

Lancashire County Council

Lancashire Local Pension Board

**Monday, 19th October, 2015 at 2.00 pm in Cabinet Room 'B' - The Diamond
Jubilee Room, County Hall, Preston**

Agenda

Part I (Open to Press and Public)

No.	Item	
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|-----------|--|-------------------|
| 1. | Apologies | |
| 2. | Disclosure of Pecuniary and Non-Pecuniary Interests | |
| 3. | Minutes of the Meeting held on 8 July 2015
To be confirmed, and signed by the Chair. | (Pages 1 - 10) |
| 4. | Update on Board Policies | (Pages 11 - 30) |
| 5. | Training and Development | |
| | (a) Training and Development - Local Pension Boards | (Pages 31 - 82) |
| | (b) Virtual Reading Room | |
| | (c) Progress on The Pension Regulator Training Modules | |
| | (d) Feedback from Board Members on External Training Events and Conferences | (Pages 83 - 84) |
| 6. | Lancashire County Pension Fund Administration Report and Communications Strategy | (Pages 85 - 126) |
| 7. | Lancashire County Pension Fund - Report on Administering Authority Discretions | (Pages 127 - 160) |
| 8. | Governance Review | (Pages 161 - 164) |
| 9. | Recent Reports Considered by the Pension Fund Committee | (Pages 165 - 168) |

10. Dates of Future Meetings 2015/16

11. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chair should be given advance warning of any Member's intention to raise a matter under this heading.

12. Date of Next Meeting

The next meeting of the Board will be held on Monday 18 January 2016 at 2pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston.

13. Exclusion of Press and Public

The Board is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not Open to Press and Public)

14. Progress on the Lancashire County Pension Fund/London Pensions Fund Authority Partnership Proposals

(Not for Publication – Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

15. Recent Reports Considered by the Pension Fund Committee (Pages 169 - 172)

(Not for Publication – Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire Local Pension Board

Minutes of the Meeting held on Wednesday, 8th July, 2015 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

Chair

William Bourne

Committee Members

Steve Browne, Lancashire County Council
Carl Gibson, Other Employers
Kathryn Haigh, Active Members
John Hall, Deferred Members
Bob Harvey, Pensioner Members
County Councillor Tony Martin, Lancashire County Council
Yvonne Moulton, Active Members
Steve Thompson, Unitary, City, Boroughs, Police and Fire

Officers

Frances Deakin
George Graham
Diane Lister

Welcome

As this was the inaugural meeting of the Lancashire Local Pension Board, the Chair welcomed all Members to the meeting.

1. Apologies

None received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Appointment of Chair, Membership and Terms of Reference

The Board considered a report on the appointment of Chair, Membership and Terms of Reference of the Board.

The report set out details of the appointment of Mr William Bourne as independent Chair, together with the following eight other members:

Employer Representatives

County Councillor Tony Martin, Cabinet Member for Adult and Community Services,
Lancashire County Council
Steve Browne, Corporate Director, Commissioning and Deputy Chief Executive,
Lancashire County Council
Steve Thompson, Director of Resources, Blackpool Council (representing Unitary, City,
Boroughs, Police and Fire)
Carl Gibson, Director of Finance, Edge Hill University (representing other employers)

Scheme Member Representatives

Kathryn Haigh, representing active members
Yvonne Moulton, representing active members
John Hall, representing deferred members
Robert Harvey, representing pensioner members

The Terms of Reference of the Board, set out at Appendix 'A', had been approved by the Full Council on 18 December 2014. Reference was made to the policy document on reporting breaches referred to in Section 15 of the Board's Terms of Reference. The Clerk reported that the policy document was not yet in place.

Resolved: - That:

- (i) The appointment of Mr William Bourne as independent Chair of the Board, as set out in the report, now presented, be noted;
- (ii) The membership of the Board, as set out in the report, now presented, be noted;
- (iii) The Terms of Reference of the Board, as set out in the report, now presented, be noted;
- (iv) The Clerk be requested to consider the arrangements for a policy document in respect of reporting breaches as set out in Section 15 of the Board's Terms of Reference.

