



Local Pensions Board

Date:	Tuesday, 14 July 2015
Time:	11.00 am
Venue:	Queen Mary Suite, 6th Floor, The Cunard Building, Liverpool

Contact Officer: Pat Philips
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AGENDA

- 1. APPOINTMENT OF CHAIR OF PENSION BOARD (Pages 1 - 10)**
To appoint a Chair for the Municipal Year 2015/16.
- 2. REVIEW OF PENSION BOARD POLICIES (Pages 11 - 34)**
- 3. BUSINESS PLANNING (Pages 35 - 38)**
- 4. STRONGER FUTURES: DEVELOPMENT OF THE LGPS (Pages 39 - 70)**
- 5. POLICY ON COMPLIANCE WITH THE PENSIONS REGULATOR (Pages 71 - 74)**
- 6. TRAINING PROGRAMME (Pages 75 - 78)**
- 7. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

8. APPOINTMENT OF CHAIR - EXEMPT APPENDICES (Pages 79 - 92)

Appendices 2 and 3 to agenda item 1.

Exempt by virtue of paragraph 3 as they contain commercially sensitive information.

WIRRAL COUNCIL

PENSION BOARD

14 JULY 2015

SUBJECT:	APPOINTMENT OF CHAIR OF PENSION BOARD
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with background information on the proposed Chair of the Pension Board with a view to the passing of a motion for approval being given for him to fulfil that role.
- 1.2 An exempt report on the agenda, appendix 2 to this report, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Under the Board's terms of reference, the appointment of the Chair by the Scheme Manager will only be made following an openly advertised competitive process for the role which shall also be subject to the passing of a motion by the Board to approve the successful candidate.
- 2.2 The competitive process was concluded at a selection panel on 15 May 2015 as reported to Pensions Committee on 22 June 2015 (refer appendix 1). Further information on the candidate is contained in appendix 2.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 Under the Board's terms of reference, the Chair will receive an annual fee equivalent to the special responsibility allowance paid to the Chair of Pensions Committee.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That members pass a motion approving the appointment of the Chair.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The candidate proposed as Chair of the Pension Board fulfils the required criteria.

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APPENDICES

Appendix 1 – Pension Committee report.
Appendix 2/3 – Exempt items

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
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SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

22 June 2015

SUBJECT:	LOCAL PENSION BOARD
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the progress achieved in establishing Wirral Council's Pension Board, in accordance with statutory requirements prescribed within the Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) Regulations 2015.
- 1.2 The Terms of Reference and composition of the Board were approved by Council at its meeting on 16 March 2015 in compliance with the deadline to create a Local Pension Board by 1 April 2015.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Pension Committee has been apprised at its previous meeting of the changes introduced by the Public Service Pensions Act 2013 which aim to deliver a coherent governance framework.

The intent is to provide assurance that all public service pension schemes and individual LGPS Funds are managed effectively with a properly constituted, trained and competent Pension Board monitoring compliance with legislation and best practice standards.

Implementation of the Wirral Pension Board

- 2.2 The Council considered and approved the structure of Wirral Council's Pension Board on 16 March which took legal effect on 1 April 2015. The composition and overview of the member appointment process are detailed within the Terms of Reference which can be accessed via the link below

http://mpfmembers.org.uk/pdf/lpb_termofref-2015-03-16.pdf

- 2.3 The statutory guidance on the creation of the Local Pension Board stipulates that the Board must be fully operational by the end of July 2015.
- 2.4 In order to meet the prescribed timescale, communications in respect of the recruitment process were issued from the beginning of March 2015. These communications included the role maps and person specifications for the employer/member representatives and also the Independent Chair.
- 2.5 All participating employers were notified of the vacancies, with best endeavours undertaken to raise awareness amongst the membership base - including email alerts to members signed up to the website service and direct communication with the trade unions. Employers were also asked to make staff aware of the vacancies through intranets and other local distribution channels.
- 2.6 A Selection Panel was established, comprising the following three Member representatives of the Administering Authority:

Cllr David Elderton (Chair)
Cllr Bill Davies
Cllr Dave Mitchell

Advisors to the panel: Fiona Blatcher, Grant Thornton
Peter Wallach, MPF

- 2.7 The appointment of the Board members was undertaken by the Selection Panel on 15 May 2015 and those appointed represent the different types of employer groups and the different membership categories within the Fund.
- 2.8 Following an evaluation exercise of the applicants, and in view of the number and quality of applications, it was not necessary to undertake interviews for the employer/member positions
- 2.9 The successful candidates all demonstrated strategic knowledge and stewardship of both local government and private pension schemes, including representation on boards at a national level.
- 2.10 It was necessary to undertake an interview to select the Independent Chair.
- 2.11 The decision of the panel was to make the following appointments as detailed below:

Independent Chair: John Raisin

Employer representatives:

Scheduled bodies: Geoff Broadhead, Mike Hornby
Further education: Robin Dawson
Admission body: Kerry Beirne

Member representatives:

Active members:	Donna Ridland, Philip Goodwin
Deferred members:	Patrick Moloney
Pensioner members:	Paul Wiggins

The details of the appointments and who they represent will be published on the Fund's website.

- 2.12 Appointees were asked to attend an initial one day 'Kick Start' training event on 28 May arranged by LGPC, the details of the programme is attached as Appendix 1
- 2.13 The contracts of appointment for the Board members will now be drafted to provide a broad overview of the role, commitments, remuneration and employment status as board members.
- 2.14 The inaugural meeting of the Pension Board is scheduled to take place 14 July 2015
- 2.15 A 'Knowledge and Understanding' and 'Conflict of Interest Policy' attached as Appendices 2 and 3 have been drafted to assist the Pension Board in compliance with the LGPS Regulations and the Pension Regulators Code of Conduct.

3.0 RELEVANT RISKS

- 3.1 The creation of the Board and its effective operation is intended to reduce the Fund's exposure to a range of risks associated with regulatory compliance.

The key objective is to assist the Fund in meeting its administration responsibilities as defined within the Pensions Regulator's Code of Practice for Public Service Pension Schemes, with a focus on mitigating risk.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 Any costs incurred in the establishment and running of the Pension Board are chargeable to the Pension Fund under the terms of the relevant regulations.

9.0 LEGAL IMPLICATIONS

9.1 The establishment of the local Pension Board will require amendment to the Fund's Governance Policy Statement and the Council's Constitution

10.0 EQUALITIES IMPLICATIONS

- Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATIONS

13.1 That members note the appointment of the employer and member representatives of Wirral Pension Board as agreed by the Selection Panel on 15 May 2015 and the formal policies in respect of 'Knowledge and Understanding' and 'Conflicts of Interest'.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role.

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APPENDIX 1 Training Event for Local Pension Board Members

APPENDIX 2 Knowledge and Understanding Policy

APPENDIX 3 Conflict of Interest Policy

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
LGPS Update – Covered DCLG'S Previous Discussion Paper on Scheme Governance	16 September 2013
DCLG Consultation on Draft Scheme Governance Regulations	15 September 2014
Creation of New Pension Board	17 November 2014
LGPS UPDATE – CREATION OF WIRRAL COUNCIL'S PENSION BOARD	19 January 2015
Pension Board – Revised Terms Of Reference	24 March 2015

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WIRRAL COUNCIL

PENSION BOARD

14 JULY 2015

SUBJECT:	REVIEW OF PENSION BOARD POLICIES
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with policies relevant to the Pension Board to which they will be subject.
- 1.2 Members are requested to approve and adopt the Board's Terms of Reference which were agreed at Wirral's Council meeting on 16 March 2015.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Terms of reference are attached at appendix 1.
- 2.2 The role of the Board members requires the highest standards of conduct and therefore the "seven principles of public life" as defined within the Council Constitution will be applied to all Pension Board members and embodied in their code of conduct.
- 2.3 In addition, a 'Knowledge and Understanding' and 'Conflict of Interest Policy', attached as appendices 2 and 3 have been drafted to assist the Board in compliance with the LGPS regulations and the Pension Regulator's Code of Conduct.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That members approve and adopt the Board’s Terms of reference.

13.2 That members note the other policies relevant to Members of the Board.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The approval and adoption of the Pension Board’s Terms of Reference forms a key part of the Board’s governance arrangements.

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APPENDICES

- Appendix 1 - Terms of Reference
- Appendix 2 - Knowledge and Understanding
- Appendix 3 – Conflicts of Interest

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

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Council Meeting	Date

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Appendix 1

Local Pension Board of Wirral Borough Council

Terms of Reference

1. Introduction

- 1.1 This document sets out the terms of reference of the Local Pension Board of Wirral Borough Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2 The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
- 1.3 The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
- 1.4 The Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

2. Statement of Purpose

- 2.1 The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - a. secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;
 - b. ensure the effective and efficient governance and administration of Merseyside Pension Fund.
 - c. provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.
- 2.2 The Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

- 2.3 The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than twice in any year. There is also the provision for special meetings to be convened at notice.

3. Scheme Manager Consents

- 3.1 The Board shall not:

- Overturn investments decisions that have been made by the Pension Committee but may consider whether due process has been followed to validate the decision taken.
- Amend the strategies prepared in compliance with section 57 to 61 of the LGPS regulations
- Consider or become involved in any specific internal dispute resolution appeal
- Enter into contracts on behalf of the Administering Authority
- Dismiss any members of the Pension Committee
- Compromise the Pension Committee's ability to comply with its fiduciary duty to the Pension Fund and its members.

4. Membership and Appointment Process

- 4.1 The Board shall consist of 8 voting members to be constituted as follows:

Four employer representatives, of whom;

- a. Two shall be nominated from Local Authorities, Police/ Fire/ Transport Authorities, Parish Councils
- b. One from the Academies / Further/Higher Education Bodies
- c. One from Admitted Bodies excluding employers admitted by virtue of undertaking a commercial contract connected to a function of a scheme employer.

- 4.2 Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

- 4.3 Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required:

Four scheme member representatives of whom;

- a. Two shall represent and be drawn from active members of the Merseyside Pension Fund;
- b. Two shall represent and be drawn from pensioner and deferred members of the Merseyside Pension Fund.

- 4.4 Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund

- 4.5 Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

- 4.6 In addition one other non-voting independent member selected by the Scheme Manager, shall be appointed as Chair of the Board, with independence defined as follows:

- a. Not a current elected member or employee of a participating scheme employer or an individual with a financial or other material interest in either the Administering Authority or any of its constituent employers.
- b. Has not been an elected member or employee of a participating scheme in the past 5 years.
- c. Is not an active, pensioner or deferred member of Merseyside Pension Fund

- 4.7 It will be the role of the Chair to:

- a. Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met, instances of a failure to reach a consensus position will be recorded and published.
- b. To uphold and promote the purpose of the Board and to interpret its constitution and Terms of Reference when necessary.
- c. Ensure that the Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record.
- d. Agree the agenda and minutes for each Board meeting with the Board Secretary (Head of Pension Fund)
- e. Ensure an attendance record is maintained along with advising the Scheme Manager on expenses to be paid.
- f. Advise the Scheme Manager on any required budget for the Board. The Chair shall not incur any expenditure on behalf of the Board without seeking the prior written consent of the Scheme Manager.

- g. Write reports required by Scheme Manager on the performance of the Board.
 - h. Liaise with the Scheme Manager on the requirements of the Board, including advanced notice for Officers to attend and arranging dates and times of Board meetings.
 - i. To annually review and report on the performance of the Board.
- 4.8 The decision of the Chair on all points of procedure and order and the Chair's interpretation of the protocol shall be final.
- 4.9 The appointment of the Chair by the Scheme Manager will only be made following an openly advertised competitive process for the role which shall also be subject to the passing of a motion by the Board to approve the successful candidate.
- 4.10 Members of the Board shall only be appointed after all employers or members of the Fund have been invited to put forward nominations or expressions of interest.
- 4.11 Successful employer and employee representatives will be selected by the Scheme Manager having taken account of their capacity to represent other scheme employers and members, attend meetings and undertake extensive training.
- 4.12 Members in all categories will only be appointed by the Scheme Manager if they commit to acquire the knowledge and skill requirement set out in the relevant regulations and guidance, as defined in section 8 of this document.

5. Length of term

- 5.1 Members of the Board will serve for a term of four years which can be extended for further period(s) subject to re-nomination.
- 5.2 In recognition of the complexity of pension legislation and to assist with knowledge development and retention, the initial term of office for one of the two active member representative shall be 6 years and one of the two employer representatives of the local authorities, Police/Fire Transport authorities and Parish Council shall be 6 years.

- 5.3 Other than as a result of retirement at the expiry of this period the term of office will come to an end:
- a. For employer representatives who are councillors if they cease to hold office as a councillor;
 - b. For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
 - c. For scheme member representatives if they cease to be a member of the relevant member group.
- 5.4 Each Board member should endeavour to attend all Board meetings during the year. Substitute members are not permitted due to the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the management of conflicts of interest.
- 5.5 Members of the Board shall cease to be a member of the Board if they do not attend two consecutive meetings and fail to tender apologies which are accepted by the Board
- 5.6 In event of the independent member not being available for a Board meeting, a Vice Chair for that meeting will be determined by the Board members.
- 5.7 The removal of the independent member requires the consent of the Scheme Manager.

