evidence of this.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
<b>2</b>	<b>Transfers Out</b>			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
<b>M</b>	<b>NPF</b>	When payments are made details of the payee, the amount and date e.g. Oracle print should be held on Altair to provide evidence of this.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
	a) The payments relating to ten transfers out had been made and recorded on the "Exit payments" screen. Evidence to support these was not held on Altair for three of these payments e.g. Oracle ERP print. Testing confirmed that correct payments had been made for these individuals.			
	b) A transfer out had been recorded on Altair as a "non-club transfer" incorrectly. This was an "interfund" payment to the West Yorkshire Pension Fund.	The descriptor used for fund transfers should be checked during processing to check that it is correct.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
	c) A high value payment had been authorised by the Head of Pensions but evidence to demonstrate this was not on Altair. Evidence for this was uploaded during the audit.	When high value payments require authorisation by Head of Pensions (above £250k) evidence of this should be held on Altair.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
<b>3</b>	<b>Year End reconciliation of Employers contributions</b>			
<b>M</b>	<p>The audit highlighted that a year end reconciliation of 2014/2015 employers' and employees contributions received had not been completed.</p> <p>The Systems team confirmed that a year end return had been received from all but 2 NPF and 1 CPF employers. Members contributions had been reconciled against their Altair record but a reconciliation of employers and employees contributions to monies received and posted in the accounts had not been completed.</p> <p>The PEN 18 system had been updated with year end information by the Systems team but variances had not been investigated by the accountancy team.</p> <p>Variances do not necessarily indicate that monies are owed, these could be due to incorrect recording on returns, or posting of receipts to the accounts. However there remains a risk that incorrect payments may have been made and not identified until this task is</p>	<p>The reconciliation of the 2014/2015 year end returns should be completed prior to the completion of the 2015/2016 reconciliation.</p>	<p>A review of the variances identified and checked with employers to ascertain why these have occurred and payments and transactions reconciled.</p>	<p>Paul Tysoe, 30/6/16</p>

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	completed.			
4	<b>Pensions Payroll</b>			
<b>M</b>	<p>A reconciliation between the pensions payroll and Altair for NPF and CPF has commenced.</p> <p>This has identified significant variances both in the number of pensioner records and also the values of pensions paid.</p> <p><b>NPF</b> 13,962 (12,858 below £100, 822 over £100)</p> <p><b>CPF</b> 14,658 (12,959 below £100, 1496 above £100)</p> <p>£100 has been determined as an acceptable tolerance threshold and therefore the cases below this threshold are not going to be investigated.</p> <p>Investigation of these variances has identified that these may have arisen due to a number of issues including:</p> <ul style="list-style-type: none"> <li>- Records on payroll but not on Altair</li> </ul>	<p>The reconciliation process should be completed in order to confirm the number and value of the adjustments that are required.</p> <p>The Pensions Management team should provide updates to the Pensions Committee on the work already completed and as the work progresses so that they are kept fully informed given the potential risks associated with this piece of work.</p>	<p>The reconciliation of Altair and Payroll to be continued with highest value items being prioritised.</p>	<p>Joanne Walton, Governance Regulations Manager .</p> <p>31/3/17</p>

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	<p>as these preceded the use of Altair</p> <ul style="list-style-type: none"> <li>- Records which were not held on Altair as they were payments relating to teachers</li> <li>- Fire service pensions or elements of fire pension also paid</li> <li>- GMP adjustments that were on payroll and or not on Altair or had not been recorded correctly</li> <li>- Added years which were paid but not included in the Altair records as systems prior to this could not accommodate these transactions/adjustments (CPF)</li> <li>- Deaths which had occurred where pensioners had not been removed from one of the systems</li> <li>- Spouse pensions not adjusted on payroll after short term payments</li> </ul> <p>Work is ongoing to resolve these queries.</p> <p><b>NPF</b> 328 records have been checked to date. 328 investigated to date, 31 have financial implications, £138k overpaid, of which £122k can be reclaimed (6 yrs</p>			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	<p>plus current yr) and £24k underpaid (6 yrs plus current yr).</p> <p><b>CPF</b> 44 records have been checked to date – breakdown as above not yet available.</p> <p>In addition to the financial risks associated with these potential incorrect payments, which cannot be confirmed until each case has been fully investigated, there also remains a reputational risk to LGSS Pensions who may as a result of resolving these issues face adverse criticism by members, employers and or the press. Some of these errors may span a considerable amount of time e.g. 20 years. The Pensions Committee had agreed an overpayments policy which states that only those incorrect payments for the last six plus the current year will be reclaimed.</p> <p>Some of the corrections could have a significant impact on the pensioners' income and they may not have sufficient</p>			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	resources to make the repayments. Equally the pensioners who have not received the correct payments and have been underpaid will need to be recompensed.			
<b>5</b>	<b>Deaths of Pensioners</b>			
<b>M</b>	<p>The discovery of deceased pensioner still in receipt of pension has highlighted the need to have additional controls in place to verify that pensioners are still alive.</p> <p>Currently the pensions service is reliant on deaths of pensioners being notified to them by the next of kin/executors, by banks returning payments when accounts have been closed or by identifying them through the NFI checking process.</p> <p>This means that there could be time delays or there could be non notification if spouses/partners or others concealed the fact that an individual has passed away, and this would be easier to achieve if the person was resident abroad.</p>	<p>The Pensions Service should establish a system to verify if:</p> <ul style="list-style-type: none"> <li>- elderly pensioners are still alive;</li> <li>- pensioners living abroad are still alive;</li> </ul> <p>to ensure that pensions of deceased pensioners are suspended promptly, without delay and that any over payments which may have arisen are recouped.</p> <p>Consideration should be given as to whether to engage in additional national and international checking procedures to assist in this process and whether to re introduce life certificates at certain periodic intervals e.g. at age 70 years and then repeat checks every 3 years.</p>	<p>A review of the controls in place to check if pensioners of a certain age are still alive will be completed.</p>	<p>Joanne Walton, Governance Regulations Manager .</p> <p>31/3/17</p>



Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	The NFI data matching service has recently announced that it is now offering additional more frequent mortality screening service which local authorities can purchase.			