4. Draft Code of Conduct and Conflict of Interests Policy

The Board considered a report on a draft Code of Conduct and Conflict of Interests Policy. All members of the Board had been asked to make a written declaration of interests in advance of the meeting for the purposes of maintaining a Register of Declarations. A final Code of Conduct would be submitted to the Full Council for approval in due course and Members would then be asked to confirm whether any changes were necessary to their original written declaration in the light of any changes to the final approved Code of Conduct.

It was clarified that the declarations made for the purposes of the Register of Declarations should relate to membership of the Board only and that, at each meeting, declarations should be made under the standing agenda item for that purpose in respect of items on the agenda of that meeting only.

Resolved: - That:

- (i) The requirement to complete a declaration of interests in advance of the first meeting of the Board, as set out in the report, now presented, be noted;
- (ii) The draft Code of Conduct, including the Conflict of Interests Policy, as set out at Appendix 'A' to the report, now presented, be noted;
- (iii) The intention, as set out in the report, now presented, that the final Code of Conduct, including the Conflict of Interests Policy, will be submitted to the Full Council for approval, be noted;
- (iv) Subject to the approval set out at (iii) above, it be noted that all Board Members will be required to confirm whether any changes are necessary to their original declaration in the light of any changes to the final approved Code of Conduct.

5. Board Arrangements

The Board considered a report setting out proposed arrangements for the Board in respect of dates of future meetings; standing agenda items; access to Pension Fund Committee reports and staggered tenures for Board membership.

George Graham, Director, Lancashire County Pension Fund (LCPF), reported that the proposed meeting dates set out in the report fitted well with the reporting arrangements for the Pension Fund Committee and the consultation which would be required with the Board on a range of matters.

The Board discussed what standing agenda items it would wish to discuss at future meetings. It was suggested that the Board might wish to consider the proposals considered by the Investment Panel but it was felt that it would be more appropriate to consider investment performance and strategic decisions rather than the detailed proposals themselves. Reference was made to the current discussions around the proposed partnership between the LCPF and the London Pensions Fund Authority (LPFA) and that this should be an area of priority for the Board. Reference was made to briefing sessions on the partnership discussions which would be held for Pension Fund Committee Members and it was agreed that it would also be appropriate for Board Members to attend those briefings. It was also felt that it would be useful to continue to have a standing agenda item on reports recently considered by the Pension Fund Committee.

In terms of access to Pension Fund Committee reports, it was noted that the agenda for each Pension Fund Committee was published five clear working days in advance of each meeting and that Board Members would be notified by e-mail that an agenda had been published and could be accessed online. In addition, the Clerk would circulate each full agenda pack by e-mail and upload the pack to the Virtual Reading Room. It was noted that should a matter of urgency arise, Board Members would be advised as soon as possible and, if necessary, a special meeting of the Board would be held.

The Chair reminded the Board that, under the current Terms of Reference, each Board Member, with the exception of the Chair who was appointed for a two year term with the option to extend for a further term, had been appointed for a four year term with the option to extend for a further term. It was suggested that the Board might wish to recommend a change to the tenure of office to avoid the potential for all Members to retire at the same time and for expertise and continuity to be lost as a result. It was noted that, in the case of

a Board Member retiring from employment, they would cease to also be a Board Member representing the appropriate category.

It was suggested that the Board should keep membership and tenures of office under review on an annual basis and it was noted that some Board Members may wish to stand down mid-term allowing for a more staggered approach to tenures without the need for a formal change to the Board's Terms of Reference.

The issue of re-imbursement to employers for time spent by Board Members in fulfilling their duties was raised and the Clerk was requested to clarify the process and inform Board Members in due course.

Resolved: - That:

- (i) The proposed meeting dates and times for the remainder of 2015/16, as set out in the report, now presented, be approved;
- (ii) The proposed list of standing items, as set out in the report, now presented, be approved with the addition of the investment performance report, regular updates on the proposed partnership between the Lancashire County Pension Fund and the London Pensions Fund Authority, and a list of reports recently considered by the Pension Fund Committee;
- (iii) In relation to the briefings to be held for the Pension Fund Committee on the proposed partnership between the Lancashire County Pension Fund and the London Pensions Fund Authority, Board Members be invited to attend those briefings;
- (iv) The current arrangements for the circulation of Pension Fund Committee agenda, as set out above, be continued;
- (v) In relation to tenures of office, an annual review of membership be undertaken and that the issue of potential staggering tenures of office be kept under review;
- (vi) The Clerk be requested to clarify the process for re-imbursement to employers for time spent by Board Members in fulfilling their duties, and inform Board Members in due course.