6. Quorum

- 6.1 A meeting is only quorate when at least 2 employer representatives and 2 scheme member representatives are present.
- 6.2 A meeting that becomes inquorate may continue but any decisions will be non-binding

7. Code of Conduct and Conflicts of Interest

- 7.1 The principles included in the Council's Code of Conduct for members apply to all members of the Board set out in the Constitution of the Council. Conflicts of interest shall be managed taking account of the requirements set out in the Council's constitution, best practice defined in the Scheme Advisory Board's statutory guidance and the Pension Regulator's Code of Practice 14: Governance and Administration of public service pension schemes.

8. Board Review Process

- 8.1 The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

9. Advisers to the Board

- 9.1 The Board may be supported in its role and responsibilities through the appointment of advisers as agreed with the Scheme Manager. In addition the Board will have access to the officers of Merseyside Pension Fund and where considered appropriate access to the advisers to the Pension Fund.

10. Knowledge and Skills

- 10.1 A member of the Board must be conversant with –
- a. The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
 - b. Any document recording policy about the administration of the LGPS which is for the time being adopted by the Merseyside Pension Fund.
- 10.2 A member of the Board must have knowledge and understanding of -
- a. The law relating to pensions, and
 - b. Any other matters which are prescribed in regulations.
- 10.3 It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.
- 10.4 In line with this requirement Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members are therefore required to maintain a written record of relevant training and development.
- 10.5 Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 10.6 Board members will comply with the Scheme Manager's training policy.

11. Board Meetings – Notice Minutes and Reporting

- 11.1 The Scheme Manager shall give notice to all Board members of every meeting of the Board, and shall ensure that all papers are published on Wirral Borough Council's Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
- 11.2 The Scheme Manager shall ensure that a formal record of Board proceedings is maintained.

- 11.3 The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include as a minimum:
- a. Details of the attendance of members of the Board at meetings,
 - b. Details of the training and development activities provided for members of the board and attendance at such activities;
 - c. Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
 - d. Details of the costs incurred in the operation of the Board
- 11.4 The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

12. Remit of the Board

- 12.1 The Board must assist the Scheme Manager with the primary core function in securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator.
- 12.2 This involves but is not limited to oversight and comment on :
- a. Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
 - b. Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.
 - c. Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
 - d. Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
 - e. Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
 - f. Monitor complaints and performance on the administration and governance of the scheme.
 - g. Assist with the application of the Internal Dispute Resolution Process.

- h. Review the complete and proper exercise of Pensions Ombudsman cases.
- i. Review the implementation of revised policies and procedures following changes to the Scheme.
- j. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k. Review the complete and proper exercise of employer and administering authority discretions.
- l. Review the outcome of internal and external audit reports.
- m. Review draft accounts and Fund annual report.
- n. Review the compliance of particular cases, projects or process on request of the Committee.
- o. Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate

12.3 The secondary core function of the Board is to ensure the effective and efficient governance and administration of the Scheme and may determine the areas it wishes to consider including but not restricted to :

- a. Assist with the development of improved customer services.
- b. Monitor performance of administration, governance and investments against key performance targets and indicators.
- c. Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- d. Monitor investment costs including custodian and transaction costs.
- e. Monitor internal and external audit reports.
- f. Review the risk register as it relates to the scheme manager function of the authority.
- g. Assist with the development of improved management, administration and governance structures and policies.
- h. Review the outcome of actuarial reporting and valuations.
- i. Assist in the development and monitoring of process improvements on request of Committee.
- j. Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code

13. Standards of Conduct

13.1 The role of the Board members requires the highest standards of conduct and therefore the “seven principles of public life” as defined within the Council Constitution will be applied to all Pension Board members and embodied in their code of conduct.

13.2 These principles are –

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

14. Decision making

14.1 Each employer and member representative of the Board will have an individual voting right but the Independent Chair is explicitly excluded from having the right to vote in accordance with regulation 106 (7) of the LGPS Regulations 2013. It is expected the Board will as far as possible reach a consensus.

15. Publication of Pension Board information

15.1 Stakeholders of the Scheme will want to know that the Merseyside Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

15.2 Up to date information will be posted on the Merseyside Pension Fund website showing:

- a. The names, contact details and other relevant information about the Board members
- b. How the scheme members are represented on the Board
- c. The responsibilities of the Board as a whole
- d. The full terms of reference and policies of the Board and how they operate
- e. Details of the Pension Board appointment process
- f. Any specific roles and responsibilities of individual Board members.

- 15.3 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

16. Accountability

- 16.1 The Board will be collectively and individually accountable to the Scheme Manager.

17. Expense Reimbursement and Remuneration

- 17.1 All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.
- 17.2 Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by the Inland Revenue from time to time as adopted by Wirral Borough Council.
- 17.3 Employer and Employee representatives will receive an annual fee of half the special responsibility allowance paid to the Chair of Pension Committee.
- 17.4 The Chair should receive the full rate of the annual special responsibility allowance paid to the Chair of Pension Committee.

18. Reporting Breaches

- 18.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pension Committee, the Board shall:
- a. As soon as reasonably possible of the potential breach meet with the Committee
 - b. Ask the Committee Chair to explain the actions taken and provide evidence of the legitimacy of the action taken
 - c. Consider the matter on the facts available and evidence provided by the Committee Chair and refer it back to Committee to reconsider and correct any areas of concern or breaches of duty or
 - d. Determine that no breach of duty has taken place
- 18.2 If it is decided that a breach has occurred, the Board shall (as required by the Code of Practice and the Pensions Act 2004)
- a. Report the breach to the Monitoring Officer and Section 151 Officer and take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members:

- b. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- c. Where prompt and effective action to remedy the breach has not been taken report the breach as a breach of material significance to the Pension Regulator and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy..

18.3 As per Regulation 106(6) and subject to the terms within this document, the Pension Board shall have the power to do anything to facilitate or is conducive to the discharge of any of its functions.

19. Interpretation

19.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

20. Definitions

20.1 The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	Means the local Pension Board for Wirral Borough Council as administering authority for the Merseyside Pension Fund required under the Public Service Pensions Act 2013
<i>"Scheme Manager"</i>	Means Wirral Borough Council as administering authority of the Merseyside Pension Fund.
<i>"Chair"</i>	The individual responsible for chairing meetings of the Board and guiding its debates
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Scheme"</i>	Means the Local Government Pension Scheme as defined under "LGPS"

These Terms of Reference shall be reviewed on each material change to that part of the Regulations covering local pension boards.

These Terms of Reference were adopted following approval by Council on 16 March 2015.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board.

KNOWLEDGE AND UNDERSTANDING POLICY

This document is to be read in conjunction with Section 10 of the Terms of Reference

1.0 Knowledge and understanding requirements

1.1 Legislative requirements

In accordance with the Pensions Act 2004 every member of the Wirral Pension Board must be conversant with key areas of knowledge and understanding of the law relating to pensions with particular reference to:

- Background and understanding of the legislative framework of the LGPS;
- General pension legislation applicable to the LGPS;
- Role and responsibilities of the Local Pension Board;
- Role and responsibilities of the Administering Authority;
- Funding and investment;
- Role and responsibilities of Scheme Employers;
- Tax and contracting out;
- Role of advisors and key persons;
- Key bodies connected to the LGPS.

2.0 Induction training

2.1 Local Pension Board members are expected to complete induction training within the first three months of their appointment. This consists of an online training course provided in a Trustee Toolkit by the Pensions Regulator (TPR).

2.2 TPR Trustee toolkit

2.3 The TPR Trustee toolkit provides a guide to learning development and assessment of learning needs and includes a series of online learning modules and downloadable resources developed to help Local Pension Board members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

2.4 The toolkit includes ten '**Essential learning for trustee**' compulsory modules and seven Public Sector Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.

2.5 The ten '**Essential learning for trustee**' compulsory modules test Local Pension Board member knowledge in the following key areas:

- Introducing pension schemes;
- The trustee's role;
- Running a scheme;
- Pensions law;
- An introduction to investment;
- How a defined benefit scheme works;
- Funding your defined benefit scheme;

- Defined benefit recovery plans, contributions and funding principles;
- How a defined contribution scheme works;
- Investment in a defined contribution scheme.

2.6 The seven **Public Sector Toolkit** compulsory modules test Local Pension Board member knowledge in the following key areas:

- 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

3.0 Ongoing training and development to meet knowledge and understanding requirements

3.1 Local Pension Board members will undertake the same knowledge and understanding framework which is currently provided to members of Merseyside Pension Fund Board through the **CIPFA Knowledge and Skills Framework**.

CIPFA Knowledge and Skills Framework

3.2 In an attempt to determine the right skill set for quasi trustees involved in decision making, CIPFA has developed, with the assistance of expert practitioners, a technical knowledge and skills framework.

3.3 The framework is intended to have two primary uses:

- As a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs;
- As an assessment tool for individuals to measure their progress and plan their development.

3.4 The framework has been designed so that organisations and individuals can tailor it to their own particular circumstances. Local Pension Board members may already have some of the required skills, and the more experienced Local Pension Board members will already possess many of them.

3.5 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions. They are:

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

- 3.6 Individual members can be set up within the online framework and will be able to use the toolkit as they see fit. It is anticipated that members will, over a period of time, work towards a full understanding of the relevant issues. There is no current intention of imposing a timescale in which certain targets must be met by individual members.
- 3.7 It is not expected that all members of the Local Pension Board will, at all times, have an expert knowledge of all areas, but the Local Pension Board as a whole needs a breadth of skills and knowledge to ensure that all relevant issues are scrutinized when making recommendations. Member progress in improving their skill set will be reviewed on an annual basis.
- 3.8 It is suggested that, initially, Local Pension Board members use the online toolkit to assess their own training needs. The Scheme Managers and Chair of the Board can then work with members, both individually and collectively, to identify how best to meet any skills/knowledge gaps.
- 3.9 It is suggested that there are four main ways in which knowledge and skill levels can be increased:
- Use of the web-based packages and CIPFA repository when developed;
 - Manager or actuary led training sessions or specific training as part of the Board meeting agenda;
 - An induction training package for new Board members that covers the areas outlined in the CIPFA Framework;
 - Courses and seminars organised by managers, actuaries, NAPF and other experts, details of which can be circulated to Local Pension Board members as they arise.
- 3.10 The Scheme Manager will use the TPR Trustee Toolkit assessments that the Local Pension Board members complete as a basis for agreeing an appropriate training programme.

-- ends
June 2015

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CONFLICTS OF INTEREST POLICY

This document should be read in conjunction with the Terms of Reference for the Local Pension Board of Wirral Borough Council, established on 1 April 2015 (Thereafter referred to as The Pension Board).

Unless stated otherwise, the defined terms used in this document have the same meaning as attributed to them under the Terms of Reference document.

1. Policy Statement

Wirral Council, the administering authority for Merseyside Pension Fund is committed to the highest standards of ethical conduct and integrity in its business activities. This policy sets out the Local Pension Board's position if situations arise where its members have a conflict of interest in connection with their duties, for example as senior managers of the sponsoring employer or as a trade union official.

The Pension Board members have a strict duty to act in the best interest of the scheme's stakeholders, but this does not preclude a board member from having other roles or responsibilities which may result in conflict of interest. Board Members must be able to identify conflicts of interest and have procedures in place to manage them as outlined within this document.

2. Introduction

There is a requirement for Pension Board members not to have a conflict of interest. However, it is important to note that the issue of conflicts of interest must be considered in light of the Pension Board's role, which is to assist the Administering Authority. The Pension Board does not make decisions in relation to the administration and management of the Fund: this rests with the Administering Authority. As a result, it is not anticipated that significant conflicts will arise in the same way as would be the case if the Board were making decisions on a regular basis (compared, for example, to the Pension Fund Committee). Nevertheless, steps need to be taken to identify, monitor and manage conflicts effectively.

The Regulator has a particular role in relation to members of the Pension Board and conflicts of interest. Whilst members of the Pension Board may be subject to other legal requirements when exercising functions as a member of the Pension Board, the Regulator expects the requirements which specifically apply by virtue of the Public Service Pensions Act 2013 to be met and the standards of conduct and practice set out in its Code of Practice to be complied with.

The Code of Practice offers guidance about managing potential conflicts and the identification, monitoring and management of actual conflicts. This Policy is intended to reflect the principles of the Regulator's Code of Practice and apply them in an LGPS context.

3. Conflict of Interests – General Principles

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. The basic principle in relation to conflicts of interest can be found in the High Court case of *Re Thompson's Settlement* [1986] where the Court held that: *'...a man must not put himself in a position where duty and [personal] interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised'*

Conflicts of interest may arise for Members and their advisers. This simply reflects the fact that individual Members and their advisers will have a variety of other roles and responsibilities outside the Board.

Members and their advisers must be able to identify potential conflicts of interest and have procedures in place to manage them. This document outlines the procedures that Members of the Board must adopt to comply with the following legal requirements;

- 1) Section 5 (5) of the Public Service Pensions Act 2013, which defines "conflict of interest" for the purpose of a Local Pension Board;
- 2) Regulation 108 of the Regulations, which places duties on the Administering Authority to satisfy itself that Local Pension Board ("LPB") members do not have a conflict of interest on appointment or whilst they are members of the Board;
- 3) The legal obligations for councillors defined under the 2011 Localism Act with regard to codes of conduct and disclosure of pecuniary interest will apply to all members of the Board;
- 4) The 'Nolan Principles' with which any holder of public office is also expected to comply;
- 5) The expectations contained in the Regulator's Code of Practice.