## Appendix 1 – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

### 1.1 Control Environment Assurance

Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place which mitigate the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

## 1.2 Compliance Assurance

However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

## 1.3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

## 1.4 Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks.

For ease of reference, we have used a high/medium/low system to prioritise our findings, as follows:

<b>H</b>	<p>Failure to respond to the finding has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The finding is critical to the system of internal control and action be implemented immediately.</p>	<b>M</b>	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The finding has a significant effect on the system of internal control and action should be implemented as a matter of priority.</p>	<b>L</b>	<p>The finding is important to maintain a reasonable system of internal control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should review, make changes if considered necessary or formally agree to accept the risks.</p>
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**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 8 December 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Asset Pooling</b>
<b>Purpose of the Report</b>	To update Pensions Committee on ACCESS Asset Pooling progress.
<b>Recommendations</b>	<p><b>The Committee are asked to:</b></p> <ol style="list-style-type: none"><li>1. Note the progress made on the Asset Pooling and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the Full Council deadline of early February 2017.</li></ol>
<b>Enquiries to:</b>	Name – Paul Tysoe Tel – 01604 368671 E-mail – <a href="mailto:phtysoe@northamptonshire.gov.uk">phtysoe@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 On the 15<sup>th</sup> July 2016, the ACCESS pooling proposals were submitted to DCLG, comfortably in advance of the required deadline. This report updates on progress since the submission.
- 1.2 The focus of activity following the submission has been mainly around ACCESS governance and the structure of the pool, predominantly whether to rent or build the pooling entity known as the Operator.

## **2. Rent or Buy?**

- 2.1 On 20<sup>th</sup> October 2016, the Pensions Committee approved the agreement of the Chairman at the 2<sup>nd</sup> September 2016 ACCESS Shadow Joint Committee, to initially rent the operator function, with a view in the medium term to wholly own the operator.
- 2.2 A Public Information Notice (PIN) has been issued and work is underway to initiate the procurement process.

## **3. Governance**

- 3.1 The Governance work programme is ongoing to deliver an Inter Authority Agreement between the eleven sponsoring pension funds. This will be a legally binding document addressing key issues such as decision making powers, voting and financial arrangements.
- 3.2 Although the Chairmen currently meet to agree these matters in principle, as individual fund representatives of the ACCESS pool, it is recognised that the approval of such proposals remains with the individual Funds. This will in time require an amendment to individual fund constitutions to empower ACCESS to make certain decisions on behalf of the funds. An example of this is the ongoing Inter Authority Agreement (IAA), which will provide pre pooling powers to the ACCESS Joint Governance Committee; currently the Chairman of each Fund.
- 3.3 The Inter Authority Agreement will cover delegated decision making from Authorities to the ACCESS Joint Governance Committee, being the Chairman (or Vice Chairman) of each constituent fund. Due to the constitutional nature of this document, the individual Fund's monitoring officers are leading on this initiative.
- 3.4 The IAA is a key document and it is intended that it is available for approval by the constituent Full Councils by February 2017. The Officers Working Group (OWG) are procuring legal support to assist with this process. It has been recognised that there is a risk that this document may not be ready for the February Full Council cycle and this consequence and risk shall be raised at the next Shadow Joint Governance Committee on 14<sup>th</sup> December 2016.

## **4 Meeting with the Minister - "Green Light"**

- 4.1 All asset pools are still waiting for a DCLG letter to "green light" the July plans submitted. We are now aware that prior to such letters all pools are invited to meet with the Minister, Marcus Jones, and indications are that following this meeting the "green light" letter will be sent, covering the key points discussed with the Minister.
- 4.2 To this end, all Chairmen have been asked for their interest in attending and meeting dates are expected in early December. The Committee will be given a verbal update on the outcomes of this meeting.

## **5. Resources**

- 5.1 The delivery of asset pooling is dependent upon the availability of resources. It is recognised that the OWG are combining the ongoing business of the pension fund

with the asset pooling agenda, which is a factor in the challenge of meeting the April 2018 deadline. There is an intention that external resources will be used where practical, however the value of the OWG continuity in the ongoing development of asset pooling, is recognised as a key contributing factor to the overall efficiency and quality of asset pool implementation.

- 5.2 The OWG will continue to evaluate the benefit of external resources against cost factors and the continuity of steady development by all.

## 6. Proposals

- 6.1 Note the progress made on the Asset Pooling and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the Full Council deadline of early February 2017.

