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14 May 2019

Pension Advisory Board

A meeting of the committee will be held at **9.30 am** on **Wednesday, 22 May 2019** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

1. **Declarations of Interests and Conflicts**

   Members and officers must declare any pecuniary or personal interest, or any potential conflicts of interest in any business on the agenda. They should also make declarations at any stage such an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt, contact Democratic Services before the meeting.

2. **Part I Minutes of the last meeting** (Pages 5 - 12)

   The Board is asked to agree the Part I minutes of the meeting of the Board held on 6 March 2019 (cream paper).

3. **Pension Advisory Board Membership**

   The Constitution for the Pension Advisory Board concerning membership terms is as follows:

   'The term of office for employer and scheme member representatives is 4 years. This can be extended following reselection up to a maximum of three terms.'

   The Board are asked to note that the Chairman has agreed to re-appoint both Richard Cohen and Chris Scanes as representatives for a second 4 year term.

4. **Urgent Matters**

   Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.

5. **Part II Matters**

Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.

6. **Progress Report** (Pages 13 - 16)

This report contains updates on matters arising from previous meetings.

The Board is asked to note the report and the progress on actions.

7. **Pensions Panel Minutes - Part I**

The Board is asked to note the confirmed Part I minutes from the meeting of the Pensions Panel on 28 January 2019 and the agenda from the meeting of the Pensions Panel on 29 April 2019.

(a) **28 January - Part I Pensions Panel Minutes** (Pages 17 - 20)

(b) **29 April - Pensions Panel Agenda** (Pages 21 - 24)

8. **Regulations and Guidance update** (Pages 25 - 30)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to note the current issues relating to Scheme Regulations and Guidance.

9. **Business Planning and Performance** (Pages 31 - 46)

Report by the Chairman of the Pension Advisory Board.

The Board is asked to consider and agree the draft business plan for 2019/20 and agree to refer the Business Plan to the Governance Committee for their approval on 24 June 2019 in line with their Terms of Reference. The Board is also asked to agree that the Business Plan is provided to the Pensions Panel for noting.

10. **Review of Pension Fund Policy Documents** (Pages 47 - 60)

Report by Director of Finance and Support Services.

The Board is asked to note the register of policy documents and provide feedback on the policies presented at the meeting.

11. **Administration procedures and performance** (Pages 61 - 106)

Report by Director of Finance and Support Services.

The Board is asked to note the report and confirm any further information that they require.

12. **Good Governance** (Pages 107 - 110)

Report by the Director of Finance and Support Services.

The Board is asked to note the report and consider the options.

13. **Training** (Pages 111 - 114)

The Board is asked to review the training log.

14. **Date of Next Meeting**

The next meeting of the Board will be held at 9.30 am on 4 September 2019.

Part II

15. **Exclusion of Press and Public**

The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

16. **Part II Minutes of the last meeting** (Pages 115 - 118)

The Board is asked to agree the Part II minutes of the meeting of the Board held on 6 March 2019 (yellow paper).

17. **Pensions Panel Minutes – Part II** (Pages 119 - 124)

The Board is asked to note the confirmed Part II minutes from the meeting of the Pensions Panel on 28 January 2019 (yellow paper).

18. **Investment Pooling** (Pages 125 - 156)

The Board is asked to consider the following report which went to the Pensions Panel on 29 April 2019.

Report by Director of Finance and Support Services attached for members of the Board only (yellow paper).

The Director’s title at the time of the Pensions Panel was Director of Finance, Performance and Procurement.

To all members of the Pension Advisory Board

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Pension Advisory Board

6 March 2019 – At a meeting of the Pension Advisory Board held at 9.30 am at County Hall, Chichester, PO19 1RQ.

Present: Peter Scales (Chairman)

Richard Cohen, Miranda Kadwell, Kim Martin, Becky Caney, Chris Scanes and Tim Stretton

Part I

84. Declarations of Interests and Conflicts

84.1 None declared.

85. Part I Minutes of the last meeting

85.1 Resolved – That the part I minutes of the meeting of the Board held on 21 November 2018 be approved as a correct record and signed by the Chairman.

86. Progress Report

86.1 The Board considered the progress report on matters arising from previous meetings (copy appended to the signed minutes).

86.2 Adam Chisnall introduced the report and gave an update on the action on the locations of Declarations of Interest and the Register of Interests on the website. It was not possible to change the location of these items on the website, however a link to the Register of Interests had been added to the Pension Advisory Board to improve accessibility.

86.3 Rachel Wood reported that Key Performance Indicators were outlined within the Administration Strategy appendix to the Pension Fund Policy Documents report.

86.4 Rachel Wood confirmed that the training after the meeting would explain the process for raising issues.

86.5 The Chairman reported that he had met with Katharine Eberhart, Director of Finance, Performance & Procurement and Section 151 officer. Officers were due to talk with Jeremy Hunt, Chairman of the Pensions Panel, regarding attendance at Board meetings.

86.6 The Board discussed appointment terms and queried the action for members whose appointments were due to end. – *Rachel Wood confirmed that officers needed to discuss this with the scheme manager to look at extending the terms.*

86.7 The Board reported that they were happy with the re-wording of the Internal Dispute Resolution Procedure.

86.8 Resolved – That the Board notes the report.

87. Pensions Panel Minutes - Part I

87.1 The Board considered the confirmed part I minutes from the 1 November 2018 Pensions Panel meeting; and the Agenda from the 28 January 2019 Pensions Panel meeting (copy appended to the signed minutes).

87.2 The Board noted that the actuary presentation had also been given to the Board after their last meeting, and welcomed this alignment of training.

87.3 Resolved – That the minutes and agenda be noted.

88. Business Planning and Performance

88.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes).

88.2 The Chairman introduced the report and how it included comments from the one to one meetings he had had with Board members. The report also included key markers for future agendas.

88.3 The Board made comments including those that follow.

- Thought that the report well represented the one to one meetings that had happened.
- Reflected that Appendix A showed a good report of the work the Board has achieved.
- Noted the concerns raised with previous monitoring of KPIs that did not necessarily show all areas of pension administration. – *Rachel Wood confirmed that there would be better monitoring with Hampshire County Council; with an expectation of 100% achievement of KPIs.*
- Queried the budget underspend. – *Rachel Wood confirmed that the budget came from the Pension Fund, and so underspend would remain within the Pension Fund. Adam Chisnall confirmed that the 0.2 FTE requirement still appropriately covered his support from Democratic Services. The Chairman welcomed the training allowance in the budget which could be utilised if bespoke training was required. The Board requested details of the end of year budget spend.*
- Queried where the annual report was distributed. – *Rachel Wood reported that the report went to employers via a link as part of the Pension Panel papers. The Board queried if the Pension Advisory Board report should be sent separately to employer reps to help inform them of what the Board does. Rachel Wood resolved to look into this.*

88.4 Resolved – That the Board agrees the performance report 2018/19; the budget statement showing expenditure in 2018/19; and the statement for inclusion in the Fund Annual Report. The Board also agrees that the Pensions Panel and the Governance Committee be informed accordingly.

89. Regulations and Guidance update

89.1 The Board received a report by the Chairman of the Pension Advisory Board (copy appended to the signed minutes).

89.2 The Chairman introduced the report and highlighted Appendix A which outlined the Local Government Pension Scheme bulletins.

89.3 The Board made comments including those that follow.

- Sought an update on contracted out reconciliation. – *Tara Atkins confirmed that contracting out had been abolished and therefore a reconciliation of the contracted out benefits was needed against the Scheme records and HMRC. A reconciliation exercise is taking place to look into this, which had met the HMRC queries deadline of October 2018. The County Council are awaiting a response to these queries.*
- Noted The Pension Regulator entry and proposed inviting them to a future Board meeting. – *Rachel Wood proposed inviting The Pension Regulator to a meeting after they had completed their survey work.*

89.4 The Chairman referred to Appendix B which outlined key points from the 16 January Scheme Advisory Board meeting. The Chairman agreed to continually circulate the notes to Board members.

89.5 The Board discussed the Hymans Robertson Good Governance survey and queried if they could be involved. – *Rachel Wood resolved to contact Hymans Robertson to put the Board on their radar for the survey work.*

89.6 Resolved – That the Board notes the update.

90. Review of Pension Fund Policy Documents

90.1 The Board received a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

90.2 Rachel Wood introduced the report and explained that the Treasury Management Policy went to the January Pensions Panel. The Administration Strategy had recently been updated following the transfer to Hampshire County Council.

90.3 The Board queried why some of the review dates in Appendix A were in the past. – *Tara Atkins reported that some reviews had been impacted by the transfer of administration and would be considered as part of the transfer project. Rachel Wood confirmed that the Annual Report date was an error and should be July 2019.*

90.4 The Board made comments including those that follow on the Treasury Management policy.

- Queried if there had been any changes to the Treasury Management policy. – *Rachel Wood confirmed there had been no changes. The County Council had a discipline to give an annual approval to the policy.*
- Commented on the CIPFA requirement for section 151 officer to check compliance. It was important for the Board to be aware of the policy, and for the Pensions Panel to approve it.

90.5 Tara Atkins introduced the Administration Strategy and explained how the strategy had undergone a review to reflect the new SLA expectations from Hampshire County Council. The strategy also covered the change in processes for Employers. Employees were not impacted as much, but there were changes in processes for leavers.

90.6 The Board made comments including those that follow on the Administration Strategy.

- Queried when Hampshire County Council would attend a Board meeting. – *Rachel Wood confirmed that Hampshire were due to attend the next meeting.*
- Commented that Hampshire County Council had been meeting with Employers and had been very supportive during the transfer arrangements.
- Asked how many estimates could be requested. – *Tara Atkins reported that members could request one estimate a year, anything beyond this would be chargeable. Annual Benefit Statements are and Pension Modeller tools would be available on the portal. Rachel Wood added that Employers could request two estimates per employee per year without additional charges.*
- Commented that Additional Pension Contribution information was not provided on the Annual Benefit Statements. – *Rachel Wood explained that Capita had limitations on how data could be stored. Hampshire County Council were expected to have fewer limitations and so this information should be available.*
- Queried why new employees were not receiving scheme welcome information. – *Tara Atkins reported that this was the responsibility of employers to signpost. It was recommended to include website link information or a covering letter with the initial employment contract. This could be picked up with the transfer communications.*

90.7 The Board discussed which policies should be discussed at the next Board meeting and chose the Funding Strategy Statement and the Communications Strategy. The Board also agreed to look at the Annual Report at the September meeting.

90.8 Resolved – That the Board notes the register of policy documents and the contents of the Treasury Management policy and the Administration Strategy. The Board requests that the Funding Strategy Statement and the Communications Strategy come to the next meeting for consideration.

91. Administration procedures and performance

91.1 The Board received a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

91.2 Tara Atkins introduced the report and explained that work was continuing to identify the individuals who were affected by the amendment to the regulations.

