

# **Agenda**

## **Pension Board**

**Thursday, 25 April 2019, 2.00 pm**  
**County Hall, Worcester**

## DISCLOSING INTERESTS

**There are now 2 types of interests:  
'Disclosable pecuniary interests' and 'other disclosable interests'**

### WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3<sup>rd</sup> party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

**NB Your DPIs include the interests of your spouse/partner as well as you**

### WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
  - you must **not participate** and you **must withdraw**.

**NB It is a criminal offence to participate in matters in which you have a DPI**

### WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:  
You/your family/person or body with whom you are associated have  
**a pecuniary interest** in or **close connection** with the matter under discussion.

### WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

### DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR**  
relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

### DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorderd' is insufficient
- **Declarations must relate to specific business** on the agenda
  - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

## Pension Board

**Thursday, 25 April 2019, 2.00 pm, County Hall, Worcester**

**Membership:** Mr K Bray (Independent Chairman)

**Employer Representatives**

Mr P Grove

Mr N Shaw

**Member Representatives**

Ms L-M Chapman

Ms K Wright

## Agenda

Item No	Subject	Page No
1	<b>Apologies</b>	
2	<b>Declarations of Interest</b>	
3	<b>Confirmation of Minutes - 4 February 2019</b> To confirm the Minutes of the meeting held on 4 February 2019 (previously circulated).	
4	<b>Pensions Committee - 19 March 2019</b> <ul style="list-style-type: none"><li>• Initial Strategic Asset Allocation Review</li><li>• LGPS Central Update</li><li>• Pension Administration Strategy</li><li>• Administering Authority Update</li><li>• Worcestershire County Council Pension Fund Administration Budget 2019/20</li><li>• Pension Fund Training Programme for Pensions Committee Members and Pension Board</li><li>• Risk Register</li><li>• Business Plan</li><li>• Governance Arrangements and Governance Policy Review</li><li>• Pension Fund Unaudited Annual Report and Accounts 2018/19 Proposed Draft Format</li><li>• Forward Plan</li><li>• Pensions Investment Update</li></ul> <p><b>The Agenda papers and Minutes have previously been sent to you. Please bring your copy with you to the meeting.</b></p>	

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer, on 01905 846621,

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Friday, 12 April 2019

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5	<b>Notes from meetings of Local Pension Board Chairs of LGPS Central Funds</b> For noting and comment by the Board.	1 - 26
6	<b>Work Plan</b> For review/action by the Board.	27 - 28
7	<b>Any Other Business</b>	

## PENSIONS BOARD 25 APRIL 2019

### NOTES FROM MEETINGS OF LOCAL PENSION BOARD CHAIRS OF LGPS CENTRAL FUNDS

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#### Recommendation

1. The Chief Financial Officer recommends that the Board:
  - a) Note and comment on the notes from the meetings relating to the 10 October 2018 and 20 February 2019 of the Local Pension Board Chairs of LGPS Central Funds; and
  - b) Note and comment on the example of a Pensions Board Risk Register supplied by Cheshire Pension Fund.

#### Background

2. The Local Pension Board Chairs of LGPS Central Funds have a number of meetings to discuss a range of topic areas and have agreed to meet 4 times a year given the increase in pooling arrangements.
3. The Role of Pension Boards was seen as an extension of the requirement to ensure good governance and effective operations of the pool operator by assisting the scheme manager. The Board, therefore, will need to review the approach taken by Funds in monitoring the pool.
4. The notes of these meetings relating to the 10 October 2018 and the 20 February 2019 are attached as Appendix 1 for discussion and comment from the Board.
5. Attached as Appendix 2 is an example of a Local Pension Board specific risk register which has been produced by Cheshire, for consideration as to whether the Board may want to adopt.

#### Supporting Information

- Appendix 1 Notes from the meetings relating to the 10 October 2018 and 20 February 2019 of the Local Pension Board Chairs of LGPS Central Funds
- Appendix 2 – Cheshire example of Board Risk register

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no further background papers relating to the subject matter of this report.

## APPENDIX 1

### Notes from Meeting of Local Pension Board Chairs of LGPS Central Funds 10 October 2018, 11:00am, Mander House, Wolverhampton

**Present:** Board Members: Peter Raynes (Cheshire), Ronald Graham (Derbyshire), Cllr Gordon Allcott (Staffordshire), Sharon Campion (West Midlands)  
Officers: Heidi Catherall (Cheshire) and Rachel Howe (West Midlands Pension Fund)

**Apologies** David Jennings (Leicestershire), James Lacey (Nottinghamshire), Mike Morris (Shropshire), Keith Bray (Worcestershire)

#### 1) Structure of Boards

Cheshire: The Board meets 5 times a year, 4 times for “normal” committee meetings and once a year to review the accounts. It was composed of 5 members:

An independent chair (non-voting)

Employer Representative- Councillor from Administer Authority

Employer Representative- outside Employers, currently an Academy Bursar

Two Employee Representatives- currently from Unions and GMB

West Midlands: The Board meets 2 times a year but this was to be increase to 4 times. Given the size and complexity of the fund the board had 12 members:

Six Employer representatives, each representing different classes of employers which includes one elected councillor of the admin authority.