## 7. 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>
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. <i>Objective 18</i>
Maximise investment returns over the long term within agreed risk tolerances. <i>Objective 19</i>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

## 8. Finance & Resources Implications

- 8.1 The costs of implementation and annual running costs of a rental operator will be shared between all Pension Funds in the ACCESS pool.
- 8.2 Cost sharing arrangement will be included in the Inter Authority Agreement which is currently being drafted by officers and advisors for Member scrutiny and approval.

## 9. Risk Implications

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
Risk of inappropriate asset pooling arrangements.	Informed project plan with strong governance arrangements (Task and Finish Groups, Chairman meetings), supported by appropriate advice (i.e. Legal, Financial and Investment).	Green

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

<b>Risk</b>	<b>Risk Rating</b>
Without a clear ratification of the decision to proceed with the pooling of assets within the ACCESS pool the Fund may face scrutiny as to whether the decision was appropriately made.	Red



## 10. Communication Implications

<b>Website</b>	Pension Committee meeting minutes that are held in public session can be found on the County Council's website detailing resolutions made by the Pension Committee.
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## 11. Legal Implications

- 11.1 Where applicable, appropriate legal advice has been instructed, this has been undertaken at both a Pool and Multi Pool level, with cost sharing between the parties.

## 12 Consultation with Key Advisers

- 12.1 Key advisers have been sought as required covering, legal, financial and Investment matters.

## 13. Alternative Options Considered

- 13.1 Engagement with legal advisers and regular consultation with both the Treasury and the Department for Communities, with support from the Local Government Association, have guided the investigation and discussion on suitable options for asset pooling as required from Central Government guidance and regulation.

## 14. Background Papers

- 14.1 Not applicable

## 15. Appendices

<b>Checklist of Key Approvals</b>	
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 – 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 16/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016



# CAMBRIDGESHIRE PENSION FUND



## Pensions Committee

Date: 8 December 2016

Report by: Head of Pensions

<b>Subject:</b>	<b>Cambridgeshire Pension Fund Training Strategy 2016</b>
<b>Purpose of the Report</b>	<b>To present the Cambridgeshire Pension Fund Training Strategy to members of the Committee.</b>
<b>Recommendations</b>	<b>The Committee are asked to approve the attached Cambridgeshire Pension Fund Training Strategy located in the appendix to this report.</b>
<b>Enquiries to:</b>	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The Training Policy is required to assist the Pensions Committee in performing and developing their individual role with the ultimate aim of ensuring that Cambridgeshire Pension Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 also enforced by the Pensions Regulator.
- 1.2 The current Knowledge Management Policy was previously agreed at the October 2013 Pensions Committee meeting. This can be found in **appendix 1**.
- 1.3 It is now deemed an appropriate time to review the existing Policy to ensure it is fit for purpose and is compliant with the Pensions Regulator's expectations under the Code of Practice 14: Governance and administration of public service pension schemes and also the CIPFA guidance on the knowledge and skills required of Committee members.
- 1.4 A proposed new strategy incorporating the Pensions Regulator and CIPFA requirements has been drafted by Officers and can be found in **appendix 2**.
- 1.5 Section 5 of this report identifies the changes between the 2013 version of the Knowledge Management Policy and the proposed revised Cambridgeshire Pension Fund Training Strategy 2016.

## **2. CIPFA Pensions Finance Knowledge and Skills Framework**

- 2.1 The CIPFA framework covers six areas of knowledge identified as the core requirements for effective management of a public sector pension fund. These are:
- pensions legislative and governance context;
  - pension accounting and auditing standards;
  - financial services procurement and relationship development;
  - investment performance and risk management;
  - financial markets and products knowledge; and
  - actuarial methods, standards and practice.
- 2.2 The framework is designed to improve knowledge and skills in all relevant areas of activity of a Pensions Committee and assist in achieving a degree of knowledge appropriate for the purpose on enabling individuals to properly exercise the functions of a member of a pensions committee.

## **3. The Pension Regulator's Code of Practice**

- 3.1 The Pension Regulator's Code of Practice requires all members of the Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively. Pensions Committee members need to; be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

## **4. Cambridgeshire Pension Fund Training Strategy for Pension Committee Members**

- 4.1 The Cambridgeshire Pension Fund Training Strategy incorporates both the best practice as identified by the CIPFA Technical Knowledge and Skills Framework and the requirements of the Pensions Regulator.
- 4.2 The Strategy also recognises the requirement that skills and knowledge in the remit of a Pensions Committee must be on an individual not collective basis. As such self-assessments will identify individual training needs following which appropriate training will be arranged.
- 4.3 The Strategy sets out the methods by which the members of the Pensions Committee will achieve and maintain the required knowledge and understanding and how this will be measured on an ongoing basis.
- 4.4 It is a statutory requirement to include details of the training undertaken by members of the Pensions Committee in the Fund's Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time. The LGSS Pensions Service will therefore keep detailed records to provide this information.

## **5. Revisions made to the Knowledge Management Policy 2013**

- 5.1 The revised strategy is relevant for members of the Pensions Committee, members of the Local Pension Board and Officers of the Fund. The joint strategy will ensure a streamlined and consistent approach to the development of those charged with the governance of the Fund.
- 5.2 The accumulation of credits has been defined and provides guidelines on how many credits will be accredited for each particular method of training. There is also a distinction between the requirements for members of the Committee and the Local Pension Board and the respective Chairmen.
- 5.3 A scorecard will also be introduced as a tool for recording and monitoring each individuals training target and progress against the target to ensure compliance.