91.3 The Board made comments including those that follow.

- Queried how aware members were of their responsibility to ensure dependent information was up to date. – *Tara Atkins confirmed that the scheme tried to ensure members were referred to the relevant section to nominate their dependents. It was believed that this section would be easier to access on the new portal. Consideration could be given on future communications plans on this topic.*
- Asked how the expression of wishes on death information was managed on the new system. – *Tara Atkins reported that Hampshire County Council were proactive on this to ensure all routes were exhausted to ensure there were no challenges to expressions of wish.*
- Sought clarity on the future of newsletters and how the portal would be used. – *Tara Atkins reported that officers were aware of the log in issues with the previous portal and hoped that the new portal would be easier. There would be more functionality in the new portal for pensioners. Rachel Wood confirmed that existing channels of communication could be utilised to report on key information.*
- Commented on the problematic issue of leavers using their work email addresses and therefore not receiving information.
- Queried if the Secretary of State had issued guidance on any aspect of the regulations. – *Tara Atkins confirmed that there had been a consultation response on this where the Government could change areas of the regulations without consultation. The Government had reported it would only use this power in particular circumstances.*
- Asked if there had been any breaches since the last report. – *Tara Atkins reported that she was not aware of any breaches. The Chairman requested that all future reports had a section on breaches, even if there were none to report.*

91.4 Resolved – That the Board notes the report.

92. Training

92.1 The Board received a document outlining the training that been recorded for Board members (copy appended to the signed minutes).

92.2 Adam Chisnall introduced the report and noted the progress that had been recorded for the Pension Regulator Toolkit modules. Adam Chisnall also reminded the Board that the annual Financial Statement training with the Regulation, Audit and Accounts Committee would take place on 13 June.

92.3 The Chairman gave a summary of his attendance at a recent CIPFA seminar and how there needed to be more guidance on legislation for what Pension Advisory Boards should be monitoring. The Chairman agreed to inform the Board when he heard more on this.

92.4 The Board noted that they were not responsible for investment decisions.

92.5 Rachel Wood reported that officers were looking at the results of the completed knowledge and understanding tests that the Board members had completed. The results would inform the training strategy would be considered at the next Board meeting.

92.6 Resolved – That the Board notes the training log.

93. Date of Next Meeting

93.1 The Board noted that its next scheduled meeting would take place on Wednesday 22 May 2019 at 9.30 a.m. at County hall, Chichester.

94. Exclusion of Press and Public

Resolved – That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

95. Part II Minutes of the last meeting

The Board agreed the Part II minutes of the 21 November 2018 meeting.

96. Pensions Panel Minutes – Part II

The Board noted the contents of Part II minutes from the 1 November 2018 Pensions Panel meeting.

97. Asset Pooling

The Board considered an Investment Pooling report by the Director of Finance, Performance and Procurement which had gone to the 28 January 2019 Pensions Panel meeting.

The Board also considered the Chairman's comments on the statutory guidance on asset pooling and agreed to the consultation response.

98. Business Plan (including Pension Administration)

The Board considered the Business Plan report by the Director of Finance, Performance and Procurement which had gone to the 28 January 2019 Pensions Panel meeting.

The Board noted the report and the progress made on the Pension Administration transfer. The Chairman agreed to write a Business Plan for the Board that would align with the Pensions Panel's plan.

The meeting ended at 11.55 am

Chairman

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Pension Advisory Board

22 May 2019

Progress Report

Date received / Minute No:	Subject:	Matters Arising	Officer Contact:
22/11/18 Minute No. 74.4	**Business Plan**	Alignment with Pensions Panel	Peter Scales
May Update	The Chairman noted that there was no business plan for the Board and that the Pensions Panel business plan did not align with the work of the Board. The Chairman resolved to write a business plan for the Board. **Complete** Item on May agenda.		
22/11/18 Minute No. 74.6	**Meetings**	Meetings for The Chairman with the section 151 officer and the Pensions Panel Chairman	Adam Chisnall
May Update	The meetings had been referenced in the CIPFA review and officers resolved to look into the meetings. **In Progress (partly complete)** The Chairman met with the section 151 officer on 29 January.		
22/11/18 Minute No. 74.7 1st Bullet	**Inductions**	Induction process for new Board members	Rachel Wood
May Update	Officers proposed looking into the Pensions Panel induction practices. **Complete** Included within Training Strategy.		

22/11/18 Minute No. 76.5 1st Bullet	**Pensions Panel**	Board member/ Pensions Panel Chairman attendance	Adam Chisnall
May Update	Officers resolved to discuss regular Board member attendance and the Pensions Panel; and the Pensions Panel Chairman attending an annual Board meeting. **In Progress (partly complete)** The Chairman to attend one Panel meeting each year to present the annual report (July proposed). The Pensions Panel Chairman to be asked about attending Pension Advisory Board meetings.		
22/11/18 Minute No. 77.5 1st Bullet	**Pensions Panel Representative Member Roles**	Change in role title	Rachel Wood
May Update	The Board queried if the Pensions Panel's 'Employee' representative role should be 'Member' representative. **In Progress** Wording to be updated and considered in report going to the 24 June Governance Committee.		
22/11/18 Minute No. 77.5 2nd Bullet	**Pensions Panel Independent Advisor**	Governance advice	Rachel Wood
May Update	Officers resolved to check guidance for independent governance advice for the Pensions Panel. **Complete** The Pension Fund Adviser's role at the Pensions Panel is not an independent governance role. The regulations require that Funds take 'proper advice' regarding their investment strategy statement.		
22/11/18 Minute No. 77.5 3rd Bullet	**Governance Policy and Compliance Statement**	References to the Board	Rachel Wood
May Update	Query if there should be more references to the Board, e.g. Board meeting frequency. **In Progress** Document to be updated in the next quarter.		

22/11/18 Minute No. 77.5 4th Bullet	**Governance Policy and Compliance Statement**	Representative member duration	Rachel Wood
May Update	The Board sought clarity on the terminology 'usual maximum length' of representative members. **In Progress** Reference to terms of reference will be included in paper that is going to the 24 June Governance Committee.		
06/03/19 Minute No. 86.6	**Appointment Terms**	Action for appointment terms due to end	Rachel Wood
May Update	The Board discussed appointment terms for members whose appointment terms were due to end. **Complete** Item on May agenda to confirm re-appointments.		
06/03/19 Minute No. 88.3 4th Bullet	**Budget**	End of year budget spend	Rachel Wood
May Update	The Board requested details of the end of year budget spend. **Complete** Included within the Business Plan.		
06/03/19 Minute No. 88.3 5th Bullet	**Annual Report**	Employer rep distribution	Rachel Wood
May Update	Officers resolved to investigate the distribution of the Pension Advisory Report to employers. **Complete** Officers to send the report.		
06/03/19 Minute No. 89.3	**The Pension Regulator**	Invitation to a Board meeting	Rachel Wood
May Update	The Board proposed inviting The Pension Regulator to a future Board meeting **In Progress** To be scheduled when the survey work is complete.		
06/03/19 Minute No. 89.5	**Hymans Robertson Good Governance survey**	Pension Advisory Board involvement	Rachel Wood
May Update	The Board asked if they could be involved in the survey work. **Complete** Item on May agenda.		

06/03/19 Minute No. 91.3 6th Bullet	**Breaches**	Breach reporting on Administration procedures and performance report	Tara Atkins
May Update	The Board requested that all future reports contain a section on breaches, even if there are none to report. **Complete** Included in relevant report		

Pensions Panel

28 January 2019 – At a meeting of the Pensions Panel held at 10.00 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

Mr Bradford, Mrs Dennis, Mr Jupp (arrived at 12.18pm), Mrs Urquhart, Dr Walsh, Mr Donnelly and Ms Taylor

Apologies were received from Mr Elkins

Part I

The Chairman reported that this was Steve Harrison's last meeting. The Chairman thanked Steve for his support to the Pensions Panel and the County Council.

83. Declarations of Interests

83.1 Mr Hunt declared a personal interest as a member of the Chichester Harbour Conservancy.

84. Part I Minutes of the last meeting

84.1 Resolved – That the Part I minutes of the Pensions Panel held on 1 November 2019 be approved as a correct record, and that they be signed by the Chairman.

85. Investment Strategy

85.1 The Panel considered a report by the Director of Finance Performance and Procurement (copy appended to the signed minutes).

85.2 Rachel Wood, Pension Fund Investment Strategist, introduced the report which looked into the previous discussion on infrastructure and private debt investment consideration.

85.3 David Walker, Hymans Robertson, spoke through the report which recommended approaches for the different asset classes and the rationale and considerations for each.

85.4 The Panel made comments on Infrastructure including those that follow.

- Queried the rates that were used in the investment calculations. – *David Walker explained that the rate depended on the asset for the underlying measure. Not all contracts were linked with inflation. 7-10% was considered a good target.*
- Questioned the impact of Brexit on Global infrastructure and would mechanisms could be used to counter the impact. – *David Walker explained that careful due diligence would manage the currency risk.*

- Sought clarity on the experience of the projects. – *David Walker explained that it was important to look at elements such as the managers' due diligence, strong investor protections, assurance on contract governance terms, etc.*
- Asked if investment in the proposed classes should be direct investments, or via a fund. – *David Walker proposed that a fund option would be preferred.*
- Queried if Global infrastructure would include the UK. – *David Walker confirmed there would be UK exposure. Steven Law, Hymans Robertson, confirmed that Canada had made historical investments in infrastructure that could be studied.*

85.5 The Panel made comments on Private Debt including those that follow.

- Queried if investments in private debt would be balanced via a mandate. – *David Walker explained that it would be possible to invest in a single or multiple funds. A proposal of 2 fund commitments was suggested which would give the desired exposure and diversification.*
- Asked if the fund would be able to restrict where funds went. – *David Walker reported that it would be for the fund manager to set their mandate. The may be small scope for the pension fund to add restrictions.*
- Queried the risk of correction with real estate and retail investments. – *Mr Hunt felt that more consideration was required on these investments further down the line. It would be something to discuss with fund managers.*
- Queried the proposed level of investment at 5% in private debt. – *David Walker proposed 5% was a good starting point. The investment could then be built on as appropriate.*
- Asked Hymans Robertson representatives to clarify their recommendation in the report regarding the retention of existing equity holdings. – *David Walker commented that there has been sufficient de-risking activity and that current holdings should be maintained until the fund was ready to diversify. Caroline Burton, Independent Advisor, agreed with the recommendation in the report.*

85.6 The Panel also went into Part II to discuss Appendix C that was Part II.

Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

85.8 Resolved – that the Panel considers the options presented in the report and asks officers to work the Panel's advisors to develop a Specification for the Fund's income asset allocation for consideration at the 29 April meeting.

86. Pension Fund Policy Documents

86.1 The Panel considered a report by the Director of Finance Performance and Procurement (copy appended to the signed minutes).

86.2 Steve Harrison, Financial Planning Manager, introduced the report and explained that it was good practice to look at the Treasury Management report annually.