Six member representatives 5 from Trade Unions and 1 elected Cllr from the admin authority

Staffordshire: The Board meets 4 times a year and had 6 members:

Employer representative for District Councils

Employer representative for the Fire and Police Authorities

Employer Representative for Academy Trusts

Employee Representative for Unions

Employee Representative for Staff

Employee Representative from Schools

Derbyshire: The Board Meets 4 times a year and has 5 members:

An independent chair (non-voting)

Employer Representative- Councillor from Derby City Council

Employer Representative- Academies

Employee Representative for Unions

Employee Representative for Staff

#### 2) Working Arrangements of Boards

2.1) Meetings/Minutes: West Midlands and Staffordshire run the meetings as public Council meetings (S101), Derbyshire and Cheshire as Business Meetings. The majority of Boards published minutes on their website. WMPF and Staffs publish their papers in the normal manner of S101 committees, neither noted any papers presented had been exempt under Sch12. Derbyshire and Cheshire have open discussions and see all papers from their Funds, the meetings are closed. In practice part two (confidential business) had not been required.

2.2) Training: All Boards used joint training with Committees. Training was the major expense for the Boards.

To ensure Board members met their duty to be informed on subjects they discussed the Cheshire training plan provides specific training (i.e. on Valuations) prior to the relevant Board meeting. WMPF noted their training plan was created using the CIPFA knowledge and skills matrix.

2.3) Risk Registers: Several Boards had constructed specific risk registers for their own activities.

2.4) Communication with Committees/Administering Authority: Several Boards ran meetings between the Committee and Board Chairs. Board members were allowed to attend Committee meeting as observers. In some cases they were excluded from part two (investment items).

### **3. Role of the Pension Boards in Pooling**

The Role of Pension Boards was seen as an extension of the requirement to ensure good governance and effective operations of the pool operator by assisting the scheme manager. The Board, therefore, will need to review the approach taken by Fund's in monitoring the pool.

Board members, therefore, need to be knowledgeable of the actions of the pool, their approach to ESG in regard to investments and have an understanding of the cost of investment on behalf of the eight funds.

Potentially the knowledge element could be achieved by the Pool presenting to Boards and Committees in a joint session specifically on Governance/ESG issues perhaps annually.

Following this a specific meeting to address issues might be necessary. This would be most efficient if all Board met centrally with Pool Officers.

Staffordshire have summarised their thoughts on the pooling issue in the enclosed document.



Pooling  
Monitoring.pdf

### **4. Current Activities of the Pension Board**

The Boards need to have a strong link to SAB, and it is proposed we invite Bob Holloway to the next meeting on Wednesday 20<sup>th</sup> February 2019.

Boards had worked on a number of topics raise by SAB and the Pension Regulator, i.e. GDPR, MIFID II, Data audits, Specific Risk Registers, Trustees Toolkit (where relevant to Boards role). Cheshire have summarised the Pensions Regulator 21st Century Trusteeship information and toolkit, which is outlined in the document below.



TPR - 21st Century  
Trustee Toolkit.pdf

Other topics being addressed were,

- Prompt Payment of Pensions on retirement
- Assisting Academies in dealing with pensions issues linked to the SAB work on academisation review

- Reducing delays in processing case work

## **5. AOB**

Liverpool Pension ran an AGM for Pensioners. Request made to obtain an invitation to the next meeting – Derbyshire to take forward

Next meeting to focus on the SAB and how we could work well with them, Bob Holloway would be invited. WMPF to take forward

**Date of Next meeting:** Wednesday 20<sup>th</sup> Feb 2019, 10:00-13:00 Mander House, Wolverhampton

**Notes from Meeting of Local Pension Board Chairs of LGPS Central Funds  
20 February 2019, 11:00am, Mander House, Wolverhampton**

**Present:** **Board Members:** Peter Raynes (Cheshire), Ronald Graham (Derbyshire), Cllr Gordon Allcot (Staffordshire), Sharon Campion (West Midlands), Keith Bray (Worcestershire) and Mike Morris (Shropshire) and David Jennings (Leicestershire)  
**LGA/SAB:** Bob Holloway  
**Officers:** Heidi Catherall (Cheshire), Rachel Howe and Holly Slater (West Midlands Pension Fund)

**Apologies** James Lacey (Nottinghamshire)

**1) Notes from the last meeting – 10 October 2018**

At the last meeting it was suggested that Merseyside PF be contacted to see if they could accommodate some Board members to attend their pensioner member meeting. However, Merseyside no longer run a member meeting.

**2) Actions undertaken by Boards since the last meeting**

The group discussed the topics that have been considered at their Board meetings in the interim period since the 10 October.

PR advised the group of a LPB specific risk register which has been produced by Cheshire, which other Funds may want to adopt.



Cheshire Pension Fund - Pension Board

Boards should ensure that the Risk Register is reviewed on a regular basis so that new or changing risks can be captured. This could be achieved by adding an additional column to the register with review dates captured within it.

The group discussed the challenges facing pension boards when members change mid-term and the difficulties in finding suitable replacements. Boards are now staggering terms of office to assist with this issue.