## **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. *Objective 1*
- 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. *Objective 2*
- 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. *Objective 3*
- Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

## **7. Finance & Resources Implications**

- 7.1 Consideration will be given to various training resources available in delivering required training to Members of the Pension Committee and in the most efficient manner.

## **8. Risk Implications**

- a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
Insufficient resources being available to deliver or arrange the required training	Officers of the Fund will monitor these risks and will act accordingly in the best interest of the Fund in conjunction with the Chairman of the Cambridgeshire Pension Committee/ Chairman of the Local Pension Board or Full Council where appropriate.	Amber
The quality of advice or training provided is not to an acceptable standard		Amber
Changes in membership potentially diminishing knowledge and understanding		Amber
Poor attendance at training and/or formal meetings resulting in poor standard of knowledge accrual and maintenance of knowledge		Amber

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

<b>Risk</b>	<b>Risk Rating</b>
If the policy is not approved or enacted non-compliance with the Pension Regulator's Code of Practice and Section 248A of The Pensions Act 2004 may result.	Red

## 9. Communication Implications

<b>Website</b>	The Knowledge Management Policy will be published on the LGSS Pensions Service website.
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## 10. Legal Implications

10.1 Not applicable

## 11 Consultation with Key Advisers

11.1 Hymans Robertson, the Fund's Benefits and Governance Adviser from were consulted in the drafting of this policy.

## 12. Alternative Options Considered

12.1 Not applicable

## 13. Background Papers

13.1 Not applicable

## 14. Appendices

14.1 Appendix 1 – Knowledge Management Policy 2013

## 14.2 Appendix 2 – Cambridgeshire Pension Fund Training Strategy 2016

<b>Checklist of Key Approvals</b>	
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 - 22/11/2016
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 16/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016





# Cambridgeshire Pension Fund

## Training Strategy

### 2016

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## 1. Introduction

- 1.1 This is the training strategy for the Cambridgeshire Pension Fund.
- 1.2 The training strategy is established to aid the Pension Committee and Local Pension Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. A Code of Practice and a Knowledge and Skills Framework have been developed by CIPFA which Local Government Pension Scheme (LGPS) funds are expected to sign up to.
- 1.3 The objective of the CIPFA Knowledge and Skills Framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers to the Pensions Committee.
- 1.4 CIPFA subsequently extended the framework to cover the training and development of Local Pension Board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a Local Pension Board and assist Local Pension Board members in achieving the degree of knowledge appropriate for the purposes of enabling members to properly exercise their functions.
- 1.5 The Public Service Pensions Act 2013 has also amended The Pensions Act 2004 requiring the Pensions Regulator to issue a Code of Practice relating to the requirements of the knowledge and understanding of Local Pension Boards.
- 1.6 Guidance covering the knowledge and understanding of Local Pension Boards in the LGPS was also issued by the Scheme Advisory Board (SAB) in January 2015. Although this has not been designated as statutory guidance it should be acknowledged as best practice.
- 1.7 The training necessary to achieve the additional knowledge and skills will be set out in the appropriate training plan(s) and assessed and recorded.

## 2. Purpose of the Strategy

### 2.1 Strategy Objectives

- 2.1.1 The Cambridgeshire Pension Fund objectives relating to knowledge and skills are to:
  - Ensure the Cambridgeshire Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
  - Ensure the Cambridgeshire Pension Fund is effectively governed and administered; and
  - Ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government

2.1.2 To achieve these objectives –

2.1.3 Members of the Pension Committee require an understanding of:

- Their responsibilities as delegated to them by Cambridgeshire County Council as an administering authority of an LGPS fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the Cambridgeshire Pension Fund;
- Controlling and monitoring the funding level; and
- Effective decisions in the management of the Cambridgeshire Pension Fund.

2.1.4 Local Pension Board members must be conversant with –

- The relevant LGPS Regulations and any other regulations governing the LGPS;
  - Any document recording policy about the administration of the Cambridgeshire Pension Fund;
- and have knowledge and understanding of:
- The law relating to pensions; and
  - Such other matters as may be prescribed.

2.1.5 To assist in achieving these objectives, the Cambridgeshire Pension Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and Code of Practice to meet the skill set within that Framework. Attention will also be given to the guidance issued by the Scheme Advisory Board, the Pensions Regulator and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Pension Committee's and the Local Pension Board's activities as set out in the Fund Business Plan. For example, funding training will be given immediately preceding the meeting that discusses the Funding Strategy Statement.

2.1.6 In addition to the Pension Committee and Local Pension Board members, all those with decision making responsibility in relation to LGPS will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified; and
- seek to maintain their knowledge.

## **2.2 How the strategy meets Cambridgeshire Pension Fund Objectives**

2.2.1 The strategy meets the following objectives of the Cambridgeshire Pension Fund as set out in the Business Plan and Medium Term Strategy -

- 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;
- 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;
- 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;
- Continually monitor and measure clearly articulated objectives through business planning; and
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate

### 3. Effective date

3.1 This strategy was approved by the Pension Committee on XX and is effective from XX.

### 4. Review

4.1 This strategy is expected to be appropriate for the long-term but it will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

### 5. Scope

5.1 This policy applies to -

- members of the Pension Committee;
- members of the Local Pension Board; and
- officers of the Fund

### 6. Delivery of Training

#### 6.1 Training Resources

6.1.1 Consideration will be given to various training resources available in delivering training to the Pension Committee and Local Pension Board members. These may include but are not restricted to:

For Pension Committee and Local Pension Board Members	For Officers
<ul style="list-style-type: none"> <li>• In-house – shared training events where possible</li> <li>• Self-improvement and familiarisation with regulations and documents</li> <li>• The Pension Regulator's e-learning programme</li> <li>• Attending courses, seminars and external events</li> <li>• Internally developed training days and pre/post meeting sessions</li> <li>• Shared training with other funds or frameworks</li> <li>• Regular updates from officers and/or advisers</li> <li>• Circulated reading material</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop / work based training</li> <li>• Attending courses, seminars and external events</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)</li> <li>• Internally developed sessions</li> <li>• Shared training with other funds or frameworks</li> <li>• Circulated reading material</li> </ul>

## 6.2 Training Plans

6.2.1 To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The individual;
- The general pensions environment;
- Coping with change and hot topics.

6.2.2 Training plans will be developed at least on an annual basis. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, key events (e.g. the triennial valuation) and receipt of updated guidance.

6.2.3 Induction training will be provided for all new officers with pension responsibilities, members of the Pension Committee and members of the Local Pension Board. This will involve covering the requirements of the training strategy alongside guidance and information on the requirements of their roles.

## 6.3 External Events

- 6.3.1 A log of potential external events which may count towards credits will be maintained on an ongoing basis. This will be updated as information on events becomes available and will be provided at Pension Committee and Local Pension Board meetings. If an event occurs before the next meeting is convened, members will be advised by email.
- 6.3.2 After attendance at an external event, Pension Committee and Local Pension Board members will be expected to provide feedback via a feedback form which will be issued by Officers covering the following points:
- Their view on the value of the event and the merit, if any, of attendance;
  - A summary of the key learning points gained from attending the event; and
  - Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Committee or Local Pension Board members.
- 6.3.3 Officers attending external events will be expected to report to their direct line manager with feedback covering the following points:
- Their view on the value of the event and the merit, if any, of attendance;
  - A summary of the key learning points gained from attending the event; and
  - Recommendations of any subject matters at the event in relation to which training would be beneficial to other officers.

## 7. Ongoing development

### 7.1 Maintaining Knowledge

- 7.1.1 In addition to undertaking on-going assessment in order to measure knowledge and skills against the CIPFA requirements and identify knowledge gaps, Officers, Pension Committee and Local Pension Board members are expected to maintain their knowledge of on-going developments and issues through attendance at external events and seminars.
- 7.2.1 Appropriate attendance at events for representatives of the Pension Committee and Local Pension Board will be agreed by the appropriate Chairman. Attendance at events for officers will be agreed via their relevant line manager.
- 7.2.2 A list of future events and seminars will be presented at each Pension Committee and Local Pension Board meeting. If an event occurs before the next meeting is convened, members will be advised by email.

- 7.2.3 The Head of Pensions will decide an appropriate level of credits for attendance at an event depending on the type of event, its content and relevance to knowledge maintenance but based on the guide given in section 8 below. The level of credit may then be re-evaluated when receiving feedback (see 6.3 above).
- 7.2.4 In any event, attendance at events and seminars (which may include some internal training sessions) that are not direct training courses focussed on the CIPFA Knowledge Skills Framework or issued guidance but enhance and improve related on-going and emerging pension knowledge will count as one credit for each session of up to a half day.
- 7.2.5 Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Committee in the near future or is subject to review by the Board. These will also count as credits in maintaining knowledge.
- 7.2.6 Given the importance of the roles of Chairman of the Pension Committee and Chairman of the Local Pension Board in leading and shaping the direction of their respective bodies, it is expected that they will both be able to demonstrate an additional level of knowledge and skills to that required by the other members of the Pension Committee and Local Pension Board.

## 8. Recording Training

### 8.1 Training Credits

- 8.1.1 As a measure of training given or knowledge level, Pension Committee and Local Pension Board members are expected to have a minimum level of training credits. Credits will be awarded in recognition of attendance at training events, successful completion of recognised training assessment or for attendance at relevant industry events or seminars. This approach recognises that members of the Pension Committee and Local Pension Board may have different learning styles, while at the same time requiring that an appropriate core level of knowledge is attained.
- 8.1.2 Credits will be awarded in accordance with the following guide:



Method of attaining credit	Number of credits awarded
Completion of a single module of the Pensions Regulators e-learning toolkit. There are 7 modules in total.	1 credit per module passed and valid for 2 years.
Completion of a module of the CIPFA Knowledge and Skills Framework. 8 modules in total with 4 events scheduled per year.	2 credits per module passed and valid for 2 years (a pass being awarded for achieving at least 2/3rds of the available marks).
Successful completion on a knowledge assessment upon appointment to either the Committee or Board.	2 credits valid for 2 years.
Successful completion of a knowledge assessment following a training event organised by the Cambridgeshire Pension Fund. This would typically be held as part of a full Pension Committee or Local Pension Board meeting. There will be a minimum of 2 training sessions per year.	1 credit per session and valid for 2 years.
Attendance at an approved conference, seminar or external training event	2 credit for a full day's attendance. 1 credit for a half day's attendance. Credits valid for 2 years

## 8.2 Number of credits required

- 8.2.1 The chairs of the Pension Committee and the Local Pension Board will each be expected to accumulate 29 credits over a rolling 2 year period.
- 8.2.2 The remaining members of the Pension Committee and Local Pension Board will be expected to accumulate 25 credits over a rolling 2 year period.
- 8.2.3 Credits can be obtained in any combination but the credit level has been set at a level which will require commitment to and attendance at Cambridgeshire Pension Fund training events as well as successful completion of training assessments. Credits will be measured and monitored by LGSS Pensions in conjunction with the Chairman of the Committee or Board over rolling 2-year period.
- 8.2.4 It is acknowledged that where an individual is new to the role there will be a lead-in period before the member will be expected to demonstrate the full range of knowledge and skills

### 8.3 Scorecard

8.3.1 For the purposes of disclosing the level of knowledge and understanding of through the scorecard mechanism, the following will be recorded separately for the Pension Committee and Local Pension Board:

- Total number of credits possible collectively in the period in question for a new member joining after that date;
- Total number of credits achieved collectively in the same period.