6. Objectives and Priorities

The Board considered a report on objectives and priorities, together with a draft business programme for 2015/16. The Chair invited comments from Board Members on the content of the report.

It was agreed that the six functions set out in the report reflected a good range in terms of the Board's remit.

The Board discussed the importance of being seen to be independent and to avoid any perception that its work was being led, or influenced, by the Pension Fund itself. The importance of communication was noted and, particularly, how individuals/groups could bring matters to the Board's attention. It was suggested that a 'job description' could be drawn up for the Board and placed on the Fund's proposed website which, it was envisaged, would include a section on the Board. The possibility of a Communications Plan was discussed and utilising the member and employer newsletters for highlighting the existence and work of the Board and how to make contact. It was noted that the Fund's

proposed website was not up and running but that, in the meantime, information on the Board could be included on the Scheme's website with the proviso that it related to Lancashire only.

It was felt that communication for members and employers was good but that, in relation to members, consideration needed to be given to those members who did not use electronic forms of communication. It was confirmed that drop in sessions were held for pensioner members on an annual basis and that hard copies of all literature could be provided.

The possibility of an annual general meeting for the Pension Fund was discussed with similar meetings for other funds attracting a good degree of interest/attendance. This could be another potential vehicle for advertising the remit and work of the Board.

It was felt that the work to date on the proposed partnership with LPFA had not been communicated as well as it might have been but it was noted that the Pension Fund Committee had only the previous week approved a recommendation to move to the next stage and that a communications consultant had now been appointed to work jointly across both schemes. It was suggested that the consultant could be used to develop a communications strategy for the Board.

It was reported that should the Pension Fund Committee approve any further proposals relating to the proposed LCPF/LPFA partnership at its meeting in November, the Board would be consulted as one of the key stakeholders.

Reference was made to scheme costs and that a review of costs was being undertaken on a national basis and that this was something that the Board could look at.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) That the issue of communication be included as an agenda item for the next meeting of the Board;
- (iii) Information on the Board be included on the scheme's website in advance of a dedicated section being included on the proposed fund website when launched;
- (iv) That consideration be given to utilising the communications consultant appointed to work on the proposed LCPF/LPFA partnership to develop a communications strategy for the Board;
- (v) That, in addition to (ii) above, the following areas be considered by the Board over the course of the next few meetings:
 - Discretions and Abatements
 - Compliance with The Pension Regulator
 - Proposed partnership between LCPF and LPFA
 - Scheme costs

7. Knowledge and Understanding Requirements for Members of Local Pension Boards

Frances Deakin, Financial Policy Officer, Lancashire County Pension Fund, presented a report setting out the legislative requirement on Members of Local Pension Boards to develop a level of knowledge and understanding of pension matters sufficient to enable

them to provide effective, constructive and informed support to the Administering Authority. The report also set out a number of suggestions to support that requirement.

Reference was made to a Virtual Reading Room which had been set up and which would assist Board Members to fulfil the requirement by allowing access to a single repository for information and documentation relating to knowledge and understanding. It was noted that Board Members had previously been sent details of how to access the Virtual Reading Room which had been populated with initial background information. In addition to this, it was proposed that Board Members would be invited to training sessions held before each meeting of the Pension Fund Committee and to other appropriate training and briefing sessions, together with having the opportunity to attend, subject to the due process and budgetary constraints, appropriate conferences and events. It was felt that short training sessions immediately in advance of each Board meeting on relevant topics would also be useful.

There was an expectation that, with the necessary support, Board Members would be proactive in progressing and developing their own knowledge and understanding and in suggesting areas for future consideration by the Board as a whole. Reference was made to the need to record, monitor and evaluate knowledge and understanding and consideration should be given to the most appropriate method(s) for meeting that need.