**3) Training plans for 2019**

The Pensions Regulator's (TPR) Trustee Toolkit was discussed. This is a useful training tool, but only on the basis that those undertaking the training understand that it is targeted at Trustees specifically and so large parts of the training are not applicable to the LGPS.

It was acknowledged that TPR are still 'finding their feet' with regards to the LGPS and are trying to engage more with the scheme via attending various conferences and seminars, and attending individual Fund employer meetings.

BH advised that the Scheme Advisory Board (SAB) are meeting with TPR twice in the next few weeks and will be talking to them about the LGPS.

TPR are also undertaking a ‘Perceptions Tracker Survey’ where they have commissioned a research company to contact funds and ask questions about their effectiveness.

Board members discussed the various approaches taken to training at different funds.

BH offered to undertake a day’s training for the members of the LGPS Central Board’s for free in the summer of 2019. This would cover ‘what Board members need to know about being a board member’. The date has been agreed as 27 June.

BH invited Board members to develop a summary of the training that they would want and he will then develop a training plan around that.

#### **Actions**

- **HC to develop an outline training plan and circulate to Board members for comment**
- **RH/HS – Arrange a venue for the training event**

#### **4) Scheme Advisory Board**

The group welcomed Bob Holloway from LGA. Bob outlined the creation of the Scheme Advisory Board which was a result from the Public Service Pension Scheme Regulations 2013.

SAB have two specific functions:

1. Recommend scheme changes to Government – this accounts for 80% of SAB’s work
2. Assist and advise scheme managers – which accounts for the remaining 20%

SAB are mindful of the fact that the interaction between Fund’s and SAB could be improved and this was simply a practical issue of available resources at SAB.

##### **4.1) Establishing communication between SAB and Local Pension Boards**

As BH outlined, SAB are keen to improve the interaction between themselves and Fund’s. BH was pleased that the LGPS Central Board Chairs group had been set up and was keen that this model be replicated across all other pools.

If that were to be the case it may then be possible for BH to meet with a representative from each of the pools a couple of times a year, thereby achieving the goal of improving interaction between them and SAB.

This idea is being considered by SAB.

BH also informed the group that the SAB website is being re-designed and this will include consideration of whether a notification system can be included once new documents/information is added. This would then prompt stakeholders to log onto the site to read them.

#### **4.2) Administration Software – National Framework**

The founder group for the National Framework for an administration database undertook market engagement sessions with suppliers in January. As part of the overview of the marketing events it was noted that the project had support from MHCLG, Treasury and LGA but SAB were not mentioned.

BH was asked why SAB had not been included and whether they support the project.

BH explained that SAB do support the project but this support is via LGA.

#### **4.3) CIPFA Annual Report Guidance**

The CIPFA Annual Report guidance has been updated and will be published in the spring of 2019. The guidance now contains specific disclosures in the administration section which all funds are being encouraged to follow.

BH was asked whether SAB support the drive to standardise disclosures which are aimed at improving transparency across funds in order to allow comparability.

BH advised that SAB do support the approach and have worked closely with CIPFA on the guidance. The CIPFA Pensions Panel are also conserving the viability of introducing a national standard for administration benchmarking.

#### **4.4) MHCLG – Draft Guidance on LGPS Asset Pooling and Responsible**

MHCLG have issued draft guidance on asset pooling which includes specific guidance on the role of Local Pension Board (paragraphs 4.5 and 4.6).

BH reminded the group of the journey that has led to this guidance being produced.

In November 2015 DCLG (as they were then known) issued guidance on asset pooling. The guidance wasn't statutory but aimed to set out what funds need to do. It was hoped that all funds would follow this guidance, despite it having no legal basis.

In 2018 MHCLG needed to issue statutory guidance to address some pockets of non-compliance across the LGPS. The guidance 2018 guidance takes the opportunity to remove any confusion and includes a clear summary of roles within pools and funds. Therefore, the guidance now includes definitions.

The 2018 guidance has been issued for consultation and closes on 28 March. BH encouraged the group to respond to the consultation.

There have been some concerns about which powers the guidance has been issued under and whether it is statutory. Regulation 71 of the Investment Regulations 2016 provides the legal framework for the guidance.

The 2018 guidance is intended to replace the 2015 guidance. However, the 2015 guidance was considerably longer and so an exercise is currently underway to see if any relevant information from the 2015 guidance is missing and requires adding into the 2018 guidance.

SAB are meeting with MHCLG to clarify the position on the 21 February.

The 2018 guidance is expected to be published in the summer of 2019.

### Responsible Investment

The SAB Investment, Governance and Engagement sub-committee considered a paper on responsible investment, and in particular climate change, at its meeting on 19 September.

BH has been working on this guidance for some time, and it continues to evolve. Funds need to take notice of ESG guidance and improve compliance with the principles of it.

BH is creating three checklists for Fund's to follow which will assist in measuring their compliance, assess their compliance with the law and allow them to be regarded as following best practice. There will also be help and advice on what ought to be included in the Investment Strategy Statement on climate change. The guidance doesn't strictly apply to the LGPS however, SAB believe that Fund's should follow it anyway.

