

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

4 November 2022

Report by: Head of Pensions

Subject	Governance and Compliance Report
Purpose of the Report	<p>To provide the Pension Fund Board with information on:</p> <ol style="list-style-type: none"> 1) Pensions Dashboards Regulations 2022 2) Scheme Advisory Board – Annual Report 3) Academy Guarantee 4) Taskforce on Climate related Financial Disclosures (TCFD) consultation 5) Skills and knowledge opportunities
Recommendations	The Pension Fund Board are asked to note the Governance and Compliance Report.
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1. Background

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

2. Developments

2.1 Pensions Dashboards Regulations 2022

- 2.1.1 Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.
- 2.1.2 There have been several sets of draft regulations and consultations issued during 2022 on the finer technical detail of establishing and connecting to a pensions dashboard and part of which was at what point the LGPS (and all other Public Sector Pension Schemes) would be required to connect to and supply data to a dashboard.

- 2.1.3 In July 2022 an announcement was made that the LGPS would not be required to connect to a dashboard at the initial staging date of April 2024 as this would not allow Funds sufficient time to undertake all the remedial work required of the McCloud remedy which can only begin from October 2023. The LGPS now has a staging date of 30 September 2024 to connect to a pensions dashboard and a date of 1 April 2025 to make scheme member data available on the dashboard.
- 2.1.4 In light of this information and detail arising from the regulations and consultation responses a detailed report of the work that needs to be undertaken by the fund to meet the staging date and to be able to provide data to the dashboard, was commissioned from the Fund's Governance Advisors, Aon. This report will enable a detailed project plan to be devised to meet the required deadlines.
- 2.1.5 The LGPC response to the consultation can be found in full [here](#). The Pension Fund Board will be kept up to date with developments regarding the Pensions Dashboard.

2.2 Scheme Advisory Board – Annual Report

- 2.2.1 On 13 June 2022, the Scheme Advisory Board published its annual report for 2021. The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. The report collates information supplied by the 86 administering authorities, as 31 March 2021.
- 2.2.2 The main highlights from the report are:
- Total membership increased by 1.08% to 6.226 million.
 - Total assets increase by 23.4% to £342 billion.
 - Local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56% (which was reflective of market conditions).
 - A positive cash flow was maintained overall (including investment income).
 - Over 1.8 million pensioners paid.
 - Total management charges increased by £196 million (12.9%) primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.
- 2.2.3 The full report can be found [here](https://lgpsboard.org) [LGPS Scheme Advisory Board - Scheme Annual Report \(lgpsboard.org\)](https://lgpsboard.org).

2.3 Academy Guarantee

- 2.3.1 In 2013, the government introduced the academy guarantee. The guarantee provides that in the event of an academy closing, any outstanding liabilities will not revert to the LGPS Fund.
- 2.3.2 Following a reassessment, the government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee.
- 2.3.3 Although there is no end date to the guarantee, the government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.

2.4 Taskforce on Climate related Financial Disclosures (TCFD) consultation

2.4.1 The Department for Levelling Up, Housing and Communities issued their TCFD consultation on 1 September 2022 for the LGPS in England and Wales.

2.4.2 The proposed requirements are similar to the current requirements for private pension schemes, although is slightly simplified and applies to LGPS of all sizes (rather than a phased approach for private pension schemes). The requirements will therefore apply to all LGPS funds from 2023/24 regardless of fund size.

2.4.3 The regulations are expected to be in force by April 2023 with the deadline for the first report being 1 December 2024.

2.4.4 The key proposals are summarised as follows:

- Governance – Administering Authorities (AAs) must establish and keep up to date processes to monitor risks and opportunities associated with climate change. This includes ensuring that officers and advisors also have processes in place.
- Strategy - AAs should include detail on their approach to assessing and managing climate related risks and opportunities in both their funding and investment strategies.
- Scenario analysis - AAs will be required to carry out two sets of scenario analysis, which is specific to their funding and investment strategies and must be carried out at least every three years. Importantly, this relates to the Fund's assets and liabilities (not just their assets). One scenario must be the "Paris-aligned" scenario (which assumes an ultimate 1.5 to 2 degree temperature rise above pre-industrial levels) and the other scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
- Risk Management – AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
- Metrics - There are four key metrics which need to be reported on. These relate to greenhouse gas emissions, the carbon footprint of fund assets, the quality of the available data on emissions, and a Paris-aligned metric requiring AAs to report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.
- Targets - AAs will be expected to set a target in relation to one metric, the chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD. Progress against the target must be assessed once a year, and the target revised if appropriate.
- Approach to reporting - The AA should publish an annual Climate Risk Report, by 1 December of each year (starting 1 December 2024). This may be a standalone report, or a section in the AA's annual report.

- Scheme Climate Risk Report - It is proposed that the Scheme Advisory Board should prepare an annual report linking to each Fund's individual reports and aggregate figures for the four key metrics mentioned above.

2.4.5 The consultation closes on the 24 November 2022 and full details can be found [here](#).

2.5 Skills and knowledge opportunities

- 2.5.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (governance and administration of public service pension schemes) require all members of the Pension Fund Committee and Board to maintain the necessary skills and knowledge to undertake their role effectively.
- 2.5.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee and Board, Appendix 1 lists the main events that are deemed useful and appropriate.
- 2.5.3 If members of the Pension Fund Board would like to attend any of the events listed in Appendix 1, please contact a member of the Fund's governance team who will make the necessary arrangements if an invitation has not already been sent.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
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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>
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To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

4. Risk Management

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

Risk	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Fund Board to enable informed decision making	Green

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

5. Communication Implications

- 5.1 Training - All staff involved in the administration of the LGPS are aware of how any new developments impact on the calculation and payment of benefits from the scheme.
- 5.2 Employers - All relevant items are communicated to scheme employers via website updates.

6. Finance & Resources Implications

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

7. Legal Implications

- 7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable

10. Background Papers

- 10.1 Not applicable

11. Appendices

- 11.1 Appendix 1 Skills and Knowledge training schedule

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 17/10/2022