4. Identifying conflicts of interest in accordance with the Primary Legislation; Public Service Act 2013

For the purposes of a member of the Pension Board, a 'conflict of interest' is defined in section 5(5) of the 2013 Act as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. The 2013 Act also specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS.

Therefore, a conflict of interest may arise when a member of the Pension Board must fulfil their legal duty to assist the Administering Authority and at the same time they have:

- a) a separate personal interest (financial or otherwise); or
- b) another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Pension Board member;

The Regulations place a duty on the Administering Authority to satisfy itself that those appointed to its Pension Board do not have an actual conflict of interest prior to appointment and "from time to time".

There is a corresponding duty on any person who is proposed to be appointed to the Pension Board, and on an appointed member of the Pension Board, to provide the Administering Authority with such

information as the Administering Authority reasonably requires to be satisfied that there are no conflicts of interest. Pension Board members also have a responsibility to anticipate potential conflicts of interest in relation to plans for future Pension Board activity.

Some examples of how a conflict might arise specifically in relation to a member of a Pension Board include a:

- i) finance officer appointed as a member of the Pension Board may, from time to time, be required to take or scrutinise a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as a member of the Pension Board to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending;
- ii) Pension Board member who works in the Administering Authority's internal audit function may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the Pension Board;
- iii) employer representative from the private sector may also have a conflict of interest as a decision-maker in their own workplace. For example, if an employer representative is drawn from a company to which the Administering Authority has outsourced its pension administration services and the Board are reviewing the standards provided by it;

Conflicts of interest may also arise in respect of advisers to the Pension Board. For example, an adviser may have a conflict of interest if he or she (or the same firm) is also advising the Administering Authority. The risk to the Pension Board is that the adviser does not provide, or is not seen to provide, independent advice.

Where there is likely to be a conflict of interest in giving advice, the Board should consider carefully whether it is appropriate to appoint the adviser in the first place. It may also be necessary to consider carefully whether they should take steps to remove an adviser who has already been appointed.

5. Monitoring and Managing potential conflicts of interest

In order for the Administering Authority to fulfil its obligation to ensure that members of the Pension Board do not have a conflict of interest, the Pension Board must include an item on conflicts of interest at each meeting of the Pension Board and in its annual report to the Administering Authority.

The Pension Board is required to maintain a written register of dual interests and responsibilities which have the potential to become conflicts of interest, which may adversely affect members' or advisers' suitability for the role. Each member of the Pension Board will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest. Such a conflict could be in relation to a general subject area or to a specific agenda item of a Pension Board meeting.

The Chair of the Pension Board must be satisfied that the Board is acting within:

- a) the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations, and
- b) in the spirit of any national guidance or code of practice in relation to conflicts of interest for Pension Board members, and

Each member of the Pension Board, or a person proposed to be appointed to the Board, must provide the Chair of the Pension Board with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pension Board is required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Pension Board.

The Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Pension Board must know how to identify when they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision-making. They also need to appreciate that they have a legal duty under the Regulations to provide information to the Administering Authority in respect of conflicts of interest.

Options for managing an actual conflict of interest, should one arise, include a:

- a) member withdrawing from the discussion and any decision-making process;
- b) member resigning from the Board if the conflict is so fundamental that it cannot be managed in any other way

6. Management of confidential information

With regard to Members sharing confidential information received by them in their capacity as a Board Member with other parties, it is important to remember that each Member has a fundamental responsibility to act on behalf of the Board and this duty should not be compromised by acting on behalf of other groups.

7. Advisors

There may be circumstances where advisors are asked to give advice to the Board but this can only happen where there is no conflict of interest. All of the Board's advisors have a professional responsibility to advise the Members if any circumstances arise in which they feel they are conflicted.

These responsibilities and guidelines for dealing with actual or potential conflicts of interest are covered by rules of their respective professional bodies.

-- ends

June 2015

WIRRAL COUNCIL

PENSION BOARD 14 JULY 2015

SUBJECT:	BUSINESS PLANNING
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with an outline of current and future legislative changes affecting MPF and the Pension Fund's key activities and projects in response to them.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
- a) secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;
 - b) ensure the effective and efficient governance and administration of Merseyside Pension Fund.
 - c) provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.
- 2.2 To assist the Pension Board in directing its future activities, MPF's key activities and projects are set out in the appendix to this report to enable Board members to identify and develop its work and training programme.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 Provision for Board member training and development is included in the Fund's annual operating budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The purpose of the Board is to assist the Administering Authority in its role as scheme manager

REPORT AUTHOR: Peter Wallach
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telephone (0151) 242 1309
email peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Business plan

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

FUNCTION	ACTIVITY	
Pensions administration	Administration of Fund's statutory responsibilities	
Management of Investments	Management of Fund's assets	
Financial Management & Control	Production of annual report and accounts; WM performance data	
IT & Communications	Fund's systems and communications	
LEGISLATIVE CHANGE/PROJECT	DESCRIPTION	COMPLETION DATE
tPR Code of Practice	Effective 1/4/15, MPF is required to be compliant with the Pension Regulator's Code of Practice.	
Triennial valuation	Due 31/3/16. Assessment of funding position will lead to review and update of Funding Strategy Statement and Statement of Investment Principles.	Mar 2017
Investment strategy and performance	Review of investment strategy in conjunction with triennial valuation exercise.	Mar 2017
Review of employer covenants; bonds/guarantees review	Post triennial valuation an assessment of covenants and financial strength will be undertaken and bond requirements	Mar 2017

	will be reassessed.	
Implications of “Freedom and Choice”	Implications on LGPS of pension tax changes	Mar 2016
Review AVC provision	Implications on AVCs of “Freedom and Choice” and pension tax changes	Mar 2016
Trivial Commutation exercise	Communication exercise with eligible members	Mar 2016
Aggregation of member pensions	Guidance from LGA	Dependent on LGA
Reconciliation of GMPs	As a consequence of the ending of contracting out, requirement to reconcile member records with HMRC records by 2019.	End 2017

WIRRAL COUNCIL

PENSION BOARD

14 JULY 2015

SUBJECT:	STRONGER FUTURES: DEVELOPMENT OF THE LGPS
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 Grant Thornton has undertaken a review of governance arrangements at local government pension scheme funds in England and Wales. Grant Thornton's findings are contained in the appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 Grant Thornton has based its second review of the governance in LGPS funds on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors.

2.2 The review is intended to help those with responsibility for managing funds to assess the strength of their governance arrangements. It will also assist members of Local Pension Boards to consider what good governance looks like and how they might best focus their efforts.

3.0 RELEVANT RISKS

3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The report will assist members of Local Pension Boards in considering what good governance looks like and how they might best focus their efforts.

REPORT AUTHOR: *PETER WALLACH*
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email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 – Report by Grant Thornton; Stronger futures: development of the LGPS.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

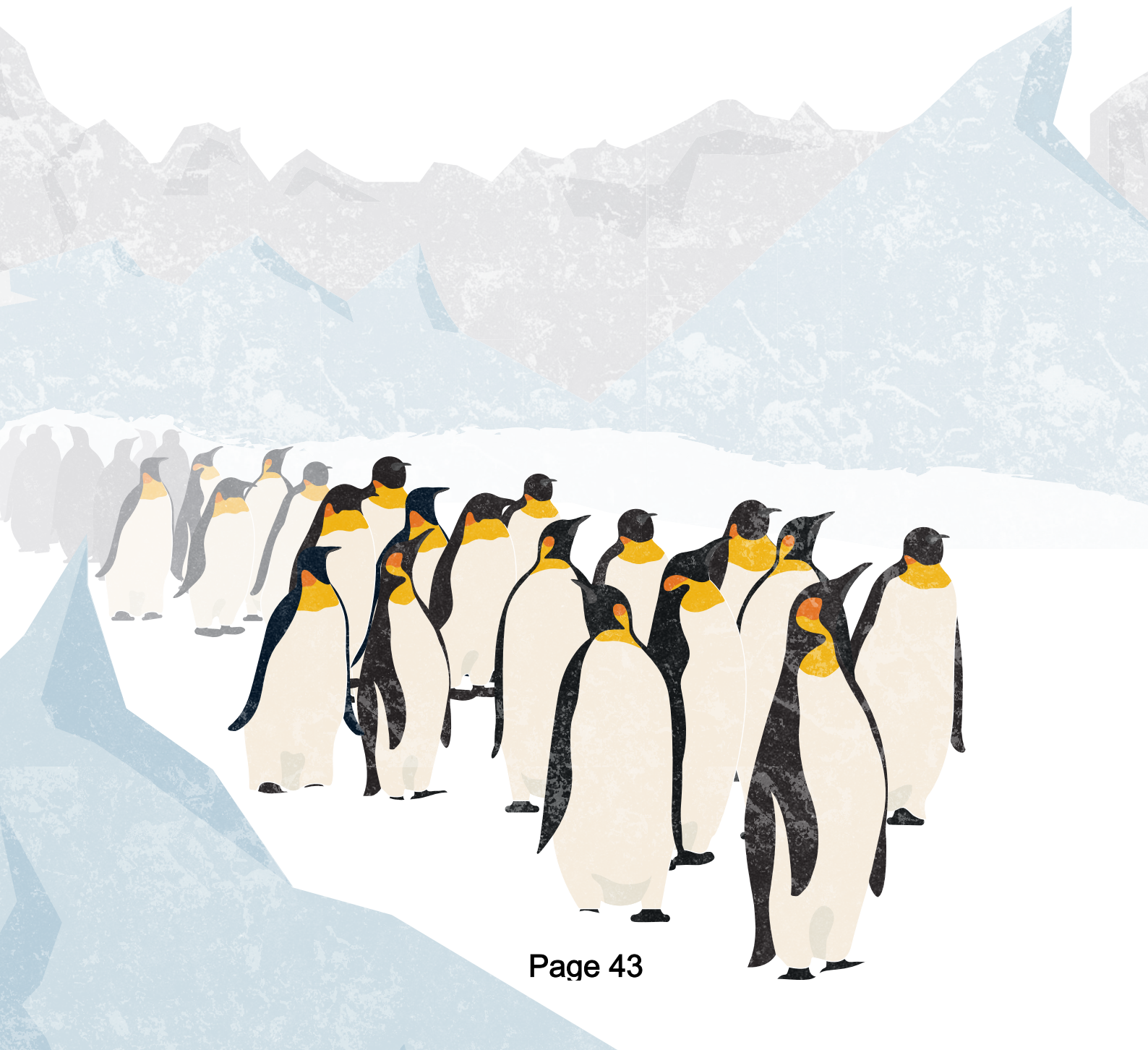
Council Meeting	Date
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Stronger futures: development of the LGPS

Improving governance in local government pension schemes
February 2015





Contents

Introduction from our head of local government	2
LGPS reform and local pension boards	5
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Methodology

This report is based on a detailed survey of our auditors of 29 local government pension schemes. It covers over 30% of funds in England and Wales. We have supplemented the survey findings with more detailed discussions with individual auditors and council officers to understand and identify good practices as well as a review of local government pension scheme annual reports.

Our findings are further supplemented by responses to a survey sent to senior officers and pension committee chairs managing local government pension schemes nationally. This survey included questions on your key challenges, including changes you are making in preparation for the new local pension boards.

Introduction from our head of local government

The local government pension scheme (LGPS) continues to face a huge amount of change, challenge and scrutiny. Although it remains funded, with £180 billion under management, covering 79% of future liabilities, the LGPS acted to reduce its liabilities by introducing a career average pension scheme in 2014. It is also now preparing for the introduction of local pension boards (LPBs) and coming under the remit of The Pensions Regulator (TPR) from April 2015. Meanwhile, a government consultation on structural reform of the LGPS is in progress. But the scheme is showing that it can meet these challenges. There is a clear commitment across the LGPS to ensuring that it can provide affordable pension benefits for the future.

Grant Thornton has based its second review of governance in LGPS funds in England and Wales on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors. The review will help those with responsibility for managing funds to assess the strength of their governance arrangements. It will also help members of the newly formed LPBs to consider what good governance looks like and how they might best focus their efforts.

In our 2013 report 'Coming of age', we noted the wide variety of practice in the management of LGPS funds. There were many well-managed funds, where pension committees had reviewed and improved how they work to strengthen governance arrangements and to achieve a more sustainable fund. Many funds were learning from each other and sharing expertise and capacity to achieve better results. In other cases, there was scope for significant improvement with working practices remaining largely unchanged.

Since then, LGPS funds have moved to a new career average scheme – called LGPS 2014 – a year ahead of other public sector schemes. This has been a major challenge and the LGPS has implemented it well throughout, with a firm emphasis on effective communication for members and employers as well as strong project management.

The LGPS is responding to heavy external scrutiny and a general push for rationalisation. For many funds, the proactive and voluntary development of shared arrangements based on their own needs, rather than externally imposed reform, is more attractive. Such arrangements can maintain local accountability while gaining economies of scale and shared expertise.