8.3.2 The latter score will be flagged as green if this represents at least 90% of the potential target, amber for between 60% and 89% (inclusive) and red if below 60%.

8.3.3 Separately, LGSS Pensions will hold a record of each individual's training credits split between attendance and assessment and will be shared with the chairman of the relevant Pension Committee or Local Pension Board on an annual basis.

## 9. CIPFA Requirements

### 9.1 CIPFA Knowledge and Skills Framework

9.1.1 In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

9.1.2 The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

### 9.2 Local Pension Boards: A Technical Knowledge and Skills Framework

9.2.1 In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of Local Pension Boards, albeit there exists an overlap with the original Framework. The Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;

- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

### **9.3 CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")**

9.3.1 CIPFA's Code of Practice, issued in 2013, embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

9.3.2 The Cambridgeshire Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This training strategy formally sets out the arrangements the Cambridgeshire Pension Fund will take in order to comply with the principles of the Code of Practice.

## **10. Guidance from the Scheme Advisory Board**

### **10.1 General Principles**

10.1.1 The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's Code of Practice and in January 2015 published Guidance for administering authorities to support them in establishing their Local Pension Board. The Guidance includes a section designed to help Local Pension Board members to understand their knowledge and understanding obligations.

10.1.2 Knowledge and understanding must be considered in the light of the role of a Local Pension Board and Cambridgeshire Pension Fund will make appropriate training available to assist and support members in undertaking their role.

### **10.2 Committee Members**

10.2.1 Although the CIPFA Knowledge and Skills Framework complements the Code of Practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of an s101 Pension Committee. However the view of the Cambridgeshire Pension Fund is that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. Sections 10.3 to 10.5 below are therefore still relevant in the consideration of the training needs of Pension Committee members.

### **10.3 Degree of Knowledge and Understanding**

10.3.1 The role of the Local Pension Board is to assist the Scheme Manager i.e. the administering authority. To fulfil this role, Local Pension Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or Codes of Practice.

10.3.2 Local Pension Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the Cambridgeshire Pension Fund in enough detail to know where they are relevant and where it will apply.

### **10.4 Acquiring, Reviewing and Updating Knowledge and Understanding**

10.4.1 Local Pension Board members should commit sufficient time in their learning and development and be aware of their responsibilities immediately they take up their position. The Cambridgeshire Pension Fund will therefore provide induction training for all new Board members.

### **10.5 Flexibility**

10.5.1 It is recognised that a rigid training plan can frustrate knowledge attainment when too inflexible to reflect a change in pension law or new responsibilities required of the Local Pension Board. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

## **11. The Pensions Regulator**

### **11.1 E-learning toolkit**

11.1.1 The Regulator has developed an on line tool designed to help those running public service schemes to understand the governance and administration requirements in the public service schemes Code of Practice. The toolkit is an easy to use resource and covers 7 short modules. These are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

11.1.2 These modules are designed to apply to all public service schemes and are not LGPS specific. The toolkit is designed specifically with Local Pension Board members in mind; however in the view of Cambridgeshire Pension Fund the material covered is of equal relevance to members of the Pension Committee. Completion of the toolkit will not in itself provide Pension Committee and Local Pension Board members with all the information they require to fulfil their knowledge and skills obligations. It does however provide a good grounding in some general areas and all members of both the Pension Committee and Local Pension Board will be expected to complete the full 7 modules over time.

## 12. Training records and certification

### 12.1 Progress and achievement

12.1.1 Training plans will be used to document and address any knowledge gaps and update areas of learning where required and assist in the acquisition of new areas of knowledge in the event of change

12.1.2 Progress and achievement will be certificated at least on an annual basis individually to all Pension Committee and Local Pension Board members.

These will detail:

- The current assessment of an individual's acquired knowledge;
- Their progress against achieving the credits from other internal/external training or events; and
- All training courses and events attended by them to date.



**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 8 December 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Business Plan Update report 2016-17</b>
<b>Purpose of the Report</b>	<b>To present the third Pension Fund Business Plan Update for the 2016-17 financial year to the Pension Committee.</b>
<b>Recommendations</b>	<b>The Committee are asked to note the attached Pension Fund Business Plan Update for the 2016-17 financial year.</b>
<b>Enquiries to:</b>	Name – Jo Walton, Governance and Regulations Manager Tel – 01604 367030 E-mail – <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the key activities and ensures that the Pension Fund's objectives are being met.

