

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Governance and Legislation Report
Purpose of the Report	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.
Recommendations	That the Pensions Committee notes the content of the report.
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1. Background

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

2. Governance – Activities of the Scheme Advisory Board

2.1 Board Update

- 2.1.1 The Scheme Advisory Board met on 1 August 2016 and considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.

- 2.1.2 Also at this meeting Scheme Advisory Board agreed to proceed with the selection process to fill the vacant non-voting member seat which has been allocated to practitioners. Seven nominations were received by the closing date for nominations and so an election process was carried out to complete the process. Each LGPS administering authority with an open fund was invited to cast one vote for their preferred candidate. A vote was held in August with Nicola Mark of Norfolk Pension Fund being the preferred candidate.
- 2.1.3 The final result issued on 20 September 2016 was for Nicola Mark to fill the non-voting practitioner member seat on the Local Government Pension Scheme Advisory Board.
- 2.1.4 A report was considered by the Scheme Advisory Board on the issues of asset pooling in the Local Government Pension Scheme (LGPS). The Board agreed that the Chair write to the Minister expressing concern over the delay in approving submitted asset pool investment proposals and reinforcing the case for consistency and equality in assessment against the four criteria with a degree of pragmatism. It further agreed that the Chair write to the Secretary of State (copy to the Minister) requesting a meeting to discuss the Government's latest approach to infrastructure investment, particularly the issue of cost and/or risk sharing.

The full update can be found at -

<http://www.lgpsboard.org/index.php/about-the-board/board-updates>

3. Governance – Activities of the Pensions Regulator

3.1 Prosecution Policy

- 3.1.1 There are a number of criminal offences concerned specifically with workplace pensions. The Pensions Regulator has the power to prosecute these offences, as well as other offences that form part of the same facts or events or are otherwise connected to enforcement functions.
- 3.1.2 The Pensions Regulator has produced a policy that identifies a risk-based approach to prosecution decisions, considers each case on its particular facts and explains how they will use their prosecution powers. The annex of the policy lists the criminal offences under workplace pension's legislation and can be found at –

<http://www.thepensionsregulator.gov.uk/docs/prosecution-policy.pdf>

3.2 Public service pensions scheme return

- 3.2.1 The Pensions Regulator has issued its annual scheme return for public service pension schemes, which each LGPS fund has a legal duty to complete.
- 3.2.2 The return was submitted on behalf of Cambridgeshire Pension Fund ahead of the 11 August 2016 deadline.
- 3.2.3 More information about the scheme return and the information required is available on the Pensions Regulator's website -

<http://www.thepensionsregulator.gov.uk/public-service-schemes/reporting-duties.aspx>.

4. Pensions and Lifetime Savings Association (PLSA) survey of LGPS pension funds

4.1 The Pensions and Lifetime Savings Association is currently undertaking its annual survey of LGPS pension funds with the aim of obtaining insights into the changing landscape in which pension schemes operate. The deadline for responses was 29 August 2016 which was met by Cambridgeshire Pension Fund. The results of the survey will be shared with the Pension Committee once they become available.

4.2 In addition, the Pensions and Lifetime Saving Association have issued the first of a series of guides for employers participating in the LGPS:

- Guide for employers participating in the LGPS: An introduction to the LGPS for scheduled bodies; and;
- Guide for employers participating in the LGPS navigating entry into the LGPS: for local government contractors.

Both documents are available on the PLSA's website and later this year there are plans to issue further guides for employers, focusing on participating and leaving the scheme.

<http://www.plsa.co.uk/PolicyandResearch/DB/Employers-participating-in-the-LGPS.aspx>

5. Consultations

5.1 Local Government Pension Scheme Regulations

5.1.1 On 27 May 2016 the Department for Communities and Local Government issued a 12 week consultation on a number of changes to the Local Government Pension Scheme in England and Wales.

5.1.2 The consultation focussed on the long awaited changes being proposed to accommodate New Fair Deal as well as specific draft regulations that would provide members with more options for using their Additional Voluntary Contributions in the scheme following the introduction of the Government's policy of Freedom and Choice in Pensions. The consultation also addressed draft regulations on how the scheme operates within the Public Sector Transfer Club and a number of draft amending regulations that are intended to improve the administration of the scheme.

5.1.3 The consultation closed on 20 August 2016. LGSS Pensions did not have capacity to respond to this consultation on this occasion, however, the response from the Local Government Association can be found at the following link;

<http://lgpsregs.org/images/Drafts/2016-05LGPSAmendsConsResponse.pdf>

5.2 Colleges Insolvency Regime

- 5.2.1 The Department for Business, Innovation and Skills (now transferred to the Department for Education) conducted a consultation in July 2016 on the development of an insolvency regime for further education colleges and sixth form colleges.
- 5.2.2 On 28 July 2016 the DfE attended a meeting with 13 LGPS funds, which included LGSS Pensions representation in respect of Cambridgeshire Pension Fund and Northamptonshire Pension Fund to discuss the proposals and the possible impacts on the LGPS. DfE stated that whilst the proposed changes will provide for a formal framework via which a college's insolvency can be administered in the future, there will be no greater likelihood of a college becoming insolvent than there has been in the past. It is the view of the Government that the area review process currently ongoing should mean colleges should be financially more secure in the future.
- 5.2.3 In response, funds provided colleagues at DfE with a description of some of the issues associated with the participation of colleges in the LGPS. These issues included college's ongoing financial security in the absence of a Government guarantee of colleges' pension liabilities; and the absence of colleges' engagement with LGPS funds in the area review process. These issues were picked up in the Local Government Association's response to the consultation which can be found at the following link;
- <http://lgpsregs.org/images/Drafts/2016-07FEInsolvencyConsResponse.pdf>
- 5.2.4 Following the meeting the Local Government Association undertook a survey of pension funds in England and Wales to provide a firmer idea of the scale of liabilities that further education and sixth form colleges represent in the LGPS. The findings of this survey will be shared with the Pension Committee once they become available.

6. Legislation

6.1 Guidance on Preparing and Maintaining an Investment Strategy Statement

- 6.1.1 On the 15 September DCLG issued the above new guidance. New investment regulations published on 23 September 2016 include a requirement for administering authorities to publish new Investment Strategy Statements by 1 April 2017 in accordance with this new guidance. Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force from 1 November 2016. An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

6.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

- 6.2.1 These Regulations, which come into effect on 1 November 2016, make provision in relation to the management and investment of pension funds held by administering authorities required to maintain such funds by the Local Government Pension Scheme Regulations 2013.
- 6.2.2 The most significant amendment surrounds Regulations 7 and 8 which respectively require authorities to publish an investment strategy in accordance with guidance issued by the Secretary of State and enable the Secretary of State to issue a direction to any authority which fails to comply with its statutory obligations as regards its pension fund or which fails to act in accordance with the guidance.

7. Training Events

- 7.1 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.
- 7.2 In order to facilitate the acquisition of skills and knowledge, **appendix 1** lists all events that are deemed useful and appropriate.
- 7.3 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.

8. 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>

9. Finance & Resources Implications

- 9.1 Not applicable

10. Risk Implications

- a) Risk(s) associated with the proposal

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

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

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

11. Communication Implications

Training	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
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12. Legal Implications

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

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 There are no alternative options to be considered.

15. Background Papers

15.1 Not applicable

16. Appendices

16.1 Appendix 1 - List of training events/conferences

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

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 th 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

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