The guidance will be in the form of a broad framework designed to assist the production of responsible investment policies rather than providing specific wording. The guidance will be issued on the SAB website once available.

The ultimate aim is for SAB to assist Funds to:

- Meet their ESG/Responsible Investment responsibilities
- Mitigate any risk of legal challenge e.g. from the likes of Shareaction
- To provide help and support

The guidance is expected to be published in the summer of 2019.

### Action

- **Include the role of LPB's in pools as an item for the BH training**
- **The Board Chairs to consider whether they want to issue a joint response to the MHCLG guidance in regard to paragraphs 4.5 and 4.6**

### 4.5) SAB Letter to TPR – 28 November 2018

SAB has written a letter to TPR on 28/11/2018 in response to the approach TPR had been taking with LGPS Funds. TPR had been visiting funds as a result of the conclusions drawn from their 2017 questionnaire which suggested that the LGPS had not improved year to year when compared to other public sector schemes.

The concern is that the LGPS is unlike any other public sector scheme as it is a funded, multi-employer scheme and so comparison to other schemes will inevitably lead to misleading results.

TPR have visited a number of Funds and, in some cases, have taken enforcement action against them on areas of perceived non-compliance.

TPR have since responded to the letter from SAB and both letters are included below.



SAB Letter to TPR -  
28-Nov-18.pdf



TRP Response - Cllr  
Roger Philips Respons

SAB have two meetings planned with TPR to start to address some of these issues.

BH also outlined the work that is ongoing on the Good Governance review (formerly known as the separation project). This project originally commenced in 2011 and was looking at issues related to conflicts of interest between administering authorities and Funds i.e. where the Section 151 officer has a dual role for both and therefore can have competing priorities.

KPMG were appointed to undertake the review in 2011 where they explored ways of improving the current legal and governance framework and whether a new type of body (such as a joint committee structure) could be introduced.

With the advent of pooling the project was deferred but has now being looked at again. Hymans Robertson have been appointed to complete a review with an updated mandate. SAB will receive reports on progress over the coming months with an outcome and recommendations expected in the autumn of 2019.

SAB are also liaising with CIPFA on improving the guidance for Chief Finance Officers (Section 151) which still does not contain any requirements to have knowledge and understanding of pensions.

#### **4.6) TPR – Scheme Specific Information**

In its 2018 Scheme Return TPR required all Funds to provide data scores for their common and scheme specific data, however, scheme specific data has not actually been defined. As a result funds will have reported on a variety of different bases.

During 2018 BH had attempted to obtain agreement for a template of what information should be classed as scheme specific information, however, no such consensus could be found.

It was understood that this work would continue into 2019 and that LGA/SAB would issue guidance to Funds in time for them to report on this basis to TPR in the autumn of 2019.

BH confirmed that a working party had now been set up to look at this and that a consultation will take place once a template suggested is available.

#### **5) LGPS Central**

This agenda item was included for members to raise any other issues relating to LGPS Central. It was determined that all issues had been suitably discussed elsewhere on the agenda.

#### **6) AOB**

**Date of Next meeting:** 9 October 2019, 10:00-13:00 Mander House, Wolverhampton

## Pooling Monitoring

Gordon, not sure whether you are representing the Staffordshire Pension Fund or determining monitoring arrangements for the Central Pool itself.

In terms of the Staffordshire Pension Fund we would need to know effectively both:

- How well Staffordshire Investments are being managed ( in reality we should be receiving the same information as the Fund previously received from its investment Managers – Internal and consultants)  
How investments are being managed against Funds investment strategy and how are investments performing  
A Cipfa checklist is attached as Appendix A.

**Key Question – what information will be provided to each fund and how often?**

### **What are the Key Performance Indicators?**

**Will the pools officers attend each fund Pension Panel/Board for scrutiny?**

- How well the pool itself is doing
  - Monitoring against the objectives and rationale of the Pool against its submission
  - Is the pool subject to regulation and monitoring by the Ministry for Housing, Communities and Local Government -- what information does it need to provide to government if any
  - What proportion of the available assets of each fund is it managing and how does it intend to increase it (Delivery Plan)
  - Monitoring of the implementation costs (set up) against the approved budget  
(Who has approved the Budget and how will it be reported each year)
  - Monitoring of the running costs of the pool against the approved budget
  - Monitoring of Investment Managers costs to determine level of savings achieved
    - As compared to previous investment managers costs of each fund
    - As compared to other pool arrangements (benchmarking)
  - Monitoring of investment managers performance

## INFORMATION AND REPORTING REQUIREMENTS

Administering authorities should expect to see the same level of detail, transparency and frequency of reporting from the operator that they currently receive from third party and internal investment management functions.

Operators should provide a robust reconciliation of each administering authority's investments with them, properly accounted for and audited, and clearly identifiable and attributable to each administering authority within the investment pool, even where these investments are unitised within the investment pool. Such reporting will need to be complete and detailed enough for periodic inclusion in the report and accounts of each administering authority's fund.