A number of funds are exploring radically different and collaborative ways of working. These include: the establishment of collective investment vehicles (CIVs); shared administrative arrangements; and wider sharing, such as the proposed new asset and liability

management arrangement planned between the London Pension Fund Authority and Lancashire County Pension Fund. This arrangement is a great example of moving away from organisational silos and self-imposed geographical boundaries.

There have been several other positive trends across the LGPS since our 2013 review:

- Two thirds of pension committees now receive regular performance reports on administration targets, compared with less than half in 2013
- Nearly 100% of pension committees now receive regular reports on key risks affecting the fund, compared to 80% in 2013
- An increasing number (70% compared to 60% in 2013) have taken a wide range of actions to reduce administration costs
- More internal audit teams are now reporting their plans and work to pension committees (55% compared to 45% in 2013)



A wide variation in practice remains though, with some funds still acting in an isolated and old-fashioned way. In particular, it is clear that for some funds, the focus of management attention remains almost exclusively on investment management and this attention is not always helpful. Other aspects of pension fund management – such as benefits administration, employer covenant and liability management – can often receive little attention from those responsible for pension fund management. The introduction of LPBs from 1 April 2015, the establishment of the national scheme advisory board and the introduction of TPR to the LGPS has the potential to better promote:

- the recognition and sharing of best practice across the LGPS
- the application of effective governance arrangements across all fund activities.

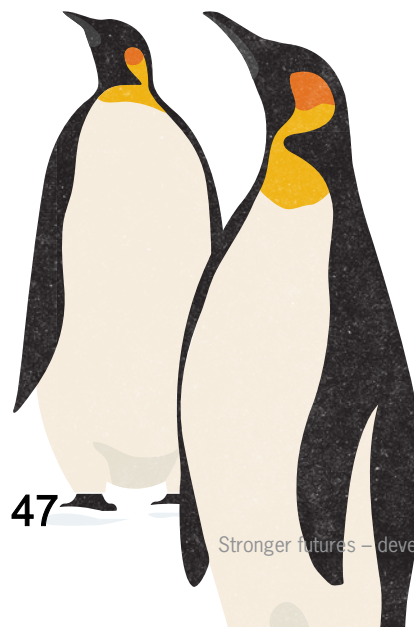
The governance changes will inevitably bring additional costs to the management and administration of the LGPS at a time when much of the focus is on reducing costs. A challenge for all parties is to implement the changes in a way which brings real benefits. At a local level, the way in which the role of the LPB is developed and implemented will be a key factor.

Meanwhile we await the outcome of the government's response to its consultation on structural reform for the LGPS. Two key proposals consulted on related to the creation of common investment vehicles and a move towards passive management of investments. In our view, any changes need to reflect different local risks and allow funds to make decisions that best reflect their local position. A one-size-fits-all approach would be a detriment to the LGPS as a whole, incurring

significant costs and losing the benefits enjoyed by some well managed funds. Such a move would be contrary to the local accountability agenda. A concentration on ensuring consistently strong governance across the LGPS is far more preferable.

This report highlights the key aspects of governance that administering authorities and LPBs should consider as the new governance changes are implemented.

The governance changes will inevitably bring additional costs to the management and administration of the LGPS at a time when much of the focus is on reducing costs. A challenge for all is to implement the changes in a way which brings real benefits.



Areas of priority focus:

Existing pension committee arrangements

There has been limited change in the way most pension fund committees operate since our 2013 review. An honest assessment of the effectiveness of the way the pension committee works will help to inform how a LPB could add value as well as informing how the revised structure might work.

As before, many committees tend to concentrate on the management of investments in isolation, with other key aspects of fund management receiving only limited attention at this level. The scope of performance reporting to pension committees has widened since 2013, although many funds still do not receive regular performance information around liabilities and member cash flows.

Investment strategies

Over half of funds have made significant changes to their investment strategies in recent years. The changes reflect the changing nature of financial markets and aim to reduce risk while maintaining or increasing returns. There is clear evidence that funds are linking their changes to specific local circumstances.

However, there is evidence that some pension committees continue to focus on considering the performance of individual fund managers, rather than on ensuring that the investment strategy is appropriate and on monitoring overall performance. This happens because it is easy to measure, rather than because it is the right thing to focus on.

Recognising the impact of changing liabilities on the sustainability of the fund and the extent to which the fund can offset this impact is key to ensuring that an appropriate investment strategy is in place. However over 45% of funds rely on waiting for the full triennial valuation to obtain this information.

LPBs can help in this area by considering the overall governance arrangements for setting and monitoring the investment strategy.

Identifying and managing risk

The increase in regular reporting of risk management is welcome. The concentration of this reporting remains on investment management risks and to a lesser extent on liability risks. Only about half of all committees include risks around pensions administration and process/control. The implementation of LGPS 2014 was a significant administration risk for funds and yet only 60% of pension committees received progress reports on its implementation.

Consideration of a fund's overall approach to risk management should be a key focus for LPBs. They can help by considering whether its risk management: covers all aspects of fund activity; draws on relevant performance information and takes into account national issues. They should also consider whether there is clarity over the management of and response to key risks.

Capacity, skills and knowledge

Having the appropriate capacity, skills and knowledge in such a specialist area is critical to ensuring effective management of a pension fund. The introduction of LPBs creates the additional challenge of recruiting and training a new group of people while also creating an opportunity to bring in additional expertise to fund management. Over 90% of funds have training programmes for committee members and officers, although over 50% have still not fully implemented the CIPFA skills and knowledge framework.

LPBs can assist by reviewing the arrangements for ensuring those responsible for the management and administration of the pension fund have the appropriate knowledge and access to relevant professional advice when necessary.

Internal controls and internal audit

There is a larger proportion of funds (35%), compared to 2013, where the administering authority's annual governance statement refers specifically to the pension fund arrangements. A small number of LGPS funds have produced a stand-alone statement. This leaves a large proportion with no such statement. We favour the stand-alone statement as it demonstrates accountability and ownership.

The majority of funds have specific internal audit coverage but a significant proportion (15%) do not. Encouragingly, for those that do, reporting of their plans and outcomes to the pension committee has increased from 45% to 55%. The introduction of LGPS 2014 and TPR will require a greater focus on ensuring the quality of member data. This is an area where increased attention would be beneficial across most LGPS funds.

Administration costs

While there has been intense scrutiny around reducing administrative costs, these costs have increased by 20% since 2012. During that period, there have been significant one-off costs for the 2013 actuarial valuation, implementation of LGPS 2014 and changing investment strategies.

The range of reported administrative costs per member is wide, from £12.96 to £68.32, although funds are not yet reporting these consistently, which hinders comparison. Over two thirds of funds have acted to reduce administration costs in recent years. There are many success stories around this although reporting of the savings is still underdeveloped. LPBs can help by reviewing the extent to which the fund: knows and understands its management costs; challenges the status quo; and evaluates the impact of cost reduction measures in terms of savings and quality.



LGPS reform and local pension boards

Introduction

The structure and management of LGPS funds remain under considerable scrutiny. Alongside other public sector pension schemes, there has been significant government attention and new regulations aimed at ensuring that these schemes remain sustainable and affordable. The LGPS is distinct from other public sector schemes in that it is funded with assets of £180 billion, covering 79% of future liabilities.

.....
Senior officers and members told us their biggest challenges were deficit reduction, affordability and dealing with structural reform. At best, structural reform was seen as a distraction rather than likely to assist with affordability or deficit reduction. Over 90% of funds were confident of their ability to deal with these challenges.
.....

LGPS 2014

During 2013/14, funds have implemented LGPS 2014. This moved the LGPS from a final salary scheme to a career average scheme one year ahead of other public sector schemes. It also changed employee contributions rates. This has been a massive and challenging change. An important consideration for any pension scheme in these circumstances is to communicate the changes effectively with members and employers.

Funds have used a range of communication methods to help members understand the implications for their individual pensions, including guidance and examples on websites, employee and employer forums and one-to-one communications.

Implementation of the changes has been difficult, especially given the late finalisation of the regulations. Funds were not able to adjust their financial systems fully as a result, with over 50% reporting the need to use manual interventions in the first few months. Over 40% reported a resultant increased backlog in processing claims. Overall, there is evidence of funds using strong project management to introduce the new arrangements, despite the difficult circumstances.

Governance changes

The Public Services Pensions Act 2013 and the new LGPS governance regulations have introduced further changes for the LGPS, which take effect from April 2015. These introduce:

- local pensions boards to assist each administering authority with ensuring compliance and the effective governance and administration of the funds
- the establishment of a national scheme advisory board to advise the secretary of state, administering authorities and LPBs

- the extension of the work of TPR to the LGPS
- an employer cost capping regime.

These changes require a major investment of time in the initial stages to set up the necessary structures and arrangements, particularly around setting up the new LPBs. The regulations recognise differing local arrangements for the management of LGPS funds, so are not overly prescriptive and leave a lot of flexibility around how administering authorities implement LPBs.

LPBs are not full trustee boards but instead work with the administering authority to help ensure compliance and the effective and efficient governance and administration of the scheme. They are not a decision-making body.

Given the existence of pension committees in some form across all funds, there is a risk that these boards could overlap their role and create another layer of cost and bureaucracy without bringing any benefit to the management of the funds. It is critical, therefore, that administering authorities implement the new requirements in a way that not only meets the statutory requirements but also delivers visible improvements in fund governance.

Overall, there is evidence of funds using strong project management to introduce the new arrangements, despite the difficult circumstances.

In order to do this they should consider:

- the effectiveness of their current arrangements and where greater scrutiny/challenge might be beneficial
- where the various aspects of the fund's management and administration sit and whether these structures need to change to reflect the creation of the LPB, especially around removing any potential duplication
- ensuring clarity of roles and responsibilities
- using this as an opportunity to involve a wider range of skills and experience in the governance of the pension fund
- annual reporting of key measures of impact around governance arrangements.

The timescales for implementing these significant constitutional changes are limited. Funds will need to review how the new arrangements develop during 2015/16 to ensure they achieve a beneficial impact.

Attendees at our October 2014 governance workshop recognised the value that LPBs could bring in ensuring a wider consideration of all aspects of pension fund management.

70% of respondents to our external survey said the LPB could benefit the management of their fund. They quoted expected benefits from a broader focus, different and wider perspectives and greater monitoring and review of governance decisions. A number emphasised the importance of the experience and skills of the individuals appointed to the board in achieving these benefits.

Discussions with LGPS funds indicate that, in preparation for implementation of the LPBs, they have also considered their existing pension committee arrangements. This has included:

- considering whether any elements of work undertaken by the pension committee, any sub-groups and the administering authority's audit committee are now more appropriately undertaken by the local pension board
- generally questioning the terms of reference and membership of existing structures.

70% of funds responding to our external survey were reviewing their existing governance structures alongside the development of the LPB requirements. Most of this work was aimed at eliminating any duplication. But some of the changes were also around improving the effectiveness of the existing pension committee through, for example, widening representation on the committee and broadening its remit.

As LPBs become established, they will need to consider how best to focus their efforts. Initially they will need time to develop a good understanding of how their local fund is managed, the specific risks and issues it faces and how it deals with them. This report will be a useful reference guide to members of LPBs to highlight the potential governance questions they need to be aware of.

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Future structural reform

With 89 separate funds across England and Wales, there has been debate and much work looking at whether this is the most efficient operational structure for the LGPS. There is also a growing debate about whether the management of the funds should be separated from the administering authorities.

The Department for Communities and Local Government (DCLG) consulted on the opportunities for collaboration, cost savings and efficiencies in May 2014. This followed its previous consultation and responses to the ‘call for evidence’, the analysis of the shadow scheme advisory board and further cost benefit analysis of potential reform options. We still await the outcomes of this consultation exercise.

Consideration of article 18 of the EU directive on Institutions for Occupational Retirement Provision (IORP directive) also raises a legal query as to whether an employer can operate LGPS funds. This will depend on a detailed consideration of the legal requirements and specifically whether the IORP applies to the LGPS.

Overall, there is a growing momentum for structural change within the LGPS, but it is still unclear what form it will take. Meanwhile, the growing use of shared arrangements is delivering benefits to funds through reduced costs, increasing access to relevant expertise and improved quality.

Imposing a single solution on all pension funds will have an adverse effect. For example, requiring all pension funds to adopt passive investment management strategies might provide an appropriate solution for some funds, but will result in a significant reduction in net investment returns for others. Any reform should ensure that:

- all funds are managed effectively to a minimum standard
- collaborative arrangements are pursued by all involved
- the costs, benefits and general learning from collaborative arrangements are clearly evaluated and shared across the LGPS.

Action points

The next 12 months will be formative for most LGPS funds in developing governance arrangements. LPBs and administering authorities should plan to evaluate the costs and benefits of how these operate during 2015/16 with a view to making changes if necessary. In particular, they should consider:

- the benefits achieved through the work of the LPB
- the existence of any overlaps in work and responsibility between the LPB and the work of the pensions committee and other relevant committees
- the benefits achieved through any joint working arrangements.

The growing use of shared arrangements is delivering benefits through reduced costs, increasing access to relevant expertise and improved quality.

Existing pensions committee arrangements

There has been limited change in the way that most pension fund committees or their equivalents operate since our 2013 review. In the context of the forthcoming LPB changes this is, to some extent, not surprising as funds waited for clarification of the new governance structure requirements. It is important that as funds consider the implementation of LPBs, they also consider the effectiveness of their existing working arrangements. An honest assessment of the effectiveness of the way the pension committee works will help to inform how a LPB could add value and how the revised structures might work best.