86.3 The Panel discussed the use of held cash and if the policy would need to be updated. – *Mr Hunt explained that cash was used on demand and was not generally held. Steven Law commented that other local authorities were looking at more creative uses of cash.*

86.4 Resolved – that the Panel approves the 2019/20 Treasury Management Strategy and notes the treasury activity undertaken during 2018/19.

87. Date of the next meeting

87.1 The Panel noted that its next scheduled meeting would take place on 29 April 2019 at County Hall, Chichester.

88. Exclusion of Press and Public

88.1 Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

89. Part II Minutes of the last meeting

The Panel agreed the Part II minutes of the Pensions Panel held on 1 November 2018.

90. Investment Pooling

The Panel considered a report by the Director of Finance, Performance and Procurement on Investment Pooling.

The Panel agreed the recommendations within the report.

91. Review of Pension Performance

The Panel considered a paper by the Director of Finance, Performance and Procurement.

The Panel received an update from Caroline Burton relating to the quarterly performance reports from the fund managers.

The Panel welcomed the advice.

92. Business Plan (including Pension Administration)

The Panel considered a report by the Director of Finance, Performance and Procurement.

The Panel considered the report and welcomed Andrew Lowe from Hampshire County Council to discuss the progress with the transfer of pension administration.

93. Presentation by Baillie Gifford

The Panel received an update from Lynn Dewar & Anne-Marie Gillon from Baillie Gifford on the portfolio performance for the quarter.

94. Presentation by Aberdeen Standard

The Panel received an update from Jennifer Ball, Matthew Cunliffe & Dominic Delaforce from Aberdeen Standard on the portfolio performance for the quarter.

The meeting ended at 1.25 pm

Chairman

Tony Kershaw
Director of Law and Assurance

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17 April 2019

Pensions Panel

A meeting of the panel will be held at **10.30 am** on **Monday, 29 April 2019** at **County Hall, Chichester**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

10.30 am 1. **Declarations of Interests**

Members and officers are invited to make any declaration of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make any declarations at any stage during the meeting if it becomes apparent that this may be required when a particular item or issue is considered.

It is recorded in the register of interests that:

- Dr. Walsh is a Member of the Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council
- Mr Donnelly is a Horsham District Councillor
- Mr Jupp has a daughter who works for Blackrock

These financial interests only need to be declared at the meeting if there is an agenda item to which they relate.

10.32 am 2. **Part I Minutes of the last meeting** (Pages 5 - 8)

The Panel is asked to agree the Part I minutes of the meeting of the Panel held on 28 January 2019 attached (cream paper).

10.34 am 3. **Urgent Matters**

Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.

10.34 am	4.	**Part II Matters**
		Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.
10.35 am	5.	**Business Plan 2019/20** (To Follow)
		Report by the Director of Finance, Performance and Procurement.
		The Panel is asked to note the updates to the 2018/19 Business Plan, and agree the proposed activities for the 2019/20 financial year.
10.55 am	6.	**Policy Documents (Administering Authority Discretions, Administration Strategy and Communication Policy Statement)** (To Follow)
		Report by the Director of Finance, Performance and Procurement.
		The Panel is asked to; note the Administering Authority Discretions, note the Administration Strategy; and consider the Communication Policy Statement.
11.00 am	7.	**Administration Transfer and Performance** (To Follow)
		Report by the Director of Finance, Performance and Procurement.
		The Panel is asked to note the update.
11.15 am	8.	**Date of the next meeting**
		The next meeting of the Pensions Panel will be 10.00 a.m. 24 July 2019 at County Hall.

Part II

11.15 am	9.	**Exclusion of Press and Public**
		The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

11.15 am	10.	**Part II Minutes of the last meeting** (Pages 9 - 14)
		To confirm the Part II minutes of the meeting of the Panel held on 28 January 2019, for members of the Panel only (yellow paper).
11.20 am	11.	**Investment Strategy** (To Follow)
		Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).
		The Panel is asked to consider the recommendations within the report.
11.45 am	12.	**Investment Pooling** (To Follow)
		Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).
		The Panel is asked to consider the recommendations within the report.
12.05 pm	13.	**Review of Pension Performance**
		The following reports are for the Panel to review Pension performance over the last quarter.
	(a)	**Transaction and Performance** (To Follow)
		Paper by the Director of Finance, Performance and Procurement summarising transactions and performance during the quarter, for members of the Panel only (yellow paper).
	(b)	**Independent Fund Advisor Comments** (To Follow)
		Paper from the independent fund advisor giving comments on the quarter, for members of the Panel only (yellow paper).
12.15 pm	14.	**Presentation by UBS**
		The Panel to receive a presentation on portfolio performance.
		Lunch
2.15 pm	15.	**Triennial Valuation (including Funding Strategy Statement)** (To Follow)

To all members of the Pensions Panel

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Pension Advisory Board

22 May 2019

Regulations and Guidance Update

Report by the Chairman of the Pension Advisory Board

Executive Summary
Members of the Pension Advisory Board (PAB) are required to maintain a suitable level of knowledge and understanding in relation to the Scheme Regulations and Guidance.

This report provides an update on issues covered by the Local Government Pensions Committee (LGPC) bulletins, by the Scheme Advisory Board (SAB) at its meeting on 8 April 2019, and other guidance.

Recommendations
The Board is asked to note the current issues relating to Scheme Regulations and Guidance.

1. Knowledge & Skills Resources

1.1 Access the Local Government Pension Scheme (LGPS) website remains the primary source of information on the LGPS regulations and guidance, and to changes under consideration or consultation.

2. LGPS Bulletins

2.1 Since the March meeting, LGPC have issued two bulletins and brief details of these, together with a brief status report on any action required, including in relation to past bulletins, are set out in **Appendix A**. Full details are available on the LGPC website.

3. Scheme Advisory Board

3.1 A summary of the meeting held on 8 April 2019 has been issued and is attached at **Appendix B**. More details are available on the website. [www.lgpsboard.org "Board Publications" section]

4. Guidance

4.1 **MHCLG draft guidance on pooling** - The West Sussex response, including the Board's, was submitted by the due date. As indicated in the SAB meeting note, there were a considerable number of detailed responses which are now under consideration.

4.2 **CIPFA guidance on preparing the annual report** - A revised and updated version of this guidance has been issued by CIPFA following a consultation process. An electronic copy has been provided to Board members and will be considered at the September meeting together with the annual report and accounts.

4.3 **Responsible investment guidance from SAB** - This is referred to in the SAB meeting note but has not as yet been issued. The note refers to a paper submitted by UNISON which is available on their website in the section on the Investment, Governance and Engagement Committee. However, the paper has not yet been considered by the full SAB.

4.4 **The Pensions Regulator** - The Board is scheduled to consider the recent policy announcements about the Regulator's engagement with local pension boards at a future meeting.

5. Equality Impact Review

5.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

Peter Scales
Chairman of the Pension Advisory Board

Contact: Adam Chisnall, Democratic Services Officer, 033 022 28314

Appendices
Appendix A - Knowledge & Skills Resources - LGPS Bulletins
Appendix B - Scheme Advisory Board meeting - main points

Background papers
None

West Sussex Pension Advisory Board
Knowledge & Skills Resources - LGPS Bulletin update

Bulletin	Relevant content	Report
2018 **176** **Sept**	**The Pensions Regulator** - New approach to workplace pensions regulation - for further review as details emerge	**TBR**
2019 **181 Feb**	**Consultation on fair deal** to strengthen the pension protections for employees transferring to a service provider	**TBR**
182 Mar	**Rates and bands applicable from April 2019** This covers a number statutory rates and limits (e.g. pensions increase order). This will require updates to scheme literature provided to employers and employees.	For noting
183 Mar	**Updates for administering authorities, employers and software providers** This Bulletin covers a whole raft of issues including SAB guidance on the valuation, the SCAPE discount rate, leaflet on miscellaneous changes in the Regulations, aggregation and concurrent employments, Direction templates, late retirement factors, response to Fair Deal consultation, changes in administering authority status resulting from local government re-organisation, and dates for fundamentals training.	For noting

TBR = To be reported

May 2019

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Scheme Advisory Board meeting on 8 April 2019

Main points circulated by Pensions Secretary

This note summarises the main points of the meeting of the Scheme Advisory Board on the 8th April 2019. Full details of the meeting and agenda papers can be found at www.lgpsboard.org. A more detailed summary note of the meeting can be found in the "Board Updates" section at www.lgpsboard.org.
The Chair opened the meeting by welcoming a new member of the Board, Councillor Ian Brookfield, Chair of the West Midlands Pension Fund and executive member of LAPFF.

Pensions Regulator

A presentation was given by Nicola Parish, Director of Front Line Regulation and Pauline Lancum, Head of Casework Management. The main points included –

- tPR's work within the LGPS was about supervision not enforcement
- High risk cohort work has been positive with no need need for any improvement plans or enforcement action. Some concerns about some employers and fund authorities still using paper data inputs and records. Results will be published in June 2019 on an anonymised basis
- Results of last year's Governance and administration survey will be published in May 2019.
- Code of Practice 14 is the first requirement that scheme managers should have regard to but there are other codes and practice notes that also need to be taken on board.

A copy of the slides can be found on the SAB website here http://lgpsboard.org/index.php/about-the-board/prev-meetings

Good Governance Project

- The project team at Hymans Robertson updated the Board on progress to date and next steps
- Initial discussion with 10 scheme stakeholders completed
- Over 300 questionnaires to be issued before Easter
- Plenary session to be held at PLSA Local Authority conference on the 14th May
- A copy of the paper presented to the Board can be found at http://lgpsboard.org/index.php/about-the-board/prev-meetings.

SAB levy invoices

- It was reported that all 2016/17 levy invoices had now been paid
- For 2017/18 invoices, the 25 outstanding invoices a month ago had been reduced to 10
- In future, long term non-payees may be blacklisted from LGA.SAB events
- Duncan Whitfield, Chair of ALATS, agreed to chase the ten scheme managers that had not paid their 2017/18 levy.

Cost Cap

- The Board was advised that the Civil Service Pension Scheme's Advisory Board had recently written to their Minister setting out their agreed package to recover the cap breach of 5.4% and asking that the process, despite being paused, should be allowed to proceed as far as is possible
- The Board agreed that a letter in these terms should be drafted by the Secretariat for members to consider and approve.
- The letter will invite the Minister to open discussions with the Board about any alternative cost management package and seek his agreement that

the Board must be part of any future discussions surrounding the remedy package should the McCloud judgement stand.

Cost Transparency - Compliance System

- The Board was advised that a technical breach meant that the procurement project had to be cancelled and started afresh.

Responsible Investment Guidance

- The Board agreed with the recommendation from the Investment, Governance and Engagement committee ("Investment Committee") that the guidance should be web based rather than published in hard copy
- The Board also agreed the recommendation from the Investment committee that a paper to be submitted by UNISON based on the report they commissioned from ShareAction on ESG policies, in particular, on climate change risk, should be considered by the Board at a future date.