The operator should provide appropriate regular reporting within any prescribed and/or agreed timescales to enable administering authorities to adequately monitor their investments through the investment pool, to be able to produce their own statutory and monitoring reports and to be able to properly deliver their investment strategies at the local level. As a minimum this should include:

- audited asset valuations
- absolute investment performance, split by asset class, and on a net of costs basis
- relative investment performance, both versus objective and versus benchmark, and on a net of costs basis
- a degree of investment performance attribution, including key contributors, key detractors and whether investment performance is as should be expected given prevailing investment market conditions
- an assessment of investment management costs including operator costs, fund management fees and transaction costs including full transparency of all costs and expenses associated with the investments
- approach to responsible investing, environmental, social and governance aspects of investment, engagement with companies held and voting record
- any other information required by the administering authority, pension fund committee and/or their advisors in order for the funds to be properly run and successfully deliver their investment strategies at the local level.

In addition to being investors in the investment pools, the administering authorities will also have an interest in the operation and ongoing development of their investment pools; therefore there should be separate periodic reporting on the business and operational aspects of the operator to each participating administering authority. This should include, as a minimum:

- details of the operational structure of the operator
- an audited summary of the financial aspects of the operation of the operator

- a review of any material developments within the operator over the reporting period, including progress against the business plan (also see Business Planning below)
- a forward-looking business plan for the operator over an appropriate period, ideally over a rolling three year period
- confirmation of adherence to any regulatory requirements of the specific investment pooling structure (and notification of any regulatory breaches)
- declarations in respect of any actual or perceived conflicts of interest and how these are being effectively managed
- details of how the safe custody of assets is ensured
- if appropriate, confirmation that sufficient and appropriate insurances are in place to protect administering authorities in the same way that they would be in any similar investment arrangement with a third-party provider.

Such reporting is proposed as a minimum, and it is likely that administering authorities within investment pools will wish to agree further aspects of reporting, including regular contact between representatives of the operator and officers/pension committees on a mutually agreeable frequency and addressing specified criteria pertaining to investment performance.

The oversight committee will also need to receive regular updates from the operator, much of which should be as outlined above, with a greater focus on the whole investment pooling arrangement. The agenda, reports and minutes of the oversight committee will also be key information that administering authorities should have access to on an ongoing basis, and some of which might become part of administering authority pension committee meetings.

The administering authorities could request a regular (perhaps annual) report from the oversight committee to provide a means to formalise and summarise the work and views of the committee periodically.

It is expected that oversight committees that are local authority joint committees will be public apart from exempt items. It is recognised that there are quite differing practices among existing administering authorities as to what is considered exempt or not, and therefore administering authorities and oversight committees are recommended to ensure that only truly sensitive or commercial items are treated as exempt.

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## **Local Pension Board Training**

The Pensions Regulator (TPR) have introduced a campaign to improve governance in all pensions schemes, including the LGPS. Below is a summary of TPR's guidance and whilst this is not aimed solely at the LGPS many of the messages are entirely relevant and it is suggested that the Board complete the toolkit training to assist with their general knowledge and understanding.

An overview of the TPR campaign, along with a summary of and link to the toolkit, are outlined below.

### **21<sup>st</sup> Century Trusteeship – Raising the importance of governance**

Funds need to get the maximum effectiveness from their governance arrangements. The Pension Regulator's (TPR) 21st Century Trusteeship campaign is designed to drive up standards of pension scheme governance and applies equally to private and public sector schemes. At a glance –

- The TPR has started a programme to communicate its expectations on trustee governance.
- TPR aims to clarify what good governance looks like and its approach to non-compliant schemes.
- TPR is setting out how it will respond (penalties) in the event of non-compliance. This forms part of TPR's aim to be "clearer, quicker and tougher". It is also apparent that TPR is increasingly likely to "name and shame" those it penalises.

The campaign sets out TPR's expectations for those managing pension schemes, and LGPS funds should ensure they are aware of these standards. In particular, funds should be aware of good governance fundamentals, have a clear understanding of roles and responsibilities, and have a clear purpose and strategy.

#### **What does good governance look like?**

Good governance is the bedrock of a well-run pension scheme. There is a clear link between good governance and good fund performance so it is an essential part of effective scheme management. Without good governance, you are unlikely to achieve good outcomes for members.

Good governance is about having motivated, knowledgeable and skilled trustees in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives.

#### **How do clear roles and responsibilities create good outcomes?**

Being clear on the roles and responsibilities of all the main participants involved in running the scheme will help the board:

- Respond to important issues and make effective decisions.
- Operate efficiently and free up time to focus on strategic priorities.
- Monitor and oversee scheme activities effectively such as risk management, administration and member communication.

## **How can a clear purpose and strategy be achieved?**

TPR encourages trustees to develop and regularly review their business plan to help them manage the scheme effectively. The business plan should help trustees set a clear strategy and inform everything they do, allowing them to plan ahead and improve their ability to comply with legal requirements at all times. The business plan can help trustees to:

- Set strategic goals.
- Check progress using short/medium-term objectives.
- Take action effectively if objectives are not met.
- Prioritise scheme business.
- Plan effective training for trustees.
- Coordinate activities with advisors and engage with the employers.
- Manage risks effectively.