All LGPS funds now have a pensions committee or an equivalent. The way they work continues to vary widely across the country. Due to the multi-employer nature of many of these funds and the need to have adequate representation, such committees can be large. The LGPS scheme annual report shows that the average membership of such bodies is 10 and most have between five and 15.

Meetings of pension committees have been less frequent since 2013, with only 8% meeting five or six times a year compared with 25% in 2013. All other committees meet quarterly.

There has been minimal change in the number of sub-committees and panels operating to support the main pension committees. Two thirds of funds continue to operate as a single committee. A third are supported by a structure of panels and/or sub-committees covering such areas as investments and pensions administration. In comparison, the larger private sector pension trustee boards usually operate with sub-groups covering investments, administration and governance. The value of the sub-groups is to allow a smaller number of people to meet more frequently when necessary and to consider and debate key areas. This enables the full committee to concentrate on the overall performance of the fund and its strategic response.

As before, the focus of the pension committee's work tends to be on the

management of the investments. The scope of the committees and the reports they receive reflect this. While this is a key part of managing the pension funds, it means that other important aspects receive only limited attention at this level. Additionally, the focus is often on the performance of individual external fund managers rather than on the overall investment strategy and management of the fund deficit. The industry recognises that, over the medium- to long-term, the choice of individual investment managers has little impact, but setting the right strategy has a much bigger impact on the performance of the fund.

The scope of performance reporting to pension committees has widened since 2013, although many funds still do not receive regular performance information on liabilities and member cash flows. The most significant shift in reporting has been around performance against administration targets. Two thirds of funds now receive regular reports on this compared with less than half in 2013.

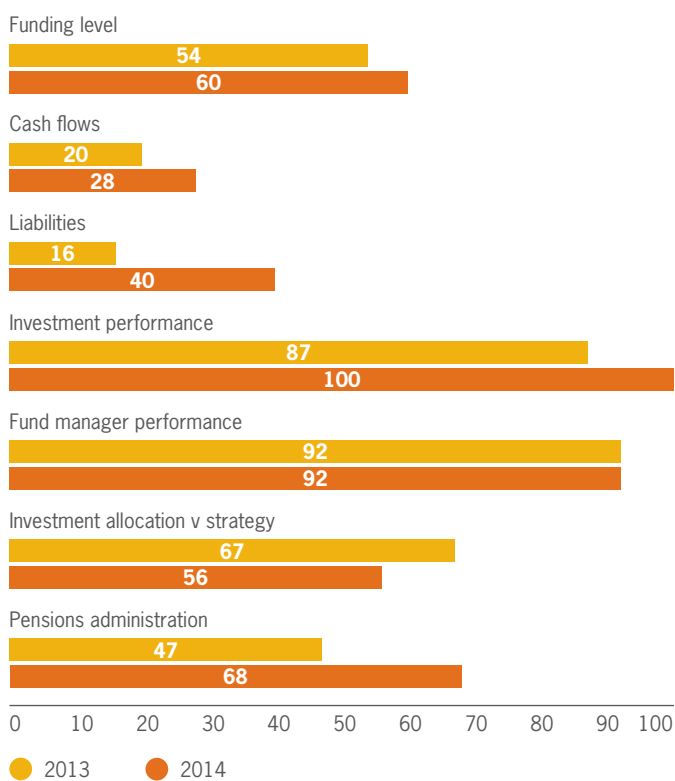
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Areas covered by regular performance reporting to pension committee (%)



Action points

If administering authorities have not already done this in preparation for the new LPBs, it would be good practice for them to consider how they work and in particular ask:

- Are our current arrangements fit for purpose?
- Do they cover all aspects of the management of the pension fund and do they enable us to consider and challenge effectively our overall strategy for the fund's management?
- How has the pension committee contributed to the effective management of the pension fund during the last year or so?
- Does the pension committee have sufficient information and understanding to support its decision making and provide effective challenge?
- What needs to change?

For the newly formed LPBs, a key part of their work in the first year will be understanding: how the pension fund is managed; what the performance information tells them about the financial health and risks of the fund; and the strategic response to those risks. A good starting point would be to consider the scope and usefulness of the performance information provided to the pension committee and how it is used.

The scope of performance reporting to pension committees has widened since 2013, although many funds still do not receive regular performance information on liabilities and member cash flows.



Capacity, skills and knowledge

Managing and operating a pension fund requires specialist knowledge and skills. It is a fundamental requirement that those responsible for pension fund management and administration should have the requisite knowledge and understanding. This is enshrined in the Pensions Act 2004. For the LGPS, this has been applied to the members of LPBs within the Public Services Pensions Act 2013, but has not yet been extended to those responsible for pension fund management and administration. Nonetheless, the importance of relevant knowledge and understanding is recognised across the LGPS.

From April 2015, The TPR’s role will extend to the LGPS along with other public sector pension schemes. For the regulator, relevant knowledge and understanding among managers is a cornerstone of effective pension fund oversight. They will be looking for: evidence that existing knowledge and understanding has been assessed; that there are adequate plans in place to fill any gaps; and that a programme to ensure such knowledge is kept up to date.

In particular, TPR’s code for the governance and administration of public service pension schemes states that schemes should:

- establish and maintain policies and arrangements for the acquisition and retention of knowledge and understanding for their pension board members
- designate a person with responsibility for ensuring the framework is developed and implemented.

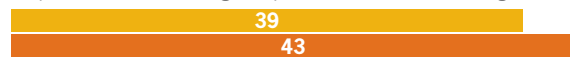
In our view, administering authorities should apply a similar approach to the pension committee members and relevant officers with responsibility for managing the fund.

We have seen a small upward trend in funds undertaking the self-assessment against the CIPFA code of practice for knowledge and skills. Most funds have relevant training programmes in place for both committee members and officers, but a small number still do not.

Ensuring that members of the pension committees and LPBs have an appropriate level of knowledge and understanding is an important investment that funds need to make.

Action taken in response to the CIPFA code of practice knowledge and skills framework (%)

Proportion of funds having completed a self-assessment against the framework



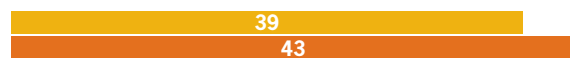
Developed a plan to address any gaps



Implementing the plan



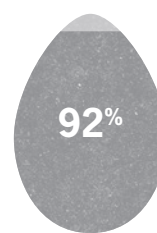
Other



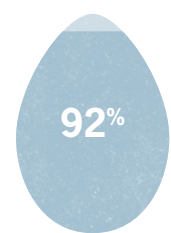
None



Funds having a training programme for members of the pensions committee

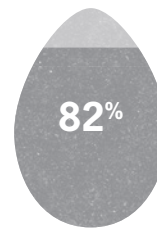


2013

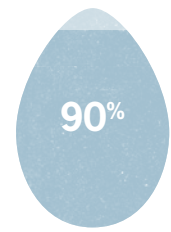


2014

Funds having a training programme for pensions officers



2013



2014



Given the specific nature of LPBs and their oversight of the fund's governance, a number of funds are exploring the option of appointing independent professional trustees to their boards.

Many funds rely on the longstanding experience of their pension committee members. This is subject to change, especially where there is a change in political composition of the administering authority. The creation of the new LPBs adds an additional challenge because most of these members are likely to be completely new to the LGPS. The list of basic information that the regulations require members of the boards to become familiar with in the first six months is significant. The guidance provided by the LGPS shadow board to accompany the governance regulations encourages funds to:

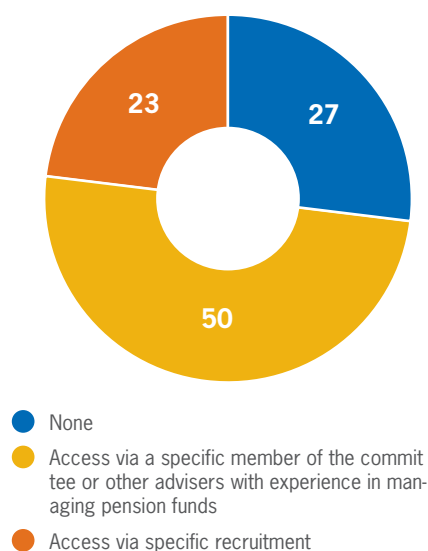
- appoint a member of the LPB to be responsible for ensuring relevant training programmes are in place
- provide relevant training events/materials to the pensions committee and LPB members together to help achieve this more efficiently.

Ensuring that members of the pension committees and LPBs have an appropriate level of knowledge and understanding is an important investment that funds need to make.

Given the complexities involved, access to independent professional expertise is important. All funds have access to such expertise around investments and actuarial valuations, but would also benefit from such expertise around the wider governance aspects of the funds. Over 70% of funds report having access to independent expertise either through

direct recruitment or by using the wider skills of existing committee members or advisers.

Access to independent professional advice other than relating to investments or actuarial issues (%)



Given the specific nature of LPBs and their oversight of the fund's governance, a number of funds are exploring the option of appointing independent professional trustees to their boards. This is helpful in ensuring that the board has access to independent advisers outside of those professionals who are already advising the pensions committee. It will also enable wider learning from other LGPS and commercial pension funds.

This comes with an additional cost but the benefits may make it worthwhile. As we referred to in 'Coming of age', our previous LGPS

review, many large commercial pension funds use independent trustees. The funds think these trustees bring significant benefits in terms of expertise and help to counteract the inherent conflict of interest created by employers operating funds. We encourage all LGPS funds to seriously consider appointing an independent professional trustee to their LPB.

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Action points

LPBs should nominate an individual to ensure there is an appropriate knowledge and skills framework in place for the board and that the board implements it effectively.

LPB members will require a significant training programme in the first six months of 2015 to ensure they have an appropriate level of knowledge and understanding.

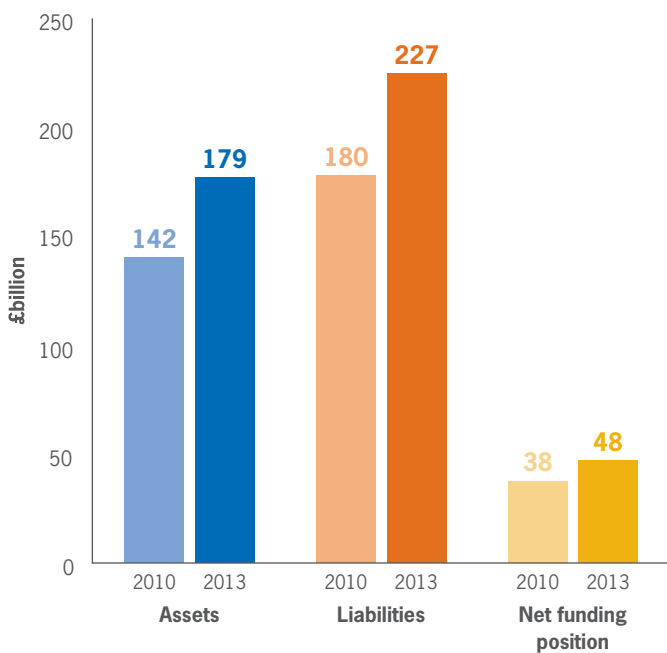
LPBs should also review the arrangements for ensuring those responsible for the management and administration of the pension fund have the appropriate knowledge and skills – both now and with regard to future developments – to manage the fund and have access to relevant professional advice when necessary.

Investment strategies

The investment strategy for any pension fund is a crucial part of the management of the fund. An effective strategy and journey plan – which managers use to change investment strategy as the fund matures – are critical to ensuring the sustainability of the fund and providing for the long-term pension needs of its members.

Following the 2013 triennial review, the overall funding level of the LGPS across England and Wales has remained static at 79%. This masks an increase in asset values over the three years of £38 billion (27%), and proportional increase in liabilities of £48 billion (27%). A challenge for the LGPS, as for the vast majority of funds, is to achieve investment growth that outstrips liability growth, to reduce the funding gap.

LGPS funding position 2010 to 2013



Source: National LGPS report 2014 based on all LGPS actuarial reports for 2013

Over 45% of funds simply wait for the full triennial valuation to obtain this information.

Recognising the impact of the changing liabilities on the overall sustainability of the fund and understanding the extent to which the fund can offset the impact is crucial to ensuring an appropriate investment strategy.

Over 45% of funds simply wait for the full triennial valuation to obtain this information. However, other funds have begun to take a much more active approach around liability management as part of their investment strategy. Some funds use actuarial tools to keep track of their liability position in between triennial valuations and to inform their overall consideration of strategy and performance.

CASE STUDY

The London Pension Fund Authority (LPFA) uses regularly updated liability information to help inform its investment decisions

The LPFA reviews its funding position monthly. An estimated funding level is reported on both the actuarial valuation basis and an internal minimum risk basis. The LPFA's internal objective is to be fully funded on the minimum risk basis. LPFA is currently working with its actuarial advisers on an online liability cashflow generation system from live data. This will be used internally to enhance the current practice of monitoring funding levels and cashflow requirements and to inform investment decisions by taking into account the nature and timing of cashflows needed to meet future liabilities.