MHCLG Draft Statutory Guidance on Pooling

- The MHCLG representative confirmed to the Board that 93 responses had been received in response to the consultation and that many of these were very detailed and would need very careful consideration.

Local Pension Board Survey

- Board members were advised that a working draft of the new local pension board survey was near to completion
- Delegated authority was given to the Chair of the Investment committee to agree the final draft and publication arrangements to ensure that the survey was undertaken outside of the main Summer holiday break.

2019/20 Budget and Workplan

- The Board considered a follow-up paper to the one agreed at the January 2019 meeting that set out in more detail the requirements for an ongoing reserve and how it would be used in 2019/20
- The Board agreed that the 2019/20 budget and workplan as set out in the revised paper should be sent to MHCLG Ministers for consideration and approval.

Bob Holloway
Pensions Secretary
16 April 2019
(The next meeting will be on the 8th July 2019)

Pension Advisory Board

22 May 2019

Business Planning and Performance

Report by the Chairman of the Pension Advisory Board

Executive Summary
As reported to the Pension Advisory Board (PAB) in March, further work has been undertaken to produce a business plan for 2019/20 in order to align the programme with the Pensions Panel's business Plan. A first draft of that plan is submitted for consideration and approval

Recommendations

1. The Board is asked to consider and agree the draft business plan for 2019/20.
2. That the Board agree to refer the Business Plan to Governance Committee for their approval on 24 June 2019 in line with their Terms of Reference.
3. The Board agree that the Business Plan is provided to the Pensions Panel for noting.

1. Business Plan for 2019/20

1.1 The first draft of a revised plan is set out in this report as follows:
Appendix A - Background and framework
Appendix B - Key tasks and activities
Appendix C - Work plan for 2019/20

1.2 The Board is asked to consider the draft and agree any changes to finalise the Plan before it is submitted to the Governance Committee.

2. Equality Impact Review

2.1 An Equality Impact Review is not required as there are no relevant decisions to be taken.

Peter Scales
Chairman of the Pension Advisory Board

Contact: Adam Chisnall, Democratic Services Officer, 033 022 28314

Appendices
Appendix A - Business Plan 2019/20 - Background and framework
Appendix B - Business Plan 2019/20 - Key tasks and activities
Appendix C - Business Plan 2019/20 - Work plan for 2019/20

Background papers

Pension Panel Business Plan 2019/20
https://westsussex.moderngov.co.uk/documents/s8593/Appendix%20A%20-%20Business%20Plan.pdf

Pension Advisory Board Business Plan

Background

This is the Business Plan for the West Sussex Local Government Pension Scheme Pension Advisory Board.

The County Council is responsible for the administration of the West Sussex County Council Pension Fund and as the Administering Authority, is required under S106 of the LGPS Regulations 2013 to establish a local pension board and has established the Pension Advisory Board for this purpose.

The Pension Advisory Board is supported by the officers, by the appointment of an independent chairman, and by assurance statements and information provided by external service providers. The costs of the Board's operations are charged to the Pension Fund and a budget is included in the Business Plan.

The Business Plan is an important document which sets out the aims and objectives of the Board over the coming year, its core work and how the objectives will be achieved.

The Pension Advisory Board's approach has been to establish a core programme of work based on guidance received from the Pensions Regulator, the Scheme Advisory Board and from CIPFA in the form of advisory guidance.

Following a review of the Board in 2018, this Business Plan has been adapted to be more consistent with and complimentary to the Pensions Panel's business plan. The Plan is reviewed annually and progress monitored at each meeting. New priorities that might arise can be introduced at each meeting and new action identified where progress has not been as expected.

Details of how the Board's objectives will be met, together with key priorities for 2019/20 and 2020/21 and an indication of key risks are included in the Plan.

The achievement of the objectives and key tasks are reviewed at the end of each year and reported to the Pensions Panel. A brief report is also approved for inclusion in the Pension Fund Annual Report and is made available to scheme employers and to scheme members.

Statutory Responsibilities

1. The statutory responsibilities of the Pension Advisory Board are similar to those set out in the Regulations for all local pension boards, that is:

   Assist the Scheme Manager:
   - To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
   - To secure compliance with requirements imposed in relation to the scheme by the Pensions Regulator;
   - In such other matters as the scheme regulations may specify;

- To ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator (COP14); and
- To ensure that the Board complies with the knowledge and understanding requirements in the Regulator's Code of Practice.

Accountability

2. The Board is accountable to the Scheme Manager, to the Pensions Regulator, to the national Scheme Advisory Board and to the scheme employers and members that it represents.

3. The national Scheme Advisory Board will advise the Responsible Authority (the Ministry for Housing, Communities and Local Government) and the Scheme Manager.

4. The Pensions Regulator will report to the Responsible Authority but will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the Scheme Manager which operate to include all of the functions of the Council as Scheme Manager and its advisers).

Principal Functions

5. The principal functions of the Board include:

   - Seeking assurances that due process is followed with regard to Pensions Panel decisions:
   - Considering the integrity and soundness of Pensions Panel decision making processes:
   - Seeking assurance that administration performance is in compliance with the Administration Strategy;
   - Considering the effectiveness of communication with employers and members including the Communication Strategy;
   - Considering and commenting on Internal Audit recommendations; and
   - Consideration of External Auditor reports.

6. Any complaint or allegation of breach of due process brought to the attention of the Board shall be dealt with in accordance with the Pensions Regulator's Code of Practice.

Objectives

7. The Board's main objectives are set out below:

   Governance: Act solely in terms of the public interest, with integrity, objectivity, accountability, openness, honesty and with leadership, and seek to ensure these are followed by all those involved in the Fund's administration.

Compliance: Seek to understand the statutory framework of regulations and guidance, and ensure all aspects are complied with.

Administration: Seek to ensure that proper procedures and controls are in place and are followed, and that performance expectations are met.

Communication: Seek to ensure that standards of reporting and clear communications are maintained and improved.

Efficiency: Seek to ensure improvements are being made in all processes, and minimise demands placed on officers in supporting the Board's work.

Effectiveness: Seek to ensure that the Board is making an effective contribution to the governance of the Fund through careful planning and performance assessment.

Risk management: Seek to ensure that fund risks are being identified, monitored and mitigated through proper procedures and controls.

Proper advice: Seek to ensure that proper advice is being taken and considered in all aspects of decision-making.

Knowledge and understanding: Seek to ensure that all Board members maintain a suitable level of knowledge and understanding.

Responsiveness: Seek to ensure that the Board considers and responds to consultations, surveys and requests for information effectively.

8. The means by which the Board can deliver these objectives is set out in the detailed plan. As part of the agenda planning process, the officers and chairman have agreed a structured agenda as a standard and discuss the detailed agenda well in advance of each scheduled meeting.

9. The papers for each meeting are made available at least one week prior to the meeting and implementation of action agreed is monitored in a progress report at the following meeting.

Budget

10. The Board does not have delegated powers to incur expenditure but agrees an annual budget with the officers each year for approval by the County Council's Governance Committee. Provisional sums are included to allow the Board to request any additional independent advice should that might be required in exceptional circumstances. All costs are chargeable to the Pension Fund.

Budget item	Actual 2017/18 £	Budget Est. 2018/19 £	Actual 2018/19 £	Budget Est.2019/20 £
Fee for independent chairman	15,000	15,000	15,000	16,000
Travel expenses/subsistence	275	2,000	1,236	2,000
Training provision	800	5,000	1,065	2,500
Democratic Services Support (0.2 FTE)	6,500	7,000	6,627	7,000
Meetings (incl. refreshments)	50	1,000	237	500
Provisional sums (if required):				
• Legal and other external advice	0	3,000	0	3,000
• Contingency	0	2,000	0	2,000
TOTAL	**22,625**	**35,000**	**24,165**	**33,000**

Training

11. A Training Strategy has been established to aid the Pension Panel and Pension Advisory 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. The Strategy has been developed in the context of the Pension Regulator's Code of Practice, the Knowledge and Skills Framework developed by CIPFA and guidance covering knowledge and understanding of the Pension Advisory Board issued by the national Scheme Advisory Board.

12. At the start of 2019/20, all members of the Board had successfully completed the public service e-learning modules provided by the Pensions Regulator.

13. The Board has developed arrangements to keep members appraised on changes to the scheme regulations and guidance through access to the national LGPS website.

RISK MANAGEMENT

14. The Board does not consider it necessary to have its own risk register but monitors the Fund risk management arrangements as reported to the Pensions Panel on a regular basis.

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Pension Advisory Board - Business Plan 2019/20 to 2020/21 - Key tasks and activities

Core on-going tasks	Special activities and reviews 2019/20	Special activities and reviews 2020/21
Business planning and performance		
Agree programme of work, budget and resources for the coming year and monitor progress at each meeting Undertake a self-assessment of performance for the year to include on-to-one interviews Agree a report each year on activity for inclusion in the Fund Annual Report and for scheme employers	Review arrangements with other local pension boards	Consider five year review of Board operations since first established
Key risks • Failure to manage work efficiently and effectively • Failure to account for activities and performance		

Core on-going tasks	Special activities and reviews 2019/20	Special activities and reviews 2020/21
Compliance checks		
Review policy on conflicts of interest annually, interests declared at each meeting, and maintain a register of interests on the website Review the Pension Fund Annual Report and Accounts for content and compliance Review statutory policy statements on a regular basis (at least two per meetings) and on a three year rolling basis Monitor and review changes to regulations and guidance at each meeting	Review updated guidance from CIPFA on preparing the annual report	Review of conflicts policy in line with West Sussex authority-wide arrangements Complete rotation of reviews of policy statements
Key risks • Failure to manage conflicts properly • Non-compliance with regulations and guidance		

Core on-going tasks	Special activities and reviews 2019/20	Special activities and reviews 2020/21

Governance arrangements		
Review decisions of the Pensions Panel Review management and monitoring of the pension fund risk register Monitor audit reports and assurances on internal controls Monitor work planned by the Pensions Regulator (tPR) Monitor reports and initiatives from the Scheme Advisory Board (SAB) Respond to surveys and requests for information from the tPR and the SAB Report to the Pensions Panel and Governance Committee on a regular basis and as required Report to tPR, MHCLG and SAB in exceptional circumstances	Develop relationships with the Pensions Panel Review internal audit programme of work	Review SAB proposals on future governance arrangements Engage with tPR on Board compliance with the code of practice
Key risks • The decision-making process is not fully effective • Key risks are not properly managed • Failure to be aware of scheme-wide developments and changing requirements • Failure to properly account for the Board's activities		

Core on-going tasks	Special activities and reviews 2019/20	2020/21
Administration procedures and performance		
Consider a report on the administration of the scheme at each meeting Monitor notifiable events and the recording and reporting of breaches Monitor key performance indicators and recovery action Monitor recording of compliments and complaints, and progress on IDRP cases Monitor movements in membership numbers Monitor data quality and integrity, and progress on improvement plans Monitor timeliness of receipt of contribution payments and any recovery action required Review operation of key internal procedures and controls relating to third party contracts	Review new administration service with Hampshire Test internal controls for areas of weakness	Review new administration arrangements one year on
Key risks • Failure in the efficient and effective administration of the scheme • Non-compliance with reporting requirements • Failure to detect potential problems, including fraud at an early stage		