**2. Business Plan Update**

**2.1 Altair Pensioner Payroll Update**

- 2.1.1 Altair Pensioner Payroll went live in October after a successful two month parallel running period.
- 2.1.2 All Cambridgeshire Pension Fund pensioners were paid accurately and on time with the exception of 63 members out of approximately 16,169 members who had elected to have their pension paid into an overseas bank account. Regretfully, the BACS file produced from Altair was not programmed to pick up the references held in different locations on Altair Payroll that would enable automatic transfer by the intermediary company, Equiniti, into the member's overseas bank accounts.
- 2.1.3 This issue was resolved by LGSS payroll submitting further information to Equiniti, which ultimately led to the affected members being paid their pension paid 7 days later than they normally would receive payment.

- 2.1.4 All members who received their pension late have been written to and offered reimbursement of any bank charges that may have incurred.
- 2.1.5 Member records have now been updated to ensure that this issue will not arise again.

## **2.2 Overpayment of Pensions**

- 2.2.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 September 2016 to 31 October 2016. Further detail is provided in sections 2.2.2 to 2.2.4.

<b>Overpayment Type</b>	<b>Action</b>	<b>Amount</b>	<b>Total</b>
Death of a Pensioner/Dependent	Written off	£2,014.46 (27 cases)	£5,090.91 (34 cases)
	In the process of recovery	£3,076.45 (7 cases)	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

- 2.2.2 During the period 1 September 2016 to 31 October 2016, 34 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. 27 of the overpayments were automatically written off as the value of the overpayment was less than £250. The remaining 7 cases are currently being pursued for recovery of the overpayment.

In this period, £7,192.15 of overpayments of pension has been recovered for the 2015-16 financial year and £1,616.49 has been recovered to date for the current financial year.

## **2.3 2016 Actuarial Valuation of the Pension Fund**

- 2.3.1 Following the initial Whole Fund Results that were presented at the October meeting of the Pensions Committee, the Actuary has provided the service with individual employer results which were issued to employers ahead of the Employer Forum on 30<sup>th</sup> November.
- 2.3.2 The risk profile of the Fund's employers is currently also being reviewed to assist with setting the appropriate contribution rates. The most at risk employers will be identified so that it can be decided whether any further investigation is required.
- 2.3.3 A valuation briefing for the County, District and Borough Councils' Chief Financial Officers was held on 15<sup>th</sup> November in order to discuss the initial valuation results for those scheme employers.
- 2.3.4 For employers attending the forum, these results will be discussed in detail and employers will have an opportunity to raise any concerns they may have.



## 2.4 Procurement of actuarial, governance and benefits consultancy updates

- 2.4.1 As previously agreed by the Pension Committee, a joint procurement exercise will be undertaken with Northamptonshire Pension Fund to procure actuarial, governance and benefits consultancy services from The National LGPS Framework by 30 June 2017.
- 2.4.2 Joining forms have been submitted to receive supplier catalogues and pricing schedules. Once received, further consideration will be given to progress the procurement process further.

## 2.5 Variances against the forecast of investments and administration expenses

- 2.5.1 The following table provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2016 to 31 March 2017. These figures reflect against the original estimate and inform typical reasons for variances with additional specific detail where necessary.

	<b>2016-17 Estimate</b>	<b>2016-17 Forecast</b>	<b>Variances</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Contributions	(111,082)	(123,000)	11,918	Variance due to increased active membership, evidenced by 2015/16 outturn of £118,843k being greater than 2016/17 estimate.
Transfers in from other pension funds	(5,370)	(5,370)	0	Demand led
<b>TOTAL INCOME</b>	<b>(116,452)</b>	<b>(128,370)</b>	<b>11,918</b>	
Benefits payable	92,784	97,000	4,216	Variance due to increased pensioner membership, evidenced by 2015/16 outturn of £92,374k being close to 16/17 estimate.
Payments to and on account of leavers	5,370	5,370	0	Demand led.
	<b>98,154</b>	<b>102,370</b>	<b>4,216</b>	

<b>Management Expenses</b>	7,855	8,027	172	See tables below
<b>TOTAL INCOME LESS EXPENDITURE</b>	<b>(10,443)</b>	<b>(17,973)</b>	<b>(7,530)</b>	
Investment Income	(28,000)	(28,000)	0	No variance
Taxes on Income (Profit) and losses on disposal of investments and changes in the market value of investments	(73,000)	(73,000)	0	No variance
<b>Net return on investments</b>	<b>(101,000)</b>	<b>(101,000)</b>	<b>0</b>	
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>(111,443)</b>	<b>(118,973)</b>	<b>(7,530)</b>	

<b>Management Expenses</b>	<b>2016-17 Estimate</b>	<b>2016-17 Forecast</b>	<b>Variances</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total administration expenses	2,249	2,363	114	See below
Total governance expenses	428	428	0	No variance
Total investment expenses	5,178	5,178	0	See below
<b>Total Management Expenses</b>	<b>7,855</b>	<b>7,969</b>	<b>114</b>	

<b>Administration Expenses</b>	<b>2016-17 Estimate</b>	<b>2016-17 Forecast</b>	<b>Variances</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Staff related	1,184	1,204	20	Part year revised budget to reflect additional posts
Altair system	259	259	0	No variance
Altair payroll project	0	152	152	Variance represents the complete Altair project cost. Actual overspend from original business case is £27,500.
Communications	64	64	0	No variance
Other non-pay and income	40	40	0	No variance
County Council overhead recovery	702	702	0	No variance
<b>Total Administration Expenses</b>	<b>2,249</b>	<b>2,421</b>	<b>172</b>	