Reference was made to the knowledge and skills toolkit on the website of the Pensions Regulator which may also be a useful tool for Board Members to consider.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The responsibility on Board Members with regards to developing a level of knowledge and understanding of pension matters sufficient to enable them to provide effective, constructive and informed support to the Administering Authority, as set out in the report, now presented, be noted;
- (iii) A training plan/framework be developed and considered at a future meeting of the Board and that Board Members access the Virtual Reading Room and consider and advise on further areas to be included;
- (iv) Consideration be given to holding short training sessions immediately prior to all, or some, Board meetings as appropriate.

8. Establishment of Budget

The Board considered a report on the establishment of a budget for the Board.

George Graham reported that, whilst regulations were vague, the final decision on budgets for Local Pension Boards rested with administering authorities to accede to any reasonable request.

It was noted that the Pension Fund Committee had approved provision of £50,000 per annum for the Board, of which £30,000 was being proposed as a budget.

It was clarified that the budget included provision for the expenses of Board Members and also for the re-imbursement of employers for time spent by their employees in fulfilling their duties as Board Members.

The Chair referred to the budget being available to fund the costs of independent advice should that become necessary to prevent any conflict of interest.

It was proposed and agreed that the Board's budget should be the full £50,000 available rather than the £30,000 suggested in the report.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The full sum of £50,000 identified by the Pension Fund Committee be made available for the Board's budget for 2015/16.

9. Lancashire County Pension Fund Pension Administration Quality of Service Report April 2015

Diane Lister, Head of Your Pension Service, presented a report setting out the Lancashire County Pension Fund's Pension Administration Quality of Service report as at April 2015.

Reference was made to the 22 targets which were reported on and over which the Pension Fund Committee had oversight. The Board noted that the number of days reported on were working days taken to complete a task and did not necessarily reflect the customer experience from start to finish. Call waiting time statistics were available from the Customer Service Centre and information on volumetrics could be included in future reports.

Reference was made to anecdotal evidence, in respect of target 12, which suggested that some pension scheme members did not receive payment within the specified 10 days although performance was shown to be 100%. This was explained to be as a result of employers not providing information in a timely manner which was not captured by the target. It was felt that the targets should be the joint responsibility of both the employer and the Pension Fund to give a full and accurate reflection and allow pension scheme members to hold employers to account if necessary. The Chair stated that the LPFA performance figures were lower but that the LPFA target was reflecting the whole customer experience, not only the pension scheme administration aspect.

It was suggested that, for future reports, it would be helpful to have some narrative around the indicators, particularly where performance was less than the target.

It was noted that the current targets had been set some years ago by the Pension Fund Committee and that it was proposed to review/re-frame the targets, possibly as part of the proposed partnership with LPFA.

The Board also requested that a report be brought to a future meeting on compliments and complaints.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) Future reports contain the additional information set out above;
- (iii) A report on compliments and complaints be brought to a future meeting of the Board in due course.

10. Urgent Business

There was no urgent business to be considered.

11. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Monday 19 October 2015 at 2pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston.

12. Exclusion of Press and Public

Resolved: - That the press and members of the public be excluded from the meeting during consideration of the following item of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

13. Recent Reports Considered by the Pension Fund Committee

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Board considered a report setting out details reports recently considered by the Pension Fund Committee at its meetings on 5 June 2015 and 2 July 2015.

George Graham provided an update to the Board on the proposed partnership arrangement between the LCPF and LPFA. It was reported that, at its meeting on 2 July 2015, the Pension Fund Committee had approved recommendations to proceed to the next phase of the partnership proposals, with a further report, outlining a detailed business case, to be considered by the Committee in November.

It was noted that further reports updating on the progress of the partnership discussions would be presented to the Board and that, as set out at item 5 above, Board Members would be invited to attend briefing sessions for the Pension Fund Committee on the progress of the proposals.

Resolved: - That:

- (i) The report, now presented, be noted;

- (ii) Further reports on the progress of the partnership proposals with LPFA be presented to the Board in due course.