Core on-going tasks	Special activities and reviews 2019/20	2020/21
Investment and funding		
Review the investment strategy statement to assess compliance with regulations and guidance issued by MHCLG and CIPFA Review the funding strategy statement to assess compliance with regulations and guidance Review the process of consultation with appropriate persons, particularly scheme employers Review the valuation process for compliance and good practice Review developments on the pooling arrangements, particularly in relation to governance and investment management Monitor arrangements for monitoring investment performance and costs Monitor developments in relation to responsible investing and ESG issues insofar as they relate to the Board's responsibilities	Review of funding strategy statement Review investment strategy statement in conjunction with revised guidance issued by MHCLG	Review outcomes from valuation process, particularly in relation to consultation with employers
Key risks • Non-compliance with investment regulations and Government guidance • Failure of proper governance arrangements in the pooling of Fund assets • Failure to comply with or respond to developments in good practice or regulatory compliance • Net asset values are insufficient to meet future liabilities		

Core on-going tasks	Special activities and reviews 2019/20	2020/21
Communications		
Monitor disclosure of information in line with statutory requirements, including annual benefit statements Review newsletters for content and clarity Review communications with employing authorities Monitor developments in the website and pensions portal Consider more effective links to scheme members	Review communications policy statement in the light of new Hampshire service	Survey employers and scheme members for feedback on all aspects of administration
Key risks • Failure to keep employers and scheme members properly informed • Non-compliance with Administration Strategy • Scheme members fail to understand scheme benefits and opt-out		
Training		
Maintain training log and review activity regularly Monitor implementation of training strategy Identify opportunities for in-house training after each meeting and for external training courses or events	Review any revised training requirements or e-learning tools produced by tPR	Undertake comprehensive refresher training
Key risks • Failure of Board members to maintain a suitable level of knowledge and understanding		

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Pension Advisory Board - Work plan for 2019-20

Standing agenda items
Declarations of interests and conflicts Minutes of the previous meeting Progress report Pensions Panel business Business planning and performance Regulations and guidance update Review of pension fund policy documents Administration procedures and performance Investment pooling and ACCESS work update Training

Wednesday 20 November 2019	
PrAM: 30 October	**Despatch: 11 Nov**

Standing agenda items

Special activities and reviews

- Review internal audit programme
- Internal controls

Wednesday 4 September 2019	
PrAM: 31 Jul	**Despatch: 23 Aug**

Standing agenda items

Special activities and reviews

- Review annual report and CIPFA guidance
- Review ISS and MHCLG guidance

Wednesday 26 February 2020	
PrAM: 5 Feb	**Despatch: 17 Feb**

Standing agenda items

Special activities and reviews

- Review other local pension boards operations
- Reviewing tPR e-training requirements

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Pension Advisory Board

22 May 2019

Review of Pension Fund policy documents

Report by Director of Finance and Support Services

Summary

Following the recent review of the Terms of Reference of the Pension Advisory Board it was been agreed to update the regular agenda items including the review of policy documents.

Recommendations

(1) That the Board note the register of policy documents
(2) That the Board feedback on the policies presented at the meeting

1. Introduction

1.1 The Pension Regulator Code of Practice 14 requires that –

> *Pension board members must be conversant with their scheme rules, which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme*

1.2 Under the recent review of the Boards Terms of Reference it was agreed that the regular agenda items would be increased to include, amongst others, a review of policy documents.

1.3 By reviewing policy documents on a regular basis the Board will be fulfilling their role in supporting the Scheme Manager by ensuring compliance with regulations. This would also assist members in ensuring they have the relevant knowledge and understanding.

2. Pension Fund policy documents

2.1 The Pension Fund is required by law to keep and maintain a number of policy documents.

2.2 A list of all Pension Fund Policy Documents is included at Appendix A. It is proposed that as policies are reviewed by Officers they will be presented to the Board for review against Regulations or Guidance.

2.3 The Pension Panel considered and noted the revised Communication Strategy at their meeting on 29 April 2019. The strategy has been included in Appendix B for review along with the relevant piece of legislation.

2.4 As 2019 is a valuation year the Fund is required to review its Funding Strategy Statement. The strategy has been reviewed and amended by officers in consultation with the Fund Actuary. The strategy has been included in Appendix C along with the relevant legislation for review and will be sent to all employers as part of the consultation process.

3. Recommendation

3.1 That the Board note the register of policy documents

3.2 That the Board feedback on the policies presented at the meeting

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Fund Investment Strategist, 033 022 23387

Appendices

Appendix A – List of All Policy Documents
Appendix B – Communications Strategy
Appendix C – Funding Strategy Statement – (To follow)

Background Papers
None

List of Policy Documents as at May 2019

POLICY	Policy Requirement	How often it should be reviewed	Next date of review
Abatement policy	Regulation 70 LGPS (administration) Regulations 2008	Every 3 years	May-20
Actuarial valuation	Regulation 62 LGPS Regulations 2013	Every 3 years	Mar-20
Administration Strategy	Regulation 59 LGPS Regulations 2013	Annually	Feb-20
Annual Report	Regulation 57 LGPS Regulations 2013	Annually	Nov-19
Breaches policy	Regulation 70 Pensions Act 2004	Every 2 years	Oct-19
Communications Policy Strategy	Regulation 61 LGPS Regulations 2013	Annually	May-19
Conflict of Interest	Regulation 5(4) and 5(5) of the Public Service Pension Act 2013	Every 3 years	Apr-21
Employers Guide - West Sussex LGPS	LGPS Regulations 2013 (SI 2013/2356)	Every 3 years	
Funding Strategy Statement	Regulation 58 LGPS Regulations 2013	Every 3 years	May-19
Governance Policy and Compliance Statement	Section 55 LGPS Regulations 2013	Annually	Nov-20
IDRP (Internal Dispute Resolution Procedure)	Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008	Every 3 years	Nov-21
Investment Strategy Statement	LGPS Regulations (Management and Investment of Funds) 2016	Every 3 years	Jul-20
LGPS Administering Authority Discretions	Regulation 60 LGPS Regulations 2013	Every 4 years	Mar-22
LGPS Privacy Notice	Data Protection Act 2018 and General Data Protection Regulation (EU) 2016/679	Every 3 years	Mar-21
Risk Register	Part 4 Section 4 of WSCC Constitution	Annually	Sep-20

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Statements of policy concerning communications with members and Scheme employers

Extract from The Local Government Pension Scheme Regulations 2013 // Regulation 61

1. An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

   a) members;

   b) representatives of members;

   c) prospective members; and

   d) Scheme employers.

2. In particular the statement must set out its policy on—

   a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

   b) the format, frequency and method of distributing such information or publicity; and

   c) the promotion of the Scheme to prospective members and their employers.

3. The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Statements of policy concerning communications with members and Scheme employers

Background

1. West Sussex County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the West Sussex Pension Fund (WSPF). The LGPS is governed by statutory regulations.

2. This Communication Policy Statement reflects the LGPS Regulatory requirement for the administering authority to maintain a Statement concerning communications with members, representatives of members, prospective members; and Scheme employers.

Related Policies [1]

3. The Strategy should be read in conjunction with:

   - The Administration Strategy

Principal Regulations and Guidance

4. The principal Regulations underpinning this Policy are:[2]

   - Occupational Pension Schemes (Disclosure of Information) Regulations and the Public Sector Pensions Act 2013
   - The Local Government Pension Scheme Regulations 2013 (and any amendments thereto)
   - The Pension Regulator Code of Practice

Publication

5. This Policy will be published on the Pension Fund's website, sent to each of its Scheme employers and sent to the Secretary of State.

Review

6. Employers may submit suggestions to improve any aspect of this Policy at any time.

7. The administering authority will keep this Policy under review.

Queries

8. Any enquiries in relation to this Communications Policy Statement should be forwarded to Tara Atkins, Principal Pensions Consultant (Administration and Employers) (0330 222 8787 or tara.atkins@westsussex.gov.uk)

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[1] Hyperlinks to be included in final version
[2] Hyperlinks to be included in final version

Responsibilities and Resources

9. The responsibility for communication material for each Scheme rests with the County Council working in partnership with its Pension Administration provider, Hampshire Pension Services.

10. For the LGPS and Firefighters Pension Schemes Hampshire Pension Services will write, design and produce most of the communications.

Accessibility

11. The County Council is committed to using technology to enhance services, improve accessibility and broaden inclusion. The County Council will work with Hampshire Pension Services to develop further our use of electronic means of communicating through e-mail and our internet site (including a Member Portal). Wherever possible, responses will be sent by electronic means.

12. The Council recognises that individuals may have specific needs in relation to the format or language of our communication. Alternative material will be provided on request.

13. Details of the objectives of the communication strategy with the various stakeholder groups and details of how this is achieved have been set out in the following sections.

Communication Objectives and Methods

14. The delivery of the benefits involves communication with a broad range of stakeholders and this statement provides an overview of how the Authority will communicate with each.

Communication Relevant to All Stakeholders

15. For the LGPS the following documents are considered to be relevant to all stakeholders:[3]

    - **Administration Strategy** which set out levels of performance which the administering authority and its employing authorities are expected to achieve in carrying out their Scheme functions.

    - **Annual Report & Accounts** which sets out details of the value of the Pension Fund during the financial year, income and expenditure and how the fund is managed.

    - **Investment Strategy Statement** Which outlines how investment decisions are made, the types of investment held, fees paid, risk and corporate governance.

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[3] Hyperlinks to be included in final version

- **Business Plan** which deals with the functions carried out by the Pension Fund as administering authority on the investment side

- **Governance Policy and Governance Compliance Statement** which provides details pension fund governance arrangements, such as the remit of the Investment Panel and representation

- **Funding Strategy Statement** which sets out how employer liabilities will be calculated and the strategy for covering future service accrual, and past service deficits.

- Details of the **Pensions Panel** including meeting dates, membership details and meeting papers.

- Details of the **Pension Advisory Board** including meeting dates, membership details and meeting papers.

16. For the Firefighters Schemes the following documents are considered to be relevant to all stakeholders:

- Details of the **Pension Advisory Board** including meeting dates, membership details and meeting papers.