<b>Investment Expenses Analysis</b>	<b>2016-17 Estimate</b>	<b>2016-17 Forecast</b>	<b>Variances</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Management fees	4,720	4,720	0	No variance
Investment expenses	458	458	0	No variance
<b>Total Investment Expenses</b>	<b>5,178</b>	<b>5,178</b>	<b>0</b>	

<b>Governance Expenses Analysis</b>	<b>2016-17 Estimate</b>	<b>2016-17 Forecast</b>	<b>Variances</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Governance Costs	328	328	0	No variance
ACCESS Asset Pooling Costs	100	100	0	No variance
<b>Total Governance Expenses</b>	<b>428</b>	<b>428</b>	<b>0</b>	

## 2.6 Customer Service Excellence

2.6.1 The final assessment of the Customer Service Excellence (CSE) accreditation was held on 21 June 2016 and following this the LGSS Pensions Service has been awarded the CSE Standard.

2.6.2 The service will have another full assessment in 2019 with regular mini assessments until this time to ensure the standard the service is delivering remains high during this time.

## 2.7 LGSS Pensions Service and scheme employer key performance indicators

2.7.1 The performance for LGSS Pensions Service for the period 1 September 2016 to 31 October 2016 is as follows -

<b>Key Performance Indicators</b>	<b>Target</b>	<b>Month</b>	
		<b>September</b>	<b>October</b>
Notify leavers of deferred benefit entitlement. (Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information)	90%	97%	97%
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	95%	100%	100%

Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	90%	85%
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	90%	85%	74%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	94%	97%
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	95%	100%	100%
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	100%	N/A
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	60%	100%

2.7.2 The full analysis of data for September and October statistics along with explanations on the lower than expected performance can be found in Appendix 1 of this report.

2.7.3 The performance for scheme employers for the period 1 August 2016 to 30 September 2016 is as follows -

Key Performance Indicators	Target %	Month %	
		August	September
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	100%	96.6%	97.1
Employers to provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	N/A	N/A

## 2.8 Timeliness of employer and employee pension contributions

2.8.1 The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late (after the 19<sup>th</sup> of the month following deduction) for the period 1 October 2015 to 30 September 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
March 2016	97.6	2.4	97.3	2.7
April 2016	96.3	2.7	94.5	5.0
May 2016	97.0	3.0	95.3	4.7
June 2016	97.2	2.8	96.9	3.1
July 2016	97.2	2.8	99.1	0.9
August 2016	96.6	3.4	95.9	4.1
September 2016	97.1	2.9	97.3	2.7
<b>Average for period</b>	<b>97.5</b>	<b>2.5</b>	<b>96.8</b>	<b>3.2</b>

2.8.2 For August there were 2 employers who did not make a payment and 10 employers who made a late payment equating to £35,461.54 which is approximately 0.35% of the amount due for the month.

- 2.8.3 The 12 employers collectively have 37 employees contributing to the Local Government Pension Scheme. The 2 employers that have not made payment did also not submitted a payment schedule and a therefore monetary amount was not available and not included in the figure.
- 2.8.3 For September 1 employer failed to make a payment and 3 employers made late payments equating to £47,367.89. Which is approximately 0.47% of the total due to the Fund for the month.
- 2.8.4 Four of the above cases were deemed of material significance and have been reported to the Pensions Regulator. The employers have been notified and have been reminded of the statutory requirements going forward.
- 2.8.5 Full details of the employers that have been reported to the Pensions Regulator can be found in appendix 2 (private appendix).

### 3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*

### 4. Finance & Resources Implications

- 4.1 The financial and resource implications are set out in the Business Plan.

### 5. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

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

Risk	Risk Rating
If the Fund does not have a Business Plan Update there will be significant lack of direction, control and structure in the management of its business.	Amber

## 6. Communication Implications

<b>Direct Communications</b>	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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## 7. Legal Implications

7.1 Not applicable

## 8 Consultation with Key Advisers

8.1 Consultation with the Funds 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 – Pensions Service KPI analysis for September and October

11.2 Appendix 2 – Employers reported to the Pensions Regulator (**confidential appendix**)

<b>Checklist of Key Approvals</b>	
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 Haywood– 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 14/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016

## Appendix 1 – Pensions Service KPI analysis for September and October 2016

### September 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	393	382	11	97%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	130	130	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	40	36	4	90%		<p>Low volume of case work in this area and this impacts the percentage if there are cases not within target.</p> <p>Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.</p>



Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	67	57	10	85%		Cases outside of SLA target due to high volumes of actual retirement work during August and September, staffing issues and payroll project.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	16	15	1	94%		Low volume of case work in this area and this impacts the percentage if there are cases not within target.  Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	5	3	2	60%		Low volume of case work in this area and this impacts the percentage if there are cases not within target.  Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

October 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	335	326	9	97%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	110	110	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	39	33	6	85%		Low volume of case work in this area and this impacts the percentage if there are cases not within target.  Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	164	122	42	74%		Cases outside of SLA target due to a backlog of checking resulting from high volumes of actual retirement work during August and September, staffing issues and payroll project
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	28	1	97%		
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	5	5	0	100%		

**Green:**

- **Equal to or above SLA target.**

**Amber:**

- **If there is a statutory target - below SLA target, but all within statutory target.**
- **If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.**

**Red:**

- **If there is a statutory target - below SLA target and all not within statutory target.**
- **If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.**