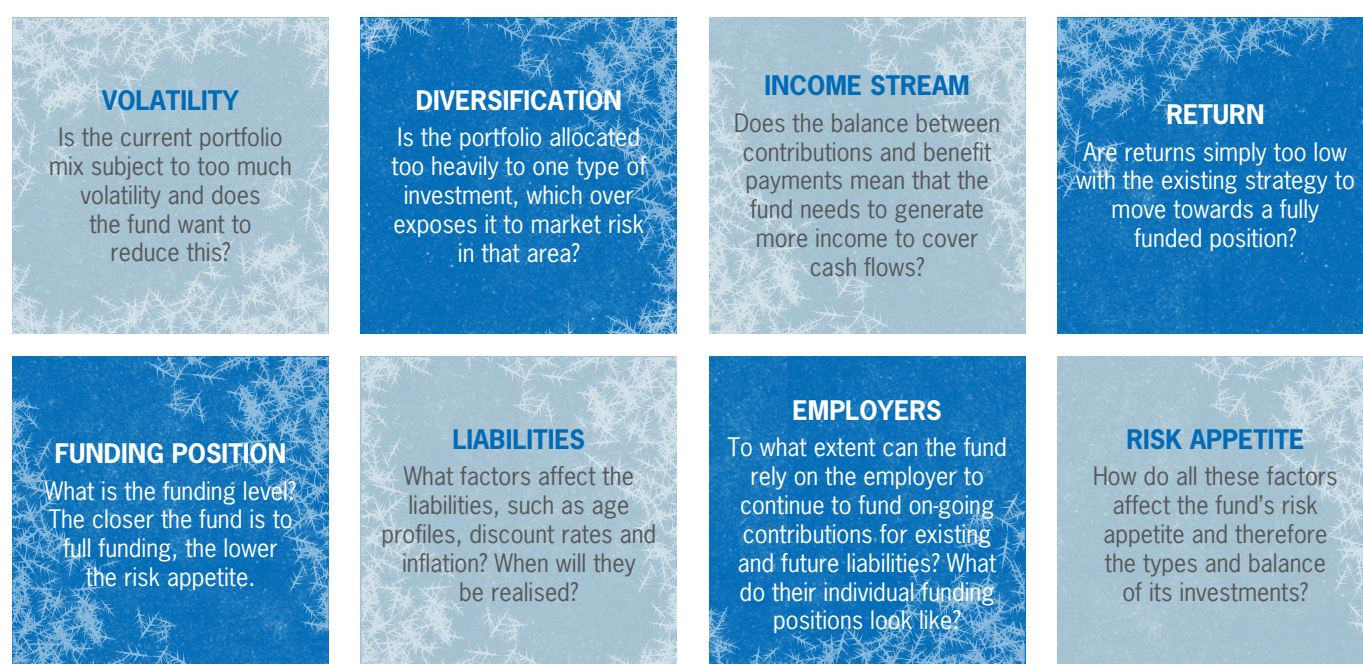
Another factor affecting the sustainability of pension funds is the reducing value of income from contributions and increased benefit payments. This happens as local authorities continue to downsize, which increases the number of pensioners. For some pension funds, automatic enrolment, which has increased the number of contributors, has offset this trend. The proportion of funds reporting that their contribution income is sufficient to cover the cost of their current benefit payments has increased since 2012 from 58% to 64%. However, for a significant proportion of funds, income-generating investments form a bigger part of their investment strategies to ensure effective management of their cash flows.

The context for each fund will differ as will the important factors.



The proportion of funds reporting that their contribution income is sufficient to cover the cost of their current benefit payments has increased since 2012 from 58% to 64%.

Context and factors affecting local investment strategies



Over half the funds we audit have made significant changes to their investment strategies in recent years. It remains surprising that this figure is not higher given the challenging circumstances. The changes and reasons for the changes are wide ranging and depend on each fund's circumstances.

Examples include:

- increasing diversification, including a move towards more alternative investments such as infrastructure assets, to reduce the risks associated with market failures
- simplifying investment portfolios to reduce unnecessary costs
- adopting an investment strategy that is better matched to the underlying risk appetite and covenant strength of individual employers
- moving into and out of passively managed portfolios, depending on experience of how well this is working for individual funds in terms of cost, return and volatility
- a move towards more income-generating investments to improve cash flows.

Over half the funds we audit have made significant changes to their investment strategies in recent years.



CASE STUDY

Cheshire Pension Fund makes clear links between liability/investment risks and its investment strategy

In April 2014 the Cheshire Pension Fund became the first LGPS fund to implement a multi-employer risk management framework and a trigger based de-risking strategy.

The approach recognises that each group of employers has differing characteristics in terms of funding levels, maturity profile of membership, time horizon in the LGPS and cash flow profiling. The key differences between employer characteristics has led the fund to move away from the one-size-fits-all approach to investments. Each employer has been assigned to one of four investment strategies after careful consideration of the funding position and liability profile. Each investment strategy has a different level of exposure to growth and matching assets.

In addition to the multi investment strategy approach, the fund has implemented a risk management framework which aims to capitalize on funding level improvements by reducing investment risk. The fund believes that a robust risk management framework allows it to be proactive rather than reactive to events and tailor and adapt investment and funding strategies as appropriate. This has been implemented in such a way that there will be no negative impact on employer contribution rates when de-risking actions take place; crucial given the economic climate and the pressure facing most employers.

A relatively small number are also using their investment strategies to hedge against the liability risks they face, particularly around interest rate risks. This is also a relatively small proportion of their fund in most cases. In the commercial sector, the number of funds using hedging strategies is increasing. The LGPS investment regulations place restrictions on the proportion of funds that can be invested in this way. In our view, regulation should concentrate on ensuring appropriate governance rather than restricting specific types of investment.

Funds can gain many benefits from collaboration across the LGPS around investment management.

For example in:

- sharing/increasing the levels of expertise in delivering investment strategies
- ensuring the local focus is on the determination of the investment strategy and overall performance
- reducing investment management costs.

There are now a number of funds working together in relation to investments. These include work on the creation of a collective investment vehicle in London and the South East and the recently announced plans for the asset and liability management partnership, between Lancashire County Pension Fund and the London Pension Fund Authority. The latter plans to pool combined assets of over £10 billion to deliver cost savings and improve performance.

There are still pension funds whose committees concentrate less on setting and monitoring the investment strategy and more on other less productive aspects.

Key examples are:

- **receiving and questioning regular detailed performance reports from each fund manager.** The average number of fund managers used is nine and many funds have over 15, so this can be an extremely time-consuming exercise. It is important to monitor and understand the performance of individual fund managers. However, a more summarised version is sufficient to support decisions about strategy and whether manager changes are necessary
- **receiving and questioning lengthy presentations on the global economy and financial markets, without linking clearly to the investment strategy.** Funds need this information to understand the risks facing the fund. But if it does not link to the investment strategy, it is an ineffective use of valuable time.



CASE STUDY

London based funds work together to achieve benefits of collaboration

Over the last two years, the 32 London boroughs and the City of London have been collaborating through London councils to establish a route to reduced costs and overall improved investment returns for the LGPS funds across the capital.

Work is underway to establish a collective investment vehicle (CIV), through which the boroughs will be able to invest, achieving economies of scale, providing a platform for significant cost savings and opening up opportunities to invest in alternative asset classes – for example direct investment in infrastructure – that may not be easily achievable for individual funds. With over £24 billion of assets under management with 87 fund managers, across 253 mandates and £72.8 million paid in fees in 2012/13, collaboration through the CIV is expected to deliver substantial savings.

CASE STUDY

London and Lancashire working in partnership

The London Pensions Fund Authority and Lancashire County Pension Fund have announced the first stage to create a commonly-managed, jointly-invested £10 billion pool of assets overseen by an FCA registered entity. This decision was made to provide the benefits of investment scale, ensure that industry-leading standards of governance are met and to deliver cost savings and improved performance.

The ALM partnership would see each pension fund retain its separate identity and local accountability, by allowing them to pool assets while considering liabilities on a consolidated basis. Such a structure also maintains a framework of local accountability. This model requires no additional legislation, but only the voluntary collaboration and formation of Joint Committees between funds, with clear lines of accountability to the partner Administering Authorities.

Action points

Administering authorities may find it helpful to ask themselves the following questions to consider whether changes are needed around the way in which its investment strategy is set, managed and monitored:

- Do pensions committee members have the right information to help them understand the key factors affecting the funding position?
- Is the investment strategy linked clearly to that understanding?
- Does the fund have or have access to the right skills, knowledge and capacity to deal with the investment strategy?
- Does it consider the funding position and report in between triennial valuations?
- Does the pension committee place sufficient emphasis on setting the strategy and keeping it under review?
- Is the investment decision-making process around individual investments sufficiently transparent and quick?
- Are potential conflicts of interest managed effectively – for example, where funds invest in local infrastructure?
- Where appropriate, are effective due diligence exercises carried out prior to key decisions on specific investments and portfolio changes?

LPBs can help by reviewing the overall governance arrangements for setting and monitoring the investment strategy.

Risk management

Background

Effective risk management is an essential part of any governance framework.

For a pension fund, those risks come from a range of sources including the funding position, investment performance, membership and employer changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the identification of significant risks.

Current practice

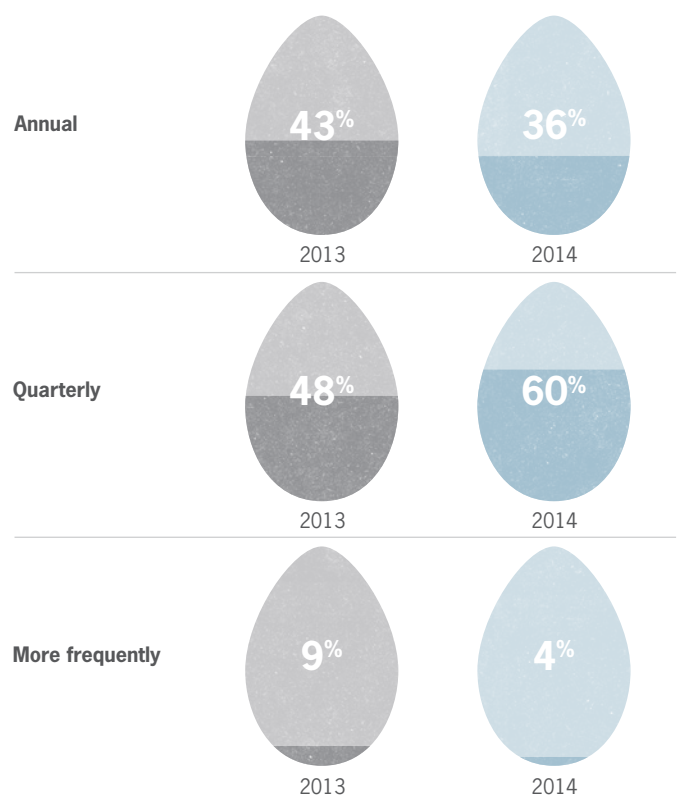
There has been an increase in the number of funds reporting on their management of key risks. Almost 100% now do this. In addition, we have seen an increase in the frequency of such reporting with a move from annual reporting to quarterly reporting.

The concentration of such reporting remains on investment management and, to a lesser extent, liability risks. Only about half include risks around pensions administration and process/control risks.

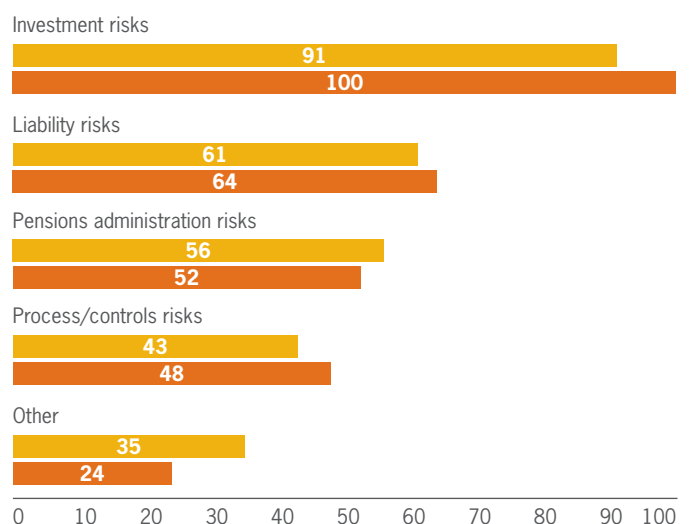
The implementation of LGPS 2014 was a significant change for administration teams, with changes to IT systems, controls and processes required and late finalisation of the detailed regulations. Members and employers needed to do a huge amount of work to understand the impact of the changes fully and to make sure they had somewhere to go for help. We would expect this to have been a key risk for all pension committees to be aware of. While benefits administration teams worked hard to manage those risks in the background, only 60% of pension committees had received progress reports on the implementation of LGPS 2014.

Only about half include risks around pensions administration and process/control risks.

Frequency of reporting on risks to pension committees



Coverage of risk reporting (%)





CASE STUDY

Cumbria Pension Fund demonstrates good governance in practice

Over the last 24 months members of the Cumbria LGPS have been working closely with officers of the fund to implement changes to the structure, decision making and reporting of the Cumbria pensions committee. The drivers for these changes were:

- to recognise and more effectively manage the increasing demands being placed on members due to the volume and speed of change being introduced across local government pensions
- to address best practice evidence on committee management which showed that the most effective funds (both in the public and private sector) were those where committee attention was focused on strategy, risk and governance.

