

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 24 March 2016

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Results of the Pensions Regulator's survey of public service governance and administration</b>
<b>Purpose of the Report</b>	<b>To inform the Pension Committee of the survey results and the extent to which the Cambridgeshire Pension Fund has achieved compliance with the Pensions Regulator code of practice</b>
<b>Recommendations</b>	<b>That the Pension Committee notes the content of the report and approves the proposed course of action to achieve full compliance with the Pensions Regulator's code of practice</b>
<b>Enquiries to:</b>	<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></b>

**1. Background**

- 1.1 Following the introduction of the Public Service Pension Act 2013, with effect from 1 April 2015 the Pensions Regulator became responsible for regulating the governance and administration of public service pension schemes and issued a code of practice for schemes to follow.
- 1.2 The code of practice sets out the legal requirements and provides practical guidance and standards that the Pensions Regulator expects of those in charge of the governance and administration of public service pension schemes.
- 1.3 Between July and November 2015 the Pensions Regulator conducted a survey of all public service pension schemes to baseline the standard to which they are being run in accordance with the code of practice.
- 1.4 It is important to note that participation in the survey was voluntary and that only 48% of schemes responded. Officers of LGSS did submit a response on behalf of the Cambridgeshire Pension Fund.
- 1.5 The Pensions Regulator will be using the information collected through the survey for regulatory purposes and will develop individual scheme risk profiles.
- 1.6 The Pensions Regulator has now published the findings from this survey which are detailed in section 2 of this report alongside the level of compliance against the code of practice as demonstrated by the Cambridgeshire Pension Fund.

## 2. The Pensions Regulator's public service governance and administration survey results

- 2.1 The survey results show that on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding both the governance and administration requirements introduced by the Acts and the code of practice. The results and the current level of compliance as demonstrated by the Cambridgeshire Pension Fund are detailed below along with the course of action officers will take to reach full compliance.

Survey results	Extent of compliance at Cambridgeshire Pension Fund	Comments
90% have established a pension fund board	Fully compliant	The Cambridgeshire Pension Fund Board held its first meeting on 7 July 2015 and has met again in October and January with the next meeting scheduled for April 2016.
78% have policies to help members acquire and retain knowledge	Fully compliant	Pension Committee - Knowledge Management Policy (2013) in place – to be reviewed and presented to Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Knowledge Management Policy specific to Pension Fund Board members was approved in July 2015 and will be reviewed during 2016-17.
87% have a conflicts policy and procedure for board members	Partially compliant	Pension Committee - Potential conflicts of interest are noted at the beginning of each meeting for non-county councillor representatives. County Councillors declare potential conflicts of interest annually and this is recorded and published by Democratic Services. A Fund specific Conflicts of Interest policy will be presented to the Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Conflicts of Interest policy established at the October 2015 meeting of the Pension Fund Board.
87% have procedures for publishing information (about the Pension Fund Board)	Not compliant	Information is published about the Pension Fund Board but there is no set procedure in place for doing this. This will be explored during 2016-17.
76% have documented procedures for	Partially compliant	A formal Risk Strategy will be presented at the Pension Committee for approval at the March 2016 meeting.

<p>assessing and managing risk</p> <p>82% have a risk register</p> <p>56% assess their risks at least quarterly</p>		<p>A revised and comprehensive Risk Register will be presented for approval at the June 2016 meeting of the Pension Committee.</p> <p>Every report presented to the Pension Committee details the risks associated with undertaking or not undertaking the proposed recommendation(s).</p>
<p>77% have record-keeping policies and procedures for all members</p>	Partially compliant	<p>A formal policy will be developed during 2016-17 following the production of the Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee.</p>
<p>97% have a process for monitoring payment of contributions</p>	Fully compliant	<p>The Payment of Employee and Employer Contributions Policy was approved at the December 2015 meeting of the Pension Committee and will be effective for scheme employers with effect from 1 April 2016.</p>
<p>55% have procedures for identifying and assessing law breaches</p>	Fully compliant	<p>The Reporting Breaches of the Law to the Pensions Regulator Policy was approved at the October 2015 meeting of the Pension Committee.</p>
<p>&lt;50% have reviewed their scheme against the standards (detailed in the code of practice)</p> <p>&lt;33% have a plan in place to secure compliance with the Public Service Pension Act 2013</p>	Not complaint	<p>A full review of the Fund's compliance with the Pensions Regulator's code of practice and the Public Service Pension Act 2013 will be presented to the Pension Committee at the June 2016 meeting.</p>
<p>44% have measured against the record keeping requirements</p>	Not compliant	<p>Although informal measurements have been undertaken a complete assessment will form part of the report to be presented to Pension Committee in December 2016 which will demonstrate the level of compliance with The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.</p>
<p>27% have carried out data cleansing</p>	Partially compliant	<p>Pensioner membership data is currently being reconciled as a result of the end of contracting out and to enable a smooth transition from Oracle payroll to Altair payroll in August 2016.</p> <p>The Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee will address how active and</p>

		deferred membership data will be reconciled.
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### **3. The Pensions Regulator's powers in respect of non-compliance**