<u>Communication with active, deferred and pensioner members and prospective members</u>

17. Objective:

i. For the Schemes to be used as a tool in the attraction and retention of employees;

ii. To improve the understanding of how the Schemes works;

iii. To inform scheme members of their pension rights, the full benefits of scheme membership, and the contributions that employers make;

iv. As a result of improved communication, for queries and complaints to be reduced;

v. To improve take up of the Scheme;

vi. To comply with our statutory obligations

18. We do this by:

i. Working with Hampshire Pension Services to maintain **webpages** which provide detailed information about the Schemes, including who can join, how much it costs, the benefits of the Schemes and how to increase the value of benefits.

ii. Providing members with access to information about their current and projected benefits via a secure **Member Portal**.

iii. Producing an **annual newsletter or briefing** (for current members and pensioners) which provides updates in relation to changes to the Schemes as well as other related news, such as national changes to pensions, forthcoming seminars, a summary of the accounts for the year, contact details, etc. These are published on the relevant Scheme websites (see above).

iv. Providing **annual benefit statements for active members** which includes details about the current value of benefits, the associated death benefits and projected retirement benefits. Annual Benefit Statements will be made available to all members through the Member Portal by 31 August each year (and as hard copy on request).

v. Providing **annual benefit statements for deferred members** which includes the current value of the deferred benefits and the earliest payment date of the benefits. Annual Benefit Statements will be made available to all members through the Member Portal by 31 August each year (and as hard copy on request).

vi. Providing **payslips for pensioner members** at least annually where their pension varies by £1.[4]

vii. Providing **calculations of pension benefits, transfers, deferred benefits, pension shares, increasing pension benefits, and other processes** as requested, in the format requested by the member.

viii. Providing **latest news updates** which provide information on specific topics, such as changes to the regulations, topping up pension rights, and transfer values in and out of the Schemes on the relevant websites.

ix. Advertising the **Pre-Retirement course** (via the County Council's Learning and Development Gateway).

x. **Responding to all letters, e-mails, enquiries and phone calls** appropriately and within reasonable timescales, in the format requested by the member.

xi. **Requesting feedback** from customers as part of the Customer Services Excellence accreditation

[4] TBC whether HCC are reflecting WSPF's threshold of £2 or whether WSPF is moving to £1.

Communication with Scheme Employers

19. Objective:

i. To assist them in understanding costs/funding issues;

ii. To work together to maintain accurate data;

iii. To ensure their members are provided with all the necessary information;

iv. To ensure they are fully aware of developments within the Schemes;

v. To ensure they are aware of the policies in relation to any decisions that need to be taken concerning the Scheme and to assist them in making the most of the discretionary areas within the Schemes.

20. We do this by:

i. Working with Hampshire Pension Services to maintain **webpages** with key information for Scheme employers.

ii. Providing **employer workshop sessions** set up as and when required to debate current issues and regulations changes as required and requested.

iii. Providing **calculations and costings of early retirement scenarios** as requested, in the format requested by the employer.

iv. Provide **employer newsletters** including Scheme specific information.

v. Provide **Stop Press** publications for timely notifications and actions required.

vi. Holding an **Annual General Meeting** to discuss the Pension Fund's Annual Report and any other pertinent issues.

vii. Providing **training for small groups** to improve understanding of pension administration, legislation, the principles of the Scheme, changes and costs e.g. as a result of restructuring.

viii. Holding **focus group meetings** on key issues as necessary with all scheme employers.

ix. Holding **Actuarial Valuation meetings** with the Fund Actuary leading up to and during an Actuarial Valuation year to discuss the results and implications of the Actuarial Valuation and other actuarial matters.

x. Providing **training** on provision of end of year member data, including the completion of the appropriate data capture spreadsheet.

xi. **Requesting feedback** from customers as part of the Customer Services Excellence accreditation

Pensions Panel (LGPS only)

21. Objective:

i. To ensure members are aware of their responsibilities in relation to the Scheme;

ii. To seek members approval to the development or amendment of discretionary policies, where required;

iii. To assist members in making decisions about investment, administration and governance of the Scheme;

iv. To seek members approval to formal responses to government consultation in relation to the Scheme;

v. To ensure that the required level of knowledge and understanding is maintained.

22. We will do this by:

i. Drafting, reviewing and publishing **key Scheme documents**,

ii. Publishing **formal papers** setting out relevant issues in respect of the Scheme, in many cases seeking specific decisions or directions.

iii. **Attending formal and informal meetings** of Pension Panel members, at which local decisions in relation to the scheme are taken

iv. **Responding to all requests** for information by members of the Pension Panel.

v. **Facilitating training** in line with the knowledge and understanding requirements and the Pension Fund's Training Strategy.

Communication with Members of the Pension Advisory Board

23. Objective:

i. To ensure they are aware of their responsibilities in relation to the Scheme;

ii. To ensure they are aware of their responsibilities in relation to the Scheme Manager, the Pensions Regulator and the National Scheme Advisory Board;

iii. To ensure that the required level of knowledge and understanding is maintained.

24. We will do this by:

i. Publishing **formal papers** setting out relevant issues in respect of the Scheme.

ii. **Attending formal and informal meetings** of the Pension Advisory Boards

iii. **Responding to all requests** for information by members of the Pension Advisory Boards.

iv. **Facilitating training** in line with the knowledge and understanding requirements and the Pension Fund's Training Strategy.

<u>Communication with Hampshire Pension Services and WSCC Pensions Staff</u>

25. Objective:

i. To provide in depth and practical training to new employees;

ii. Provide training updates to existing employees;

iii. Provide working manuals to all employees;

iv. Document any procedural changes;

v. Monitor/review service standard to strive for continual improvement;

vi. Be aware of changes and proposed changes to the scheme;

vii. To provide on the job training on specific Scheme issues such as admission arrangements;

viii. To develop improvements to services, and changes to processes as required;

ix. To agree service standards.

26. We will do this by:

i. Monthly **Service Review meetings**.

ii. **Regular catch up meetings** between West Sussex County Council legal services, corporate finance team, and Hampshire Pension Services.

Communication with Media and Other Stakeholders

27. Objective:

i. To ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme;

ii. To ensure accurate reporting on any issues relating to the Schemes.

iii. To meet our obligations under various legislative requirements such as the Freedom of Information Act and the requirements of the Pensions Regulator (tPR);

iv. To ensure the proper administration of the scheme;

v. To deal with the resolution of pension disputes;

vi. To administer the Schemes AVC arrangements (LGPS only),

28. We will do this by:

i. **Responding to consultations** about regulatory changes and the future of the Scheme.

ii. **Publishing notices** such as via the Members Information Services or OJEU following specific Pension Panel decisions and to advise on votes cast by the investment managers on behalf of the pension fund, specifically relating to remuneration.

iii. **Publishing press releases** providing statements setting out the County Council's opinion on Scheme matters concerned, e.g. Fund valuation results.

iv. **Responding to Freedom of Information** and other requests.

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Pension Advisory Board

22 May 2019

Administration Procedures and Performance

Report by Director of Finance and Support Services

Summary

This report provides a high level view of the administration process and performance in support of the Pension Fund and its members, active, deferred and retired.

Recommendation

That the Pension Advisory Board receives the report and proposes any further information that they require.

1. Background and Context

1.1 As the Board are aware Hampshire County Council now provide the Pension Administration Service for the West Sussex Local Government Pension Scheme. The administration team are based in Winchester and the County Council will work closely with Hampshire County Council as our Pension Administration Partner.

2. Compliance with Scheme Regulations

2.1. The Terms of Reference for the Pension Advisory Board includes assisting the Scheme Manager to secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it. The following projects are therefore considered relevant to note work being undertaken to comply with changes.

<u>Amendment Regulations</u>

2.2. As reported in the March report the LGPS (Miscellaneous Amendment) 2018 Regulations came into force on 10 January 2019.

2.3. Officers are liaising with Hampshire Pension Services to identify those individuals who are affected by these changes, to ensure that the appropriate benefits are calculated and backdated accordingly.

2.4. To ensure that members are alerted to the change, a notice about the "Important Scheme regulation changes from 10 January 2019" has been published on the Hampshire website[1] and has been included in Appendix A. A further communication will be sent out directly to members to satisfy our statutory requirements under the Disclosure Regulations, that members are notified of amendments to the Regulations within three months of the change.

Revised Scheme Factors

2.5. Following the change to the SCAPE discount rate (used to convert a future stream of pension benefits into a single figure, in today's terms) the Government Actuary's Department (GAD) has provided replacement factor tables and these have been applied by Hampshire Pension Services.

2.6. The pension administration software (UPM) has been updated for each factor change. In respect of the Lifetime Allowance (LTA) calculations, where a member has exceeded LTA and have LTA protection, a manual calculation has been completed.

Effective from 8 January 2019

Factor	Reference
Early retirement	If a member chooses to voluntarily retire before their Normal Pension Age their benefits will normally be reduced to take account of being paid for longer. The reduction is based on the length of time (years and days) that the member retires early and determined by GAD.
Trivial commutations	The Regulations permit the Administering Authority to pay a lump sum representing the capital value of a small pension to a member, or surviving dependent of a deceased member, if it qualifies as a trivial commutation lump sum or trivial commutation lump sum death benefit. The payment amount is based on factors according to age as determined by GAD.
Cash Equivalent Transfer Value (Non-Club in and out)	A Cash Equivalent Transfer Value (CETV) is the cash value placed on a member's pension benefits. A CETV is used in a number of circumstances either to establish what is available to transfer to another pension provider known as a non-club transfer or in establishing the value of member's benefits in a Pension Sharing arrangement. A CETV is calculated using a number of elements including a members accrued pension benefit and factors according to age, sex and normal pension age as determined by GAD

[1] https://www.hants.gov.uk/hampshire-services/pensions/local-government/members/summary

Factor	Reference
Pension credits	Following a divorce a member's pension can be shared with their former spouse. A pension credit is added to the member's benefits and a pension debit is deducted from the member's benefits. Both amounts are based on the CETV of the member's benefits, the percentage awarded under a pension sharing order and factors according to age at relevant date and normal pension age as determined by GAD. Pension Debits are adjusted at retirement age, and have additional factors that are applied as determined by GAD.
Pension debits	The Regulations permit that following a divorce a member's pension can be shared with their former spouse. The amount deducted from the member's benefits is called a pension debit. This is based on the benefits accrued at the relevant date (as set out in the pension sharing order) and factors according to age and sex as determined by GAD. Pension Debits are adjusted at retirement age, and have additional factors that are applied as determined by GAD.

Effective from 1 April 2019

Factor	Reference
Club Transfer (In and Out)	Transfers within the Public Sector e.g. LGPS to NHS, are known as Club Transfers and are covered by the 'Club Memorandum' published by the Cabinet Office. The value of a Club Transfer is based upon a number of elements including a member's accrued pension benefit, and factors according to age, sex and normal pension age.
Purchase of Additional Pension	A member can purchase additional pension by making additional contributions to the LGPS. If a member ceases contributions before the end of the payment period for a reason other than on ill health or death, the amount purchased must be determined in accordance with guidance issued by GAD. The factors are calculated based on age, sex and normal pension age.

Factor	Reference
Lifetime Allowance	Lifetime Allowance is a limit on the amount of pension that can be drawn from a pension scheme and can be paid without triggering an extra tax charge – whether a lump sum or retirement income. Benefits in excess of a member's lifetime allowance can only be paid in accordance with guidance by GAD. A "Scheme pays debit" is calculated to apply against a member's pension benefits by using the tax charge payable and applying factors based upon age and sex at retirement as determined by GAD.