The outcome was a revised structure and reporting which has enabled the committee to focus at a high level on risk, strategy and governance (for both administration and investments matters), while delegating detailed investment management to a smaller more nimble investment sub-group.

The four core themes addressed at each committee meeting are: risk; governance; fund level actuarial performance; and investment strategy. These are now supported by a restructured quarterly monitoring report.

The revised focus ensures risks across the fund are dynamically addressed at each meeting, rather than by the annual production of a risk register. The positive results of this more dynamic risk assessment methodology were clearly demonstrated during the implementation of the 2014 scheme. The risk was progressively escalated through the quarterly risk monitoring report to members over a period of 12 months, who due to the early oversight fully understood the risk and could therefore actively engage in agreeing and monitoring appropriate mitigation actions.

Action points

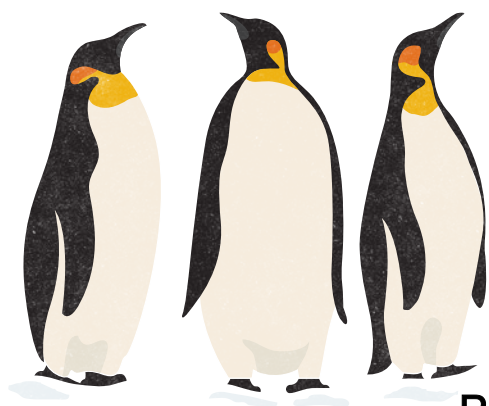
Pension committees should ask themselves:

- Do we understand the range of risks we face as administrators of the pension fund to ensure its long-term sustainability and its efficient and effective management?
- Do we know how we are managing those risks and whether we are doing so effectively?
- What needs to change in this regard?

Consideration of the administering authority's overall approach to risk management should be a focus for LPBs. They should ask:

- Does the administering authority have an appropriate mechanism for identifying key risks across all aspects of management of the fund?
- Does risk reporting cover the things that we might expect given information from other sources? Examples include internal audit reports, benchmarking data, complaints data, performance management information, changes in employer and employee profiles, the funding position, and guidance from TPR and the national advisory board.
- Does risk reporting indicate that the risks are being responded to and managed effectively?

While benefits administration teams worked hard to manage those risks in the background, only 60% of pension committees had received progress reports on the implementation of LGPS 2014.



Internal control and internal audit

Background

As with any governance framework, reliable systems of internal control are important to assure that processes are operating effectively to reduce the risk of failing to achieve objectives. Internal audit is usually a core part of assuring the effective operation of the internal control system, by reviewing and testing such processes.

Pension administration has become more complex with the introduction of a career average scheme and protections for members due to retire in the short term. This, together with a more complex investment environment, emphasises the need for effective internal control.

Current arrangements

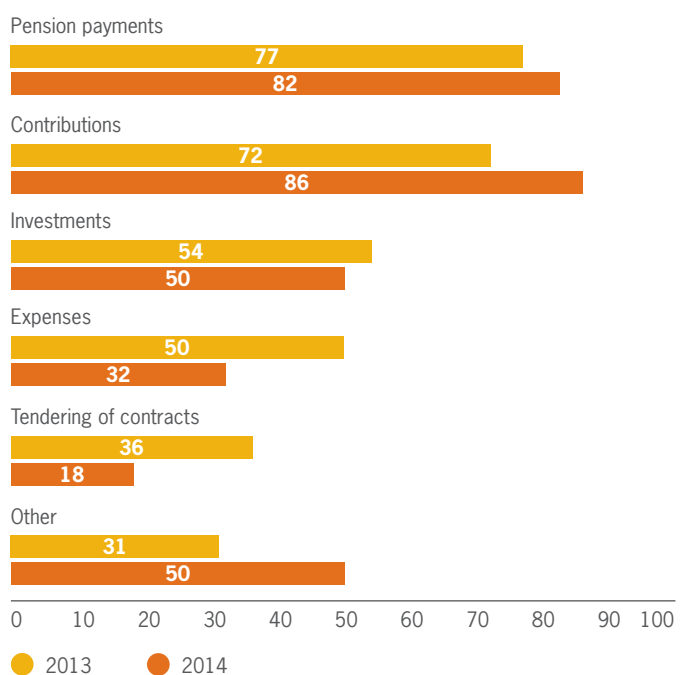
Most pension funds are just one element of the work of the wider local authority. The council's audit committee and internal audit considers the internal control arrangements as part of that wider framework.

There is now a bigger proportion of funds, (35%, compared to 27% in 2013), where the council's annual governance statement refers specifically to the arrangements within the pension fund. A small number have drafted stand-alone governance statements for their pension funds. These go beyond the statutorily required governance compliance statements and give a clear picture of how the fund assesses its risks and assures its management. They also highlight any areas for improvement with linked actions. These demonstrate the emphasis being placed on strong governance for those pension funds.

The majority of funds have specific coverage by internal audit, but a significant proportion (15%) do not. The work that internal audit completes on the wider activities of the administering authorities is unlikely to give the necessary assurance over the pension fund risks, given how specific those risks are.

The majority of funds have specific coverage by internal audit, but a significant proportion (15%) do not.

Pension fund coverage by internal audit (%)



There has been an increase in internal audit reporting their plans and work to pension committees – from 45% in 2013 up to 55%. Administering authorities will need to consider whether the work of internal audit should be reported to the pension committee and/or the LPBs. Their work will sit clearly within the local pension board's role, but the pension committees may also consider that they need this assurance to help them manage the fund.

The scope of internal audit work has also broadened slightly since 2013, giving a wider coverage over the activities and risks of the pension funds. The other coverage shown above includes:

- employer site visits to gain assurance over the accuracy of contributions and member data from employers
- reviews of new IT systems
- reviews of the implementation of auto-enrolment.



Under 50% of funds have changed their processes to improve data quality linked to the implementation of the career average scheme, indicating this is a key area of development for many funds.

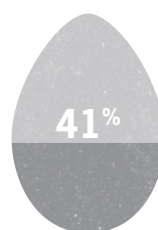
The career average scheme introduces the need for a heavier emphasis on ensuring effective data quality. With a final salary pension scheme, the concentration tends to be on ensuring the accuracy of the data at the point at which the pension is drawn, but with a career average scheme the pension is calculated and attributed annually. TPR emphasises strongly the importance of data quality.

It states that:

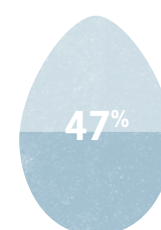
- schemes should have policies and processes to ensure that data is monitored on an ongoing basis to ensure its accuracy and completeness, regardless of the volume of scheme transactions
- this should be in relation to all membership categories, including pensioner member data, where queries may arise once the pension is in payment
- schemes should adopt a proportionate and risk-based approach to monitoring based on any known or historical issues
- this is particularly important in relation to the effective administration of career average pension schemes, which are required to hold significantly more data
- schemes should review their data continually and carry out a full data review at least annually.

Under 50% of funds have changed their processes to improve data quality linked to the implementation of the career average scheme, indicating this is a key area of development for many funds.

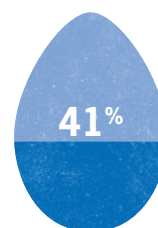
Proportion of funds making changes to improve data quality following the implementation of LGPS 2014



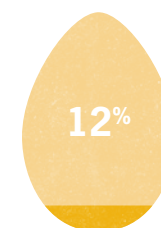
Additional checks implemented to ensure the accuracy of pension calculations



Additional checks implemented to ensure contributions are correct



A general clear up/review of member data has occurred in preparation for LGPS 2014



Internal audit has been asked to complete testing on some or all of the accuracy and controls around member data, benefit calculations and contributions

CASE STUDY

Merseyside pension fund strengthens arrangements for data quality in response to LGPS 2014

This fund has increased its checking resources in preparation of the implementation of the career average pension scheme. A focus for the coming year will be to strengthen data quality and progression of the programme to bulk upload data from its largest employers.

Gaps in the system resulted in manual calculations for a significant number of benefit and transfer calculations. This necessitated a new system of control resulting in a thorough accuracy check of benefits and cash flows.

Action points

The local pension board needs to understand the extent to which assurance is provided over the internal controls affecting the board's main risks. The board should seek assurance that this covers the whole range of activities.

Given the newness of the career average scheme, an emphasis on understanding and gaining assurance over data quality controls is advisable.

Administration costs

Background

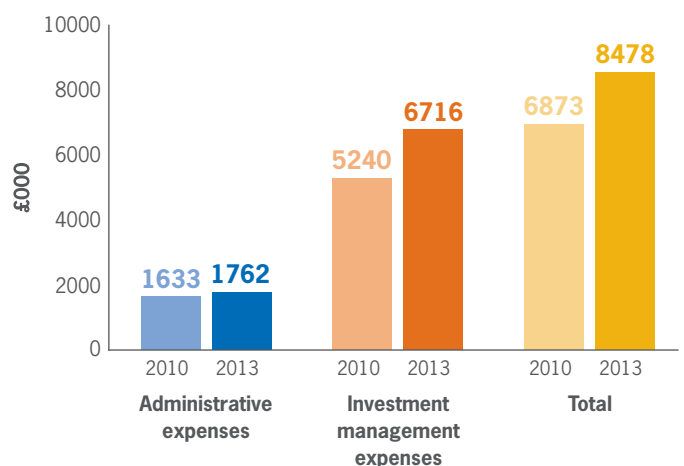
The national focus on the administration costs of the LGPS has continued. The existence of 89 separately managed funds in England and Wales raises questions about whether some re-organisation of those funds could improve performance and reduce administration costs. These could include the costs of administering the fund as well as the cost of investment managers and investment transactions.

It is important for any organisation to keep its administration costs down but especially so in this context. During 2013/14, funds have implemented the LGPS 2014 and dealt with the 2013 triennial valuation. Both have increased administration costs in this period. Due to the much more complex nature of LGPS 2014, changes in controls and processes are necessary to ensure that member data is accurate and provide the correct basis for ensuring that contributions and pension payments are stated correctly.

Additionally the types of changes in investment strategies have led to more one-off costs as funds have changed investment managers and portfolios. Unsurprisingly, therefore, a comparison between 2012 and 2014 shows an increase in total administration costs, including investment management, of over 20%.

Investment transactional costs are often 'lost' in the cost of purchases and sales and would be additional to this cost. Where funds have been able to estimate this value, they have identified an average additional investment management cost of £1.2 million. Implementation of CIPFA's 'Accounting for local government pension scheme management costs' guidance in the 2014/15 financial statements should help to ensure that administration and investment management costs are reported more consistently and therefore create a more useful base for comparison and benchmarking.

Average costs per fund



Unsurprisingly, therefore, a comparison between 2012 and 2014 shows an increase in total administration costs, including investment management, of over 20%.

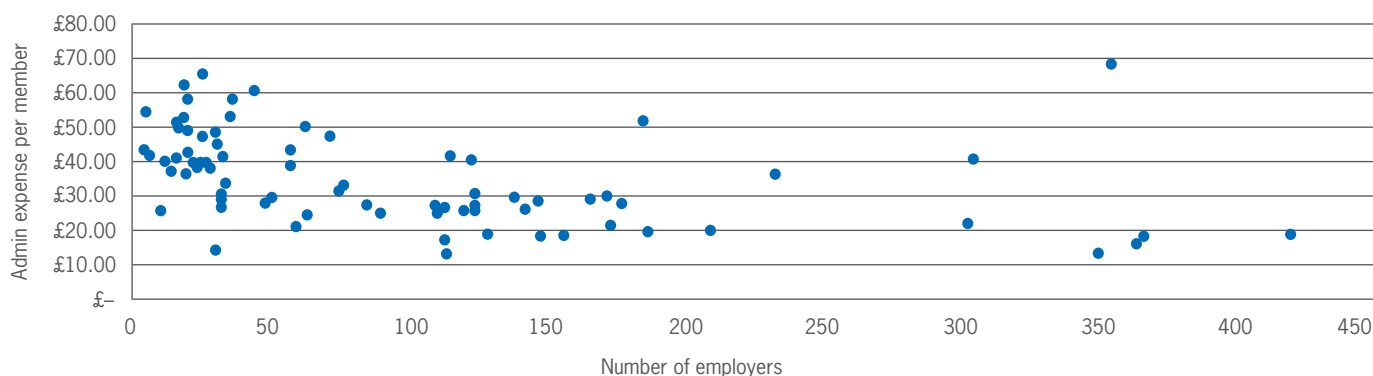
Funds need to benchmark investment management costs in the context of the overall size and complexity of the portfolios and in the context of the net return achieved against the individual target set by the fund.

Administrative costs are slightly easier to benchmark although there is a range of practices that may affect the accuracy of the reported figures. An analysis of the figures reported in the 2013/14 accounts of all funds in England and Wales shows a very wide variation in cost per member from £12.96 to £68.32. Many, although not all, of the higher costs relate to London-based funds where higher salary levels may have an impact.



An analysis of the figures reported in the 2013/14 accounts of all funds in England and Wales shows a very wide variation in cost per member from £12.96 to £68.32.