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire Local Pension Board

Meeting to be held on 19 October 2015

Electoral Division affected: None

Update on Board Policies

(Appendix 'A' refers)

Contact for further information:

Dave Gorman, (01772) 534261, Legal and Democratic Services,

dave.gorman@lancashire.gov.uk

Executive Summary

An update on progress on the approval and adoption of a Code of Conduct and Conflict of Interests Policy, and the development of a Reporting of Breaches Policy for the Board.

Recommendation

The Board is recommended to:

- (i) Note the updates as set out in the report;
- (ii) Note, subject to approval of the Code of Conduct and Conflict of Interests Policy by Full Council on 22 October 2015, the requirement to submit a new declaration.

Background and Advice

At its inaugural meeting on 8 July 2015, the Board considered a report setting out the requirement for the Board to have in place a Code of Conduct, including a Conflict of Interests Policy. The Board also considered a report on the Terms of Reference for the Board which included the requirement for a Reporting of Breaches Policy.

Code of Conduct and Conflict of Interests Policy

At that time, a draft Code of Conduct and Conflict of Interests Policy was presented to the Board and, as required, Board Members made declarations in advance of the first meeting having regard to the draft document. Since then work has been undertaken to finalise the Code of Conduct and Conflict of Interests Policy and it is the intention that the final draft (Appendix 'A' refers) will be submitted to the County Council's Full Council for approval at its next meeting on 22 October 2015. Subject to that approval, Board Members will then be asked to submit a new declaration to ensure that they are fully compliant with the final approved Code of Conduct.

Reporting of Breaches Policy

The Terms of Reference of the Board sets out the requirement that any breach, whether potential or actual, should be brought to the attention of the Board, and that such breaches should be dealt with in accordance with the procedure set out in a separate policy document.

Work has now commenced to develop a Reporting of Breaches Policy for the Board and Board Members will be invited to consider a draft policy and procedure at the earliest opportunity.

In the interests of expediency, Full Council will be asked, at its meeting on 22 October, to authorise the Board to approve the final policy and procedure. It is proposed that any breach of the policy, together with the action taken, would be reported, for information, to the next available meeting of the Full Council.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Report to the Lancashire Local Pension Board - 'Draft Code of Conduct and Conflict of Interests Policy'	8 July 2015	Dave Gorman, (01772) 534261
Report to the Lancashire Local Pension Board - 'Appointment of Chair, Membership and Terms of Reference'	8 July 2015	Dave Gorman, (01772) 534261

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Lancashire Local Pension Board Code of Conduct and Conflict of Interests Policy for Members, Officers and Advisors

You are a member of the Lancashire Local Pension Board and hence you shall have regard to the following principles - selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Officers are subject to the County Council's Code of Conduct for Employees and are only required to submit a completed Notification of Interests (Annex 2) where that conflict of interest is not covered in the County Council's Code of Conduct for Employees. Officers should make any declarations, such as receipt of any gift or hospitality in excess of £25, under the County Council's Code of Conduct for Employees.

Accordingly, when acting in your capacity as a member, officer or advisor:

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of the Board and should be prepared to give reasons for those decisions and actions.

You must declare any disclosable financial or non-financial interests that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out below.

You must always treat people with respect, including the organisations and public you engage with and those you work alongside.

You must behave in accordance with all legal obligations, alongside any requirements contained within this Board's policies, protocols and procedures, including the Conflicts of Interests Policy at Appendix 'A'.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

Appendix 'A'

You must take account of relevant advice from professional officers and advisors, taking all relevant information into consideration, remaining objective and making decisions on merit.

You should:

- Notify the Monitoring Officer of any disclosable pecuniary interest within 28 days of appointment;
- Disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- Notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting;
- Not participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest;
- Not, knowingly or recklessly, provide information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

Failure to comply with the above would constitute a breach of the Code of Conduct. Members should be aware that in certain circumstances a serious breach of the Code of Conduct could be deemed to be a criminal offence.