- 3.1 In June 2015 the Pensions Regulator issued a document entitled "Compliance and enforcement policy for public service pension schemes".
- 3.2 The policy sets out the Pensions Regulator's expectations for compliance with relevant legal requirements as set out in the code of practice and how the Pensions Regulator will proceed in cases of non-compliance and when it may use its enforcement powers.
- 3.3 Where the Pensions Regulator identifies non-compliance the initial focus will be on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements.
- 3.4 Where those responsible for the governance and administration of public service pension schemes fail to address poor standards resulting in non-compliance with the law, the Pensions Regulator may consider escalating their activities and taking enforcement action.
- 3.5 Depending on the nature of the non-compliance the Pensions Regulator has within its powers the ability to implement the following enforcement action can range from:
  - 3.5.1 Statutory Compliance Notices - in the form of improvement notices which require specific action to be taken within a certain time and third party notices which require specific action to be taken or indeed ceased within a certain time if a contravention of pensions legislation is a direct result of a third party. Non-compliance with a statutory notice may result in a financial penalty.
  - 3.5.2 Civil Penalties – the Pensions Regulator has the power to impose penalties (under section 10 of the Pensions Act 1995) up to the value of £5,000 per breach in the case of an individual and up to £50,000 in any other case.

### **4. Next steps**

- 4.1 To demonstrate the Fund's compliance with the requirements of the Pensions Regulator and the Public Service Pension Act 2013 a checklist will be produced by officers. The checklist will detail the approach to achieving and maintain compliance and when the levels of compliance will be reviewed. This will be presented to the Pension Committee for approval at the June 2016 meeting.
- 4.2 All the areas where the Fund has not achieved full compliance has been captured in the key activities in the Business Plan and Medium Term Strategy which is to be presented at the 18 March 2016 meeting of the Pension Committee for approval.
- 4.3 In addition, the Pensions Regulator will be issuing tools to assist schemes in their assessment of the extent to which they are complying with the code of practice during 2016.

## 5. Relevant Pension Fund Objectives

Perspective	Outcome
<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>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>
<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>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>

## 6. Finance & Resources Implications

- 6.1 LGSS Pensions Service should not require any additional resources to carry out the activities detailed in section 2 of this report although advice from the Fund's governance consults may be required from time to time.

## 7. Risk Implications

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

Risk	Mitigation	Residual Risk
There are no risks associated with the plans to achieve full compliance with the requirements of the Pensions Regulator's code of practice and the requirements of the Scheme Advisory Board and Public Service Pension Act 2013.	N/A	N/A

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

Risk	Risk Rating
Failing to comply with the requirements of the Pensions Regulator, Scheme Advisory Board and Public Service Pension Act 2013 may result in the Pensions Regulator taking action to improve standards as detailed in section 3 of this report.	Red

## 8. Communication Implications

<b>Induction</b>	All new Pension Committee and Pension Fund Board members are provided with a copy of the Pensions Regulator's code of practice and associated policies belonging to Pension Committee.
<b>Website</b>	All policies are available on the LGSS Pensions Service website.

## 9. Legal Implications

- 9.1 Failing to comply with the Public Service Pension Act 2013 would be regarded as a breach of the law.

## 10. Consultation with Key Advisers

- 10.1 Not applicable for this report.

## 11. Alternative Options Considered

- 11.1 There are no alternative options to be considered.

## **12. Background Papers**

### **12.1 The Pensions Regulator Code of Practice**

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

### **12.2 Compliance and enforcement policy for public service pension schemes.**

<http://www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf>

## **13. Appendices**

### **13.1 Appendix 1 Public service governance and administration survey: summary of results and commentary**

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	
Will further decisions be required? If so, please outline the timetable here	
Is this report proposing an amendment to the budget and/or policy framework?	
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/2/2016
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016