Admin expense per member



The implementation of LPBs from 1 April 2015, together with potential increases in reporting requirements to a range of bodies under the LGPS regulations, will again increase administration costs.

We have seen an increase in funds acting to reduce their administration costs since our 2013 report with 70% taking a wide range of measures. Some of these have been around investment management and achieved by moving to passively-managed portfolios, reduction in the number and complexity of manager portfolios and re-negotiation of fund manager costs.

About 20% of funds are now using some form of collaborative framework or shared service arrangement and this is a growing trend. However, funds are still poor at quantifying and reporting the savings achieved through such steps.

We have seen an increase in funds acting to reduce their administration costs since our 2013 report with 70% taking a wide range of measures.

CASE STUDY

Cheshire Pension Fund reduces investment management fees

The fund undertakes a fundamental review of manager fees on a bi-annual basis. This led to a reduction in fees for 2013.



CASE STUDY

LGPS national procurement framework delivers real benefits

The LGPS procurement framework has continued to grow. The range of services available under the framework now includes actuarial, benefits and investments consultancy services, global custodian services and legal services. Thirty-seven contracts have been let under the framework with participants benefiting from significant reduced procurement timescales and costs. A further 20 contracts are in negotiation. Although in its infancy, by March 2014 funds had already saved £8 million via the national framework. Over half of the LGPS funds have engaged with the project.

A recent strong example has been a collaboration of three funds, Hackney, Suffolk and Norfolk, negotiating together for custodian services under the framework, with overall estimated savings of £1.5 million achieved, and with a procurement process reduced from months to weeks.

CASE STUDY

Peninsula Pensions – one of the latest shared pension administration services

Over the past 18 months Devon County Council and Somerset County Council have been working together to build a shared administration pension service to improve customer service and value for money. The new service, Peninsula Pensions, was launched in September 2013. There were one-off additional set-up costs but the longer term aim is to improve the efficiency of the pension administration team, provide an improved service to the customer and help keep costs low. A review of the costs and efficiencies achieved will be done after the first full year of operation.

An immediate visible improvement, and in response to requests from customers, is the new self-service Peninsula Pensions website. This provides all customers with immediate and up-to-date pension information to keep track of their pension status and any news relating to it.

Action points

One focus for the LPBs should be around understanding the extent to which the administering authority:

- knows the level of its administration costs, including investment management expenses
- looks to achieve efficiencies in them and challenges the status quo
- evaluates the impact of such measures in terms of savings achieved and quality.

It will be important to recognise that there are new requirements that will result in increased costs in some aspects of the fund management.





Appendix 1:

Action points for local pension boards and administering authorities

Areas of focus	Key responsibility	
	LPBs	Administering authority
LGPS reform and LPBs <p>The next 12 months will be formative for most LGPS funds in developing governance arrangements. LPBs and administering authorities should plan to evaluate the costs and benefits of how these operate during 2015/16 with a view to making changes if necessary. In particular, they should consider:</p> <ul style="list-style-type: none"> the benefits achieved through the work of the LPB the existence of any overlaps in work and responsibility between the LPB and the work of the pensions committee and other relevant committees the benefits achieved through any joint working arrangements. 	✓	✓
Existing pension committee arrangements <p>If administering authorities have not already done this in preparation for the new LPBs, it would be good practice for them to consider how they work and in particular ask:</p> <ul style="list-style-type: none"> Are our current arrangements fit for purpose? Do they cover all aspects of the management of the pension fund and do they enable us to consider and challenge effectively our overall strategy for the fund's management? How has the pension committee contributed to the effective management of the pension fund during the last year or so? Does the pension committee have sufficient information and understanding to support its decision making and provide effective challenge? What needs to change? 		✓
<p>For the newly formed LPBs, a key part of their work in the first year will be understanding: how the pension fund is managed; what the performance information tells them about the financial health and risks of the fund; and the strategic response to those risks. A good starting point would be to consider the scope and usefulness of the performance information provided to the pension committee and how it is used.</p>	✓	
Capacity, skills and knowledge		
<p>LPBs should nominate an individual to ensure there is an appropriate knowledge and skills framework in place for the board and that it is implemented effectively.</p>	✓	
<p>Administering authorities should ensure that an appropriate training programme is delivered in the first six months of 2015 to ensure the LPB has an appropriate level of knowledge and understanding.</p>		✓
<p>LPBs should also review the arrangements for ensuring those responsible for the management and administration of the pension fund have the appropriate knowledge and skills – both now and with regard to future developments – to manage the fund and have access to relevant professional advice when necessary.</p>	✓	

Appendix 1:

Areas of focus	Key responsibility	
	LPBs	Administering authority
<p>Investment strategies</p> <p>Administering authorities may find it helpful to ask themselves the following questions to consider whether changes are needed around the way in which its investment strategy is set, managed and monitored:</p> <ul style="list-style-type: none"> • Do pensions committee members have the right information to help them understand the key factors affecting the funding position? • Is the investment strategy linked clearly to that understanding? • Does the fund have or have access to the right skills, knowledge and capacity to deal with the investment strategy? • Does it consider the funding position and report in between triennial valuations? • Does the pension committee place sufficient emphasis on setting the strategy and keeping it under review? • Is the investment decision-making process around individual investments sufficiently transparent and quick? • Are potential conflicts of interest managed effectively – for example, where funds invest in local infrastructure? • Where appropriate, are effective due diligence exercises carried out prior to key decisions on specific investments and portfolio changes? 		✓
<p>LPBs can help by reviewing the overall governance arrangements for setting and monitoring the investment strategy.</p>	✓	
<p>Risk management</p> <p>Pension committees should ask themselves:</p> <ul style="list-style-type: none"> • Do we understand the range of risks we face as administrators of the pension fund to ensure its long-term sustainability and its efficient and effective management? • Do we know how we are managing those risks and whether we are doing so effectively? • What needs to change in this regard? 		✓
<p>Consideration of the administering authority's overall approach to risk management should be a focus for LPBs. They should ask:</p> <ul style="list-style-type: none"> • Does the administering authority have an appropriate mechanism for identifying key risks across all aspects of management of the fund? • Does risk reporting cover the things that we might expect given information from other sources? Examples include: internal audit reports; benchmarking data; complaints data; performance management information; changes in employer and employee profiles; the funding position and guidance from TPR and the national advisory board. • Does risk reporting indicate that the risks are being responded to and managed effectively? 	✓	
<p>Internal control and internal audit</p> <p>The LPB needs to understand the extent to which assurance is provided over the internal controls affecting the board's main risks. The board should seek assurance that this covers the whole range of activities.</p> <p>Given the newness of the career average scheme, an emphasis on understanding and gaining assurance over data quality controls is advisable.</p>	✓	
<p>Administration costs</p> <p>One focus for the LPBs should be around understanding the extent to which the administering authority:</p> <ul style="list-style-type: none"> • knows the level of its administration costs, including investment management expenses • looks to achieve efficiencies in them and challenges the status quo • evaluates the impact of such measures in terms of savings achieved and quality. <p>It will be important to recognise that there are new requirements that will result in increased costs in some aspects of the fund management.</p>	✓	

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WIRRAL COUNCIL

PENSION BOARD

14 JULY 2015

SUBJECT:	POLICY ON COMPLIANCE WITH THE PENSIONS REGULATOR
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Board Members that the changes introduced by the Public Service Pension Act 2013 provide for clearer governance and extend the work and the oversight of The Pensions Regulator (TPR) to the LGPS.
- 1.2 The aim of the TPR is to implement and monitor a robust and consistent set of principles to ensure the correct payment of benefits, timely receipt of contributions and the publication of clear information by pension administrators under agreed industry standard policy and practice.
- 1.3 Merseyside Pension Fund has a large and diverse employer base, including councils, colleges, academies and admitted bodies. This presents a significant challenge in achieving and maintaining high quality data due to different IT systems, levels of staff knowledge and technical expertise amongst the employers.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Pensions Regulator published Code of Practice 14: Governance and Administration of Public Service Pension Schemes in January 2015, to assist schemes in achieving and maintaining high quality administration – this took effect from April 2015.
- 2.2 The code sets out the legal requirements, gives practical guidance and expected standards for those responsible for the operations and management of public service pension schemes.
- 2.3 It also raises awareness of the knowledge and understanding required of local board members and how potential conflicts of interest should be managed.

2.4 The Code provides direction on the following areas:

Governing your scheme

Knowledge and understanding required by pension board members
Conflicts of interest and representation
Publishing information about schemes

Managing risks

Internal Controls

Administration

Scheme record-keeping
Maintaining contributions
Providing information to members

Resolving issues

Internal dispute resolution
Reporting breaches of the law

2.5 It is noteworthy that the code assists those who administer pension schemes to fulfil their legal duties. Although it is not a statement of law, it outlines the expected standards which courts will consider when determining whether legal requirements have been fulfilled.

2.6 The code of practice can be accessed via the link below:

<http://www.thepensionsregulator.gov.uk/docs/draft-code-14-governance-administration-public-service-pension-schemes.pdf>

2.7 TPR has launched an online e-learning programme aimed at those who are involved in the management of public service pension schemes, including Scheme Managers and Local Pension Board members. The programme covers the following seven modules:

- 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

The learning module can be accessed from the following link on:

<https://education.thepensionsregulator.gov.uk/login/signup.php>

- 2.8 As the programme is aimed at all public pension schemes, it is not anticipated that undertaking this e-learning course alone would satisfy the 'Knowledge and Understanding' requirements for members of Local Pension Boards in the LGPS.
- 2.9 As a result of the increasing focus by the TPR on administration quality, the Pensions Administration Standards Association (PASA) has been created from within the industry to set meaningful administration standards, and assess compliance with those standards.
- 2.10 The ultimate objective is to implement a framework that evidences the quality of service delivery to the TPR, and the scheme members.
- 2.11 TPR compliance and enforcement policy**
- 2.12 Following the expansion of TPR's statutory duties to public sector pension schemes, it has now published a Compliance and Enforcement Policy.
- 2.13 The policy sets out TPR's regulatory strategy in light of their statutory obligations, with a primary focus on educating and enabling schemes to improve standards of governance and administration, and to comply with legal requirements.
- 2.14 The policy also sets out the TPR's available options for enforcement in circumstances of non-compliance; which range from compliance notices, monetary penalties and criminal prosecution.
- 2.15 These enforcement powers can be applied to scheme managers, members of pension boards or employers.

The Compliance and Enforcement Policy can be accessed from the following link

<http://www.lgpsregs.org/images/TPR/CEPolicyPSPSs.pdf>

3.0 RELEVANT RISKS

- 3.1 The key objective of the above Code of Practice and Policy framework are to assist the Fund in meeting its administration responsibilities with a focus on mitigating risk.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 At the time of writing, the funding arrangements have not been finalised for the additional oversight work conducted by The Pensions Regulator.

9.0 LEGAL IMPLICATIONS

9.1 None associated with the subject matter.

10.0 EQUALITIES IMPLICATIONS

- Has the potential impact of your proposal(s) been reviewed with regard to equality?

Not relevant for this report

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATIONS

13.1 That members note the Code of Practice and Policy framework outlined in the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for the Pension Board to be kept up to date with legislative developments as part of their governance responsibilities.

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WIRRAL COUNCIL

PENSION BOARD 14 JULY 2015

SUBJECT:	TRAINING PROGRAMME
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an outline of the proposed programme to assist members in fulfilling requirements of the Knowledge and Understanding policy.

2.0 BACKGROUND AND KEY ISSUES

2.1 In accordance with the Pensions Act 2004 every member of the Wirral Pension Board must be conversant with key areas of knowledge and understanding of the law relating to pensions with particular reference to:

- Background and understanding of the legislative framework of the LGPS;
- General pension legislation applicable to the LGPS;
- Role and responsibilities of the Local Pension Board;
- Role and responsibilities of the Administering Authority;
- Funding and investment;
- Role and responsibilities of Scheme Employers;
- Tax and contracting out;
- Role of advisors and key persons;
- Key bodies connected to the LGPS.

2.2 Pension Board members are expected to complete induction training within the first three months of their appointment. This consists of an online training course provided in a Trustee Toolkit by the Pensions Regulator (TPR).

2.3 Pension Board members will undertake the same knowledge and understanding framework which is currently provided to members of Merseyside Pension Fund Board through the CIPFA Knowledge and Skills Framework.

- 2.4 The Scheme Manager will use the TPR Trustee Toolkit assessments that the Local Pension Board members complete as a basis for agreeing an appropriate training programme..
- 2.5 In addition to the training event organised by the LGA on 28 May 2015, a further bespoke training day is proposed for September.
- 2.7 The annual assessment of the performance of the Pension Board will include a detailed report on training events offered and attended by Board members.

3.0 RELEVANT RISKS

- 3.1 Failure to maintain an appropriate level of knowledge and skills would be a potential breach of the requirements of the Pensions Act 2004.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Based on an ongoing assessment of training needs, there may be the option of reverting to stand-alone training and development events.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 Provision for Board member training and development is included in the Fund's annual operating budget.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Pensions Act 2004 requires members of Wirral's Pensions Board to be conversant with key areas of knowledge and understanding of the law relating to pensions.

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APPENDICES

None.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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