Fair Deal Consultation

2.7. Fair Deal relates to protections in place for local authority and other protected staff that compulsorily transfer to the employment of a service provider. In most cases transferred staff are given a continued right to access membership of the LGPS but some service providers opt for a Broadly Comparable Scheme arrangement.

2.8. In May 2016, the Ministry for Housing Communities and Local Government (MHCLG) consulted on a set of proposals intended to give effect to the principles of HM Treasury's New Fair Deal guidance within the Local Government context. Those principles would have required all transferred staff to be offered continued access to the LGPS, with the option for contractors to provide broadly comparable arrangements being removed.

2.9. In April 2018, the Government issued its response to the consultation confirming its commitment to introduce the strengthened New Fair Deal principles into the LGPS, but given the number of concerns raised by respondents regarding details of the original proposals, undertook to issue a further consultation.

2.10. MHCLG commenced this further consultation on in January 2019. This consultation closed on 4th April 2019.

2.11. The proposals within the consultation afford more protection to staff who are compulsorily transferred to private sector companies following an outstanding (the LGPS being assumed to provide better security to members than private sector pension schemes) with protections applying even if the service is sub-contracted or transferred out again, so long as the employees remain employed on the delivery of the service or function transferred.

2.12. The consultation also proposed an option whereby private sector contractors need not become admission bodies in the LGPS and instead could decide to take on 'deemed employer' status. For transferring staff, their 'scheme employer' for pension purposes would remain as the outsourcing authority, who would retain the main scheme employer responsibilities such as making pension contributions and taking on funding risk. Arrangements for sharing and allocating pension risk would be agreed within the contract.

2.13. Officers responded to this consultation (Appendix B).

<u>Changes to the Local Valuation Cycle and Management of Employer Risk</u>

2.14. MHCLG commenced a consultation on 8 May 2019 titled "The Local Government Pension Scheme: Changes to the Local Valuation Cycle and Management of Employer Risk". This consultation closes on 31st July 2019.

2.15. A copy of the consultation is at Appendix C.

3. Performance

3.1. The principal functions of the Board's include "seeking assurance that administration performance is in compliance with the Administration Strategy". The following items are considered relevant in respect of compliance of the Fund and its employers in line with the Strategy and Regulations.

<u>Administration Performance</u>

3.2. The Administration Report considered by the Pension Panel at their meeting on 29 April is appended (Appendix D).

<u>Breach Reporting</u>

3.3. There are a number of statutory requirements within the Local Government Pension Scheme (LGPS) for which there is a statutory duty to report to the Pensions Regulator if a material breach occurs.

3.4. No breaches have been reported.

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Fund Strategist, 033 022 23387

Appendices

Appendix A	Important Scheme regulation changes communication
Appendix B	Fair deal – strengthening pension protection consultation response
Appendix C	Local government pension scheme: changes to the local valuation cycle and management of employer risk consultation document
Appendix D	Pensions Panel Administration Report

Background Papers

SCAPE Discount rate	https://commonslibrary.parliament.uk/economy-business/work-incomes/public-service-pensions-less-for-more/
Fair deal	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

Local Government Pension Scheme

Information for Hampshire and West Sussex members

Hampshire County Council | west sussex county council

Joining LGPS | Members | Past members | Pensioners | Councillors | Employers | Resources | Contact

Scheme summary

Important scheme regulation changes from 10 January 2019

Members with a deferred pension who left before 1 April 1998

Changes in the regulations mean that you can now elect for early payment of your deferred pension from age 55. You can do this even if you are still in local government employment in another post. This change has been backdated to 17 April 2018.

Survivor benefits

Following a Supreme Court judgement, the regulations have changed to provide the survivors of:

- Registered civil partners
- Same sex marriages

with pension benefits comparable to those due to widows.

This change is effective from:

- 5 December 2005 for Registered civil partners
- 13 March 2014 for Same sex marriages

If you are affected by these changes, we will be writing to you shortly.

Widows' and widowers' benefits

There are some adjustments to widows' and widowers' pensions where:

- The member ceased active service before 1 April 1998 and
- Died after 9 January 2019

Again, if you are affected by this change, we will contact you shortly.

In this guide

- Pension calculations
- Pension statements
- Other LGPS pensions that you are paying into
- Previous LGPS pensions
- Death in service

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County Hall
Chichester
West Sussex
PO19 1RG

27th March 2019

Private and Confidential
LGF Reform and Pension Team
Ministry for Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London, SW1P 4DF

Dear Sir/Madam,

Local Government Pension Scheme: Fair Deal – Strengthening pension protection – Policy Consultation

Thank you for inviting West Sussex County Council, as both Administering Authority and a participating employer under the LGPS to respond to the Department's consultation paper on the above.

The County Council agrees with the consultation response provided by Hymans Robertson, who acts as our Fund Actuary, and also that provided by the Local Government Association and the Local Government Pension Scheme Technical Group.

Protected Transferees
Question 1 – Do you agree with this definition?

The County Council is happy in principal with the definition of a protected transferee.

The County Council agrees points 16 and 17, with the exception that:

- The County Council's preference would be to define "wholly or mainly" employed as being more than 50% of their time in the management or delivery of such services as are set out in the contract. This is proposed to ensure a consistent approach and not allowing for Authorities to interpret this differently.
- The County Council would welcome clarity over point 17 and how this would be managed and tracked by a Fair Deal employer, particularly where a contract could be in place for a number of years, and who the responsibility to track this should fall to.

The County Council do not believe that under point 18, an option to extend the protections should be included in the Regulations. This is due to the fact that this adds an additional layer of complexity to the procurement process; it makes monitoring who is protected more complex; it potentially creates conflict with the guidance 'Fair deal for staff pensions: staff transfer from central government' for academies and other central government bodies that participate in the LGPS.

Fair Deal Employers
Question 2 – Do you agree with this definition of a Fair Deal employer?

The County Council is in agreement with the definition of a Fair Deal employer as detailed in the consultation.

Transitional Arrangements
Question 3 – Do you agree with these transitional measures?

The County Council agree the transitional measures set out in points 24-25.

The County Council is concerned that there may be unintended disadvantages created to certain employees where under point 26 by removing access to broadly comparable Schemes in a future re-tender they could:

- Be required to leave a broadly comparable scheme this is actually better than the LGPS
- Lose a final salary link to their pension rights accrued in any broadly comparable scheme.

The County Council appreciates the wider policy intention of not allowing new broadly comparable arrangements being agreed when outsourcing new services, however consideration should be taken as to whether in a re-tender situation an option to retain a broadly comparable scheme, when this advantages an employee, should be given.

Question 4 – Do you agree with our proposals regarding the calculation of inward transfer values?

The County Council agrees that the proposed calculation of inward transfers seems reasonable.

However, the County Council is concerned by the compulsory nature of the removal of a broadly comparable scheme and the lack of any specific protection for those accrued rights where they are being transferred in to the LGPS. An employee cannot transfer final salary benefits in a broadly comparable scheme in return for similar benefits within the LGPS.

Deemed Employer Approach
Question 5 – Do you agree with our proposals on deemed employer status?

The County Council is supportive to the introduction of a 'deemed employer' status within the LGPS. There are concerns however that the introduction of a deemed employer status may simply introduce a different set of issues for all parties to resolve.

Under points 32 and 37 the County Council feels Funds can still have a legal agreement if they chose but the main contract between the outsourcing Fair Deal employer and service provider must detail how the two parties deal with pensions and risk sharing.

The County Council would stress that the Fair Deal employer must have full regard to its liabilities and financial requirements in terms of any outsourcing should be strengthened, as must have 'full regard' is not strong enough and needs to be set out in the regulations.

The County Council would also stress strongly that the success of deemed employers falls onto the contractual arrangements between the Fair Deal employer and the contractor. Administering Authorities must not be responsible for the contractual relationship.

Question 6 – What should advice from the Scheme Advisory Board contain to ensure that deemed employer status works effectively?

The County Council would agree that guidance would become critical in this area; however it is believed that this should be statutory guidance issued by the Secretary of State and not the Scheme Advisory Board. This is to ensure it has the greatest effect.

Any guidance provided would need to focus on the specific elements of the relationship between the Fair Deal employer, the service provider with a 'deemed employer' and the Administering Authority.

The guidance should include:

- signposting to provisions that are already covered within the regulations;
- details of accounting requirements;
- basis for setting contributions for 'deemed employers';
- Exercising employer discretions;
- Day to day roles and responsibilities e.g. contributions
- Exiting obligations at the end of the contract.

Responsibilities of employers
Question 7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?

The County Council believes that if a robust contract is in place, and all parties are fully aware of their obligations, there is no further need to set out legislation any additional costs or responsibilities.

Administering Authorities will need to ensure their processes are flexible enough to manage monthly contributions and year-end information coming from two separate sources (if this is the route taken) for member records held under one employer.

Existing arrangements
Question 8 – Is this the right approach?

The County Council is supportive of the deemed employer approach. However being mindful that Funds can still choose to use admission agreements in certain circumstances, which is reasonable.

It is felt that a Funds Funding Strategy Statement is the appropriate place to set out risk sharing arrangement options.

Timely consideration of pensions issues

Question 9 – What further steps can be taken to encourage pension issues to be given and timely consideration by Fair Deal employers when services or functions are outsourced?

The County Council is aware that there are sometimes gaps in the admissions process. It is however in full support that all parties need to engage with administrators early in the process.

We would support that the Regulations state that the deemed employer route is the Administering Authorities default option but that employers can adopt different approaches where it is appropriate.

The County Council, identifying that pensions are quite often a last thought in a procurement process, it would support a requirement for any procurement exercises to be signed off by the S.151 officer (or equivalent) before they can proceed, to ensure that consideration to all necessary pension related matters have taken place.

Public Sector Equality Duty
Question 10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?

Other than those that have already been identified within our response the County Council is in agreement with your assessment, and have nothing further to add.

Transferring Pension assets and liabilities
Question 11 – is this the right approach?

The County Council is in principal in agreement with the approach proposed.

Question 12 – Do the draft regulations effectively achieve our aims?

The County Council is in agreement that the draft regulations broadly achieved the aims.

We are in agreement with the suggested amendments that are proposed by our Fund Actuary, Hymans Robertson, in their consultation response.

Question 13 – What should guidance issued by the Secretary of State regarding the terms of asset and liability transfers?

The County Council is in support of the recommendations set out by our Fund Actuary, Hymans Robertson, in their consultation response, as it is felt that actuarial input is needed to answer this question in detail.

Yours sincerely

Ministry of Housing, Communities & Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation

May 2019
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: https://twitter.com/mhclg

May 2019

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Contents

Scope of the consultation

Topic of this consultation:	This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covers the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
Scope of this consultation:	MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result. Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme. Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.