It is clear that a good trustee board needs an appropriate range of different skills and experiences relevant to their scheme in order to help them achieve better outcomes. To assist with developing these skills tPR offers a free online learning programme known as 'The Trustee toolkit' which includes a series of online modules developed to help you meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004. Details of each module can be found below:

<b>Toolkit Section</b>	<b>Detail</b>
Introducing Pension Scheme	This module covers occupational pension schemes and how they are run.
The trustee's role	This module details what it is like to become a trustee, attending board meetings, duties, powers and protections.
Running a scheme	This module covers scheme governance, risk management, maintaining member data and working with advisors.
Pension Law	Details covered within this module are pension legislation, the Pension Regulator, the tax treatment of pensions, state pensions and internal dispute procedures.
An Introduction to investment	The sections covered are investing in a pension scheme, types of assets, risk, reward, economic cycles, active and passive management, and diversification and managing investments
How a DB scheme works	This module covers benefit accrual and calculations, the employers covenant and recognising when an employer's ability to meet pension liabilities may be at risk.
Funding your DB scheme	This module covers various assumptions used to measure the funding position of a scheme and the different measures used to determine funding levels of schemes.
DB recovery plans, contributions and funding principles	This module covers setting contributions and producing a recovery plan and statement of funding principles.

<b>Investment in a DB Scheme</b>	<b>This module covers reviewing the investment strategy scenario analysis, stochastic modelling and changes trustees might make to the asset allocation.</b>
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The toolkit can be accessed using the following link -

[https://trusteetoolkit.thepensionsregulator.gov.uk/?\\_ga=2.169097065.935708194.1538471446-432863552.1533807763](https://trusteetoolkit.thepensionsregulator.gov.uk/?_ga=2.169097065.935708194.1538471446-432863552.1533807763)

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Local Government Pension Scheme

# Scheme Advisory Board

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BN1 4DW

28 November 2018

## **Local Government Pension Scheme: Scheme Advisory Board**

I am writing to you as Chair of the Local Government Pension Scheme Advisory Board in England and Wales.

The Board was established under the Public Service Pensions Act 2013 to both advise the Secretary of State for Housing, Communities and Local Government on the desirability of changes to the regulations governing the scheme and LGPS administering authorities on improving scheme governance and administration.

The Board's work is supported by two committees, one on Investment, Governance and Engagement and the other on Cost Management, Benefit Design and Administration. Full details of the Board and committees can be found at [www.lgpsboard.org](http://www.lgpsboard.org).

An important feature of the Board's work in recent times has been to work with scheme stakeholders alongside your public service pension's team to improve the quality of scheme data and record keeping to best practice standards and help to ensure that scheme managers in the LGPS are able to comply with the relevant codes of practice. The Board is clear that it wants to work in partnership with you to deliver improvements in scheme governance and administration.

The Board fully appreciates the need for LGPS scheme managers to attain these standards but at the same time, it has to be recognised that they are often facing serious difficulty in fulfilling all their statutory responsibilities to the highest possible standard against financial constraints and stringent recruitment and retention policies.

Scheme managers are also having to come to terms with a scheme that is more complex than it has been in the past given the different dynamics of the CARE scheme introduced in April 2014 and the need to maintain at the same time two different sets of final salary records under the protection afforded by section 20 of the Public Service Pensions Act 2013.

### **Scheme Advisory Board Secretariat**

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[www.lgpsboard.org](http://www.lgpsboard.org)

## Scheme Advisory Board

Notwithstanding these difficulties, the Board is clear that the overwhelming majority of administering authorities have been taking steps to improve the quality of their data and record keeping and are making significant progress towards achieving the prescribed standards. Early indications from this year's administration and governance returns are that significant improvements continue to be made and there is nothing to suggest that further improvements will not continue to be achieved over time. I would therefore hope that you would agree to work jointly with us in communicating any lessons learnt from your engagement with a selected number of LGPS administering authorities to the scheme as a whole. We see this as an alternative to enforcement action against any of the selected funds that you consider to be non-compliant with your codes of practice. The Board is clear that the threat of enforcement action would not be helpful in creating an environment where administering authorities can be fully open and willing to resolve any shortcomings identified by your casework teams.

Outside of the current one-to-one programme, it has been reported that progress within the LGPS is lagging behind other cohorts. But such conclusions do not in the Board's view reflect the unique position of the LGPS as a locally administered, multi-employer, funded pension scheme. To borrow the fruit analogy, we take the view that apples are not being compared with apples in this case.

Against the good progress that we believe is being made, the Board is disappointed to learn of cases where formal action is being considered against individual LGPS scheme managers with the imposition of fines being a real possibility. The Board fully accepts that the Pensions Regulator has a clear responsibility to apply the enforcement powers conferred by the various Pensions Acts in appropriate cases and we are certainly not questioning the right for these powers to be exercised where warranted. However, having identified the LGPS as the most at risk public service pension scheme, the timing of individual enforcement action would appear to sit uncomfortably with the wider one-to-one engagement you are presently undertaking with a number of LGPS scheme managers where positive engagement is being encouraged.

The Board would also like to draw your attention to the work it is undertaking to address some of the concerns raised by academy employers in the scheme, in particular, the introduction of a standard monthly data extract that we believe will greatly assist both scheme employers and administering authorities to improve the quality of data and record keeping. Once agreed, we will also be recommending to Ministers at MHCLG that the standard data extract should be adopted as a kite mark standard for payroll providers. The current proliferation of payroll providers of varying quality is a major obstacle to administering authorities receiving prompt and accurate data from scheme employers on a consistent basis. This is just one example of the work the Board is undertaking to improve scheme data and record keeping. If we are to succeed, it is essential that we maintain the goodwill of scheme stakeholders in taking this important work forward.

On behalf of the Board, I would therefore ask that consideration is given to deferring any direct action or financial penalties against individual scheme managers until both

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## Scheme Advisory Board

the results of the one-to-one engagement and 2017/18 administration and governance survey are known. We will then all be in a far better position to assess the quality of data and record keeping across both the scheme as a whole and with individual scheme managers and to take stock of cases where remedial action is required.

I and my Board members would of course be very happy to discuss our concerns with you in more detail if you think that would helpful.

I am sending a copy of this letter to Rishi Sunak, the local government Minister, given his responsibilities for the Local Government Pension Scheme in England and Wales.

Yours sincerely

Cllr Roger Phillips  
Chair of the Board

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Cllr Roger Philips  
Chair of the Board  
LGPS Scheme Advisory Board  
Local Government House  
Smith Square  
London SW1P 3HZ

19 December 2018

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Dear Councillor Philips

**Re: Local Government Pension Scheme: Scheme Advisory Board**

Thank you for your letter of 28 November concerning improvements to the standards of governance and administration within the LGPS. I acknowledge the contribution of the Board in working alongside scheme stakeholders and our public service pensions team and it is vital that we continue working together to raise standards.

Our Public Service Pension Scheme (PSPS) Code of Practice 14 confirms what we expect of all PSPS scheme managers in order to be compliant with the legislative requirements of the Public Service Pensions Act 2013 and related legislation. Where non-compliance is identified, scheme managers should devise and implement robust and realistic improvement plans to address issues identified. Our published guidance and ongoing engagement helps us work with scheme managers to achieve compliance with the standards.

We focus on key indicators of good governance and administration when working with scheme managers in order to understand the action being taken to mitigate these risks and improve standards. These include:

- proper management of third parties
- adequate internal controls
- employer engagement and compliance
- pension board knowledge and understanding
- member communications.

To address your concern about enforcement action, first and foremost we support the implementation of suitable improvement plans by scheme managers in the first instance. Further action may follow if a scheme fails to deliver on those plans or if we find other material breach of the law. It is worth noting that in using our powers we would first establish where the fault lies behind a material breach of the law as this could be a scheme manager, but equally a participating employer or other third party.

In terms of the difficulties you highlight in scheme managers achieving the required legislative standards, our survey collates responses from the schemes themselves and tells us that some public service schemes, all of which have a CARE benefit structure, have demonstrated greater improvements in key areas when compared to the LGPS. For example, the proportion of LGPS members receiving annual benefit statements on time has not improved significantly between our last two annual surveys.

It is encouraging that you remain committed to working with us to deliver improvements in these crucial areas and are monitoring how standards are improving year on year. Seeking to implement a standard monthly data extract can only serve to improve the quality of data and record keeping as you rightly point out.

I have asked Nick Gannon (Policy Lead) and Pauline Lancum (Case Management Team Leader) arrange a meeting with the LGA to explore further ways we can collaborate to improve up governance and administration standards within the LGPS.

In 2018/19 we will continue to work with a cohort of LGPS schemes under our new approach to regulation. We will of course share the key findings from our work in due course. In the meantime the Governance and Administration survey for 2018 will offer further insights into the progress being made by the LGPS.

Yours sincerely



Lesley Titcomb  
Chief Executive

Pension Board Risk Register

Please note the column for the Total Score automatically calculates the score and assigns a colour (RAG).

Risk Register Completed:  
Date of Revision:

Objective / Priority	Risk No	Risk / Opportunity	Gross (without any controls)			Current Mitigating Controls (in place and effective mitigation of risk)	Current / Net (as it is now)			Risk Owner	Planned Risk Actions	Timescale	Target / Aspiration (When all Actions in Place)			Status of Risk (←, ↑, ↓, ☀)	Risk Update / Comments	
			Likelihood	Impact	Total Risk Score		Likelihood	Impact	Total Risk Score				Likelihood	Impact	Total Risk Score			
Page 25	1	Failure to identify (Board members') conflicts of interest results in failure to act in the best interests of the Fund leading to challenge/cost.	2	4	8	<ul style="list-style-type: none"> <li>The Board has a conflict of Interest Policy</li> <li>The Conflict of Interest policy is reviewed on an annual basis</li> <li>All Board members sign a declaration upon appointment to confirm there are no conflicts which would prevent them from undertaking the role</li> <li>Annual declarations of interest are completed by Board members</li> <li>Declarations of Interest are requested at the start of each Board meeting</li> <li>Information supplied to the Board is anonymised to allow them to make recommendations without any bias</li> </ul>	1	4	4		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>			1	4	4		
	2	Failure to maintain a Competent Board with adequate skills and knowledge, results in failure of Board members to properly exercise their functions as a member of the Pension Board.	3	4	12	<ul style="list-style-type: none"> <li>All Board members receive an induction upon joining the Fund and are required to read all statutory Fund documents within a short timeframe of being appointed</li> <li>All Board members attend training events delivered by Pensions Experts such as the LGA, PLSA and CIPFA</li> <li>All Board members have access to accurately maintained core documents and policies</li> <li>Board members attend quarterly joint training sessions with the Pension Fund Committee in accordance with the Fund's Training Policy</li> <li>Each member has agreed to adopt the knowledge and understanding policy framework</li> <li>The Chair of the Board has a role to ensure that the terms of reference are adhered to by all Board members</li> </ul>	2	4	8		<ul style="list-style-type: none"> <li>The knowledge and skills of the Board will be regularly reviewed and any training requirements will be addressed</li> <li>Board members will complete the TPR Toolkit training online</li> <li>Board members will take every opportunity to attend external events and training sessions</li> </ul>			2	4	8		
	3	Change of membership of the Board leading to loss of knowledge and skills, resulting in inability to fulfil its obligations under the Terms of Reference	3	4	12	<ul style="list-style-type: none"> <li>5 Board members are appointed for a term of 3 years, with the option to extend</li> <li>where a member leaves during that term a recruitment process is undertaken by the Fund to replace them</li> <li>Every 3 years the Fund will seek expressions of interest for suitably qualified and experienced members to join the Board and/or extend the tenure of existing members</li> <li>Terms of office have been staggered to avoid cliff edge scenario</li> </ul>	2	4	8		<ul style="list-style-type: none"> <li>The Board will consider whether they can introduce any steps to assist with succession planning</li> </ul>			2	4	8		
	4	Failure of the Board to implement the correct mechanisms in order to effectively monitor the compliance of the Fund leading to the inability to undertake their role efficiently	2	4	8	<ul style="list-style-type: none"> <li>The Pension Fund's Governance Policy clearly outlines the role of the Board and the Pension Fund Committee</li> <li>Board members review the Pension Fund Committee papers and minutes and attend joint training sessions so have a detailed understanding of the decisions the Committee are asked to make</li> <li>The Board's Terms of reference provides the framework for how the Board should perform their duties</li> <li>The Board receive a comprehensive set of standard performance reports on a regular basis which allow them to monitor the performance of the Fund</li> <li>The Chair of the Board also holds regular liaison meetings with the Chair of the Committee and Board minutes are a standing item on the Committee agenda allowing any recommendations by the Board to be escalated</li> <li>The Board continually reviews systems and processes and implement regular changes to improve efficiency</li> </ul>	1	4	4					1	4	4		

Objective / Priority	Risk No	Risk / Opportunity	Gross (without any controls)			Current Mitigating Controls (in place and effective mitigation of risk)	Current / Net (as it is now)	Risk Owner	Planned Risk Actions	Timescale	Target / Aspiration (When all Actions in Place)			Status of Risk (←, ↑, ↓, ☀)	Risk Update / Comments
			Likelihood	Impact	Total Risk Score						Likelihood	Impact	Total Risk Score		
	5	Failure of the Board to receive the required support from The Fund resulting in the inability of the Board to carry out its functions	2	4	8	<ul style="list-style-type: none"> <li>A key officer is appointed to provide support to the Board</li> <li>Additional officer support is available from within the Fund</li> <li>Officers attend network groups in order to share ideas to help facilitate the Board</li> <li>The Board has its own budget and so can appoint external advisers if required</li> <li>Two career grade posts have been implemented by the Fund and are providing support to the Board</li> </ul>	1	4	4	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>	1	4	4		
	6	Failure of the Board to be aware of national developments or have inadequate links with outside bodies resulting in failing to assist the Fund with efficient and effective management.	4	2	8	<ul style="list-style-type: none"> <li>LGPS Central - Local Pension Board Chairs meeting - where common issues are discussed and developing links with the Scheme Advisory Board</li> <li>Regular attendance by Board members at national conferences and seminars</li> <li>Undertaking additional training such as the TPR Trustee Toolkit</li> </ul>	1	2	2	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>	1	2	2		

# **Worcestershire County Council Pension Fund**

## **Pension Board Work Plan 2019/20**

No.	Activity	Q2 to 30.06.19	Q3 to 30.09.19	Q4 to 31.12.19	Q1 to 31.03.20
1	LGPS Central Governance and update transitions etc				
2	Strategic Asset Allocation Review				
3	Actuarial Valuation - Full Results				
4	Risk Register Update				
5	Investment Strategy Statement				
6	External Audit Plan 2018/19				
7	Key Performance Indicators 2019/20				
8	Equity Protection Strategy				
9	Update on Guaranteed minimum pension				
10	Pension Fund Annual Report and Accounts				
11	Covenant Review Funds Employers				
12	Fund Performance update				
13	Board annual report				
14	Pension Board Training Review and update				
15	Government Actuary Department (GAD) Pension Review Update				
16	Work plan CIPFA Suggested items as per 2018 guide				
Quarter for Board activity to be reviewed and/or actioned at the arranged Board meeting					

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