	When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGPensions@communities.gov.uk
How to respond:	Please respond by email to: LGPensions@communities.gov.uk Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include: - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle[1], and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

- We also propose the widening of a power that allows LGPS administering authorities to amend an employer’s contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a ‘deferred employer’ status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

[1] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended[2] to allow the payment of 'exit credits' to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016[3]. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS's funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019**.

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[2] S.I. 2018/493
[3] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes[4].

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

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[4] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations[5]. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

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[5] https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement[6] requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

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[6] Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;
- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis[7] on the employer's total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers[8] in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

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[7] Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).
[8] Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed ("Tier 1"), academies ("Tier 2") or admitted bodies performing services under contract to local authorities ("Tier4")

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)[9]:

> *"(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—*
>
> *(a) the contribution at the primary rate should be adjusted; or*
>
> *(b) any prior secondary rate adjustment should be increased or reduced,*
>
> *with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable."*

[9] In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector[10] defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

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[10] These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;

2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;

3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes[11] to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016[12], as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

[11] S.I. 2018/493
[12] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

situations, scheme employers often use a ‘pass-through’ approach to limit the service provider’s exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider’s LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider’s liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer’s exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS[13]. Use of the deemed employer approach,

[13] https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.
- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.
- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation 'Insolvency regime for further education and sixth form colleges', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a "funded scheme". This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure.

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the data controller and contact details of our Data Protection Officer**
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data
Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data
The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data
We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.
Your personal data will be held for two years from the closure of the consultation.

5. Your rights, e.g. access, rectification, erasure
The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you
b. to ask us to stop using your data, but keep it on record
c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

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Pensions Panel

29 April 2019

Administration Transfer and Performance

Report by Director of Finance Performance and Procurement

Summary

The Pension Panel has a key objective within its Business Plan to deliver a high quality administration service.

The Pension Fund's administration transferred from Capita to Hampshire County Council on 4 March 2019.

As part of business as usual processing from 12 March to 31 March the Hampshire Pension Services team completed 100% of the cases received within their 15 working days target, with the majority completed within five days.

Recommendation(s)

(1) The update is noted.

Background and Context

1. The Pension Panel has a key objective within its Business Plan to deliver a high quality administration service to all stakeholders with processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time.

2. It is also acknowledged that there is a risk relating to inaccurate and/or incomplete data retained by the Pension Fund, impacting member outcomes, compliance with legislation and management of liabilities.

3. The Pension Fund's administration transferred from Capita to Hampshire County Council on 4 March 2019. This is therefore an interim update given the timescales since transfer and future reporting will be developed.

4. An Administration Strategy has been put in place which describes the key performance targets for employers, the Administering Authority and Hampshire County Council (Agenda Item 6).

Membership Volumes

5. The table below shows the membership volumes as at 31 March 2019:

[1]	Total
Active	28,087
Deferred	19,874
Pensioners incl beneficiaries	27,253
Total	**75,214**

6. As at the same date there were XX employers actively participating in the Scheme.

Performance

7. Hampshire have successfully run the LGPS pensioner payroll for March which provides strong assurance on the completeness and accuracy of the data transfer work.

8. The table below shows the performance against service standards for the key processes which were set up as part of business as usual processing from 12 March to 31 March. The target for all case types, with the exception of deferred retirements, is 15 working days.

	Time to complete				Total Cases	% on Target
	0-5 days	6-10 days	11-15 days	16-30days		
Active Retirement	20				20	100
Deferred Retirement	40	2			42	100
Estimate	8	1			9	100
Deferred	5				5	100
Transfer Out					0	
Transfer In					0	
Divorce	1				1	100
Refund	9				9	100
Rejoiner	1				1	100
Interfund	0	1			1	100
Death	9				9	100
Total					**97**	**100**

9. All work received during the transition period and received as open cases from Capita has been logged by the Hampshire team and appropriate tasks have been set up. These are not included in the above.

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[1] For WSCC only, figures are actives 14,599, Pensioners (incl beneficiaries) 10,580 and deferred 16,194

10. From 1 April, the Hampshire team will make resource will be available to assess the full position of legacy workloads so that the work can be cleared as far as possible by the end of June, before the valuation extracts are run.

11. Since 4 March, the Hampshire team have been referred 17 complaints, all relating to the period before Hampshire took on the administration. Several compliments about the responsiveness of Pension Services during the transition period have been received.

Communication

12. Hampshire has held five employer training and liaison sessions in venues in West Sussex. In total 94 participants representing 72 employers attended. These are in addition to bespoke sessions with key employers which ran as part of the transfer project.

13. A further communication has been sent out to all active, deferred and pensioner members where an email address is held on the pension administration system. This confirmed the completion of the transfer, highlighted the new contact details and promoted the availability of the Member Portal.

14. Pensioners received an annual newsletter with their payslip in March, detailing payment dates and other important information about their pension payments.

15. From 1 April LGPS members could register for a pensions account so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members are able to view their payslips and P60s. Although there were some issues caused by the volume of interest in registering for the site as at 9 April:

	Number
Active	1,763
Deferred	749
Pensioner	424
Total	**2,936**

Katharine Eberhart
Director of Finance, Performance and Procurement

Contact: Rachel Wood, Pension Fund Investment Strategist
033 022 23387 | rachel.wood@westsussex.gov.uk

Background Papers
None

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Pension Advisory Board

22 May 2019

Good Governance

Report by Director of Finance and Support Services

Summary

This report provides a summary of the Scheme Advisory Board's work on 'Good Governance' within Local Government Pension Schemes.

Recommendation

That the Pension Advisory Board notes the report and considers the options.

1. Background and Context

1.1 In 2015, the National Scheme Advisory Board (SAB) commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of LGPS administering authorities from their host authorities. Due to other priorities this work was put on hold but the Board agreed that as part of its 2018/19 work programme that it would undertake a further project to determine how the recommendations from the KPMG report could be undertaken.

1.2 The SAB has therefore commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions.

1.3 The Board has renamed the project from the previous 'Separation Project' as this name was misleading and gave rise to fears that the option of removing the scheme from local authority control was being considered.

1.4 The SAB are expecting to receive a final report for consideration in July.

2. Criteria

2.1 Hymans has determined the following as being 'key criteria' against which options for any new governance structure for the LGPS.

Headline	Context
Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including the Pensions Regulator (TPR) requirements.

Headline	Context
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to S151 officer conflicts.
Representation	The model allows for appropriate involvement in decision making for key stakeholders.
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered

3. Options

3.1 To inform the discussion, Hymans have proposed four options for governance structure for the LGPS. Some may be reflective of current practice within Administering Authorities.

- Improved practice through guidance
- Greater ring fencing including budgets, resourcing and pay policies.
- New structures such as a Joint Committee who are delegated LGPS functions
- New local authority body, with local democratic accountability and subject to the Local Government Act provisions.

These are set out in more detail in Appendix A.

4. Input and Consultation

4.1 The intention is for Hymans on behalf of the SAB to consult widely to develop options. They aim to consult widely and capture as many views as possible from those working within the LGPS.

4.2 Meetings with the Hymans team have been arranged for officers, Katharine Eberhart, as Scheme Manager, and the Chairman of the Board.

4.3 Members of the Board and Panel are able to complete a survey.

Katharine Eberhart
Director of Finance and Support Services

Contact: Rachel Wood, Pension Fund Strategist, 033 022 23387

Appendices
Appendix A - LGPS Good Governance Options

Background
Good Governance Survey - https://www.hymans.co.uk/news-and-insights/research-and-publications/research/good-governance-project-survey

LGPS Good Governance Options

Opt	Headline	Context	Features
1	Improved Practice	Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.	• SAB guidance on minimum expected levels of staffing and resourcing. • SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards. • Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds. • LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.
2	Greater ring fencing of the LGPS within existing structures	Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.	• The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs. • Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front. • Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid though the host authority's revenue account to be recharged at a later date. • The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s)*. • The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year. • The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain. • Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit. In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council. • Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee. • Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee. • Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee. [1]
3	Use of new structures: Joint Committees (JC)	Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.	• The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers. • Consideration could be given to the representation of other employers and scheme members on the JC. • Assets and liabilities still sit with the existing administering authority. • Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA). • The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.
4	New local authority body	New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions. This might be through a combined authority route or through a public body established by statute.	• The new body must retain a strong link to democratic accountability. • Employment of staff and contractual issues dealt with by the new body. • Assets and liabilities transferred to the new body. • Separate accounts based on CIPFA guidance. • Funded by an element of the contribution rate and by a levy on constituent authorities. • Officers in the new body are responsible only for the delivery of the LGPS function.

[1] Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.

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Training Sessions Delivered at County Hall and External

	22 June 2015	22 June 2015	23 October 2015	23 October 2015	16 March 2016	6 December 2016	27-Feb-17	2 March 2017	21 June 2017	28 June 2017	29 & 30 June 2017	5 July 2017	19 September 2017	26 February 2018
	Training from Baillie Gifford on Investment Managers work	Training from Steve Harrison on background of the West Sussex LGPS	Training from Peter Scales on Pension Board Governance	Training from Clare Chambers on the work of Capita	Training from EY and from Internal Audit	Training from Peter Scales on the Investment Regulations	CIPFA LGPS Spring Seminar for LPPs	Training from Richard Cohen on the UK taxation system and the wider pension landscape.	Pensions Panel Induction Training	CIPFA LPBs Two Years On	LGA LGPS Trustees Conference	LGPS Pooling Update	Pension and Lifetime Savings Conference	CIPFA Local Pension Board seminar
Peter Scales	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
Richard Cohen	✓	✓	✓	✓	✓			✓	✓			✓	✓	
Christopher Scanes	✓	✓	✓	✓	✓	✓		✓			✓	✓		
Kim Martin						✓		✓	✓					
Tim Stretton														✓
Becky Caney														
Miranda Kadwell														

	13-Jun-18	27-Jun-18	18-Jul-18	15-Oct-18	21-Nov-18	27-Feb-19	06-Mar-19	22-May-19	26-Jun-19
	WSPF Financial statements	CIPFA Local Pension Board Annual Event	Risk Framework (internal training)	CIPFA Local Pension Board seminar	Actuary Training	CIPFA Local Pension Board Seminar	WSPF Overview	Hampshire Pension Administration Training	CIPFA Local Pension Board Annual Event
Peter Scales	✓		✓	✓	✓	✓	✓		
Richard Cohen	✓		✓		✓		✓		
Christopher Scanes	✓	✓	✓		✓	✓	✓		
Kim Martin	✓				✓		✓		
Mark Baker					✓		✓		
Tim Stretton		✓			✓		✓		●
Becky Caney					✓		✓		
Miranda Kadwell					✓	✓	✓		

Pension Regulator Toolkit - Module Progress

	Conflicts of Interest	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
Peter Scales	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Becky Caney	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Richard Cohen	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Miranda Kadwell	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Kim Martin	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Christopher Scanes	Passed	Passed	Passed	Passed	Passed	Passed	Passed
Tim Stretton	Passed	Passed	Passed	Passed	Passed	Passed	Passed

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of the Local Government Act 1972.

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