The County Council's Monitoring Officer is:

The Director of Governance, Finance and Public Services
Christ Church Precinct, County Hall
Preston
Lancashire
PR1 8XJ

Tel: 01772 533386

Lancashire Local Pension Board

Conflict of Interests Policy

Introduction

This document outlines the approach for ensuring the Lancashire Local Pension Board is fully compliant with legislative requirements for identifying, monitoring and managing potential conflicts of interest so as to ensure that no actual conflicts of interest arise.

This policy applies to members of the Pension Board and to all officers and advisors supporting the operation of the Pension Board. References to Board Members also apply to advisors and, where appropriate, to officers, where an interest is not covered by the County Council's Code of Conduct for Employees.

The policy sets out the procedures to be followed and the checks and measures in operation to ensure the business of the Board and any decisions or actions taken by it are open, transparent and compliant.

Managing Potential Conflicts of Interest - Legislative Requirements on Pension Boards

Under section 5 (para 4) of the Public Service Pension Act 2013 it is a requirement for the regulations governing public sector pension schemes to include provisions ensuring Board Members do not have conflicts of interest. The Local Government Pension Scheme Regulations 2013 fulfil this requirement within Part 3 - Governance as follows:

LGPS Regulations 2013

Regulation 108: Local Pension Boards: Conflicts of Interest

- (1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.
- (2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.
- (3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).
- (4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes.

Pension Regulator Code of Practice on Conflicts of Interest

The Public Service Pensions Act 2013 extended the regulatory oversight of the Pensions Regulator (tPR) to include public sector schemes and added new provisions into the Pensions Act 2004 requiring tPR to issue a code of practice on

the governance of public service pension schemes including conflicts of interest for Pension Boards.

Complying with these new requirements (Section 90A to the Pensions Act 2004) tPR issued Code of Practice no.14 (Governance and Administration of Public Service Pension Schemes) in January 2015. This Conflicts of Interest Policy has been developed having regard to the details of the code which interprets legal requirements and offers practical guidance to Administering Authorities on meeting the terms of LGPS Regulation 108 (above).

This Conflicts of Interest Policy for the Pension Board of the Lancashire County Pension Fund sets out procedures to be followed by individuals in their capacity as Board Members and as officers or advisors supporting the operation of the Lancashire Local Pension Board. In addition, individuals must also comply with all requirements placed on them by codes of conduct and other policies connected with their wider roles and responsibilities, whether as elected members, officers, salaried officials or advisors (e.g. by the County Council's Code of Conduct, and the Protocol for County Councillor/Officer Relations and their equivalents within other employer organisations).

This policy encourages the consideration of interests in their broadest sense, an approach which reinforces the expectation that Board Members, officers and advisors will maintain the highest standards of conduct in adherence with the seven principles of public life.

These principles are:

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

Conflict of Interests General

The prevention of actual conflicts of interest is reliant on the effective management of potential conflicts of interest. This entails Pension Board Members (and the officers and advisors supporting them) having a clear understanding of what a potential conflict of interest is and what they must do to ensure that no actual conflict arises.

The potential for a conflict of interest exists whenever there are underlying personal interests capable of compromising an individual's ability to act with objectivity. An interest is a personal stake or a perceived obligation (to a person, group or organisation) which is likely to prejudice an individual in the course of fulfilling the responsibilities of their role. Interests can be both financial and non-financial. Financial interests include current or prospective assets or investments, plus influences from an employment, trade, profession or contract. Non-financial interests can be many and varied but will include specific memberships or affiliations which

compromise the individual's ability to think or act without bias when acting in their official capacity.

It is inevitable that Pension Board Members will have interests. Where these will potentially prejudice the exercise of functions as a member of the Pension Board by directly impacting on Board business (or will have the appearance of doing so) it is essential they are known about and managed effectively in order to protect the impartiality and standing of the Board and ensure the transparency of its operation and outcomes.

A potential conflict of interest will arise when an individual has a responsibility or duty connected to their membership of the Pension Board whilst at the same time having:

- a separate personal interest (financial or otherwise);
- a responsibility by virtue of another role or position they hold;
- a close colleague or family member with a specific responsibility or a direct interest in a particular aspect of Pension Board business.

A member of the Board does not have a financial or other interest arising merely by virtue of membership of the Local Government Pension Scheme or any connected scheme, or by membership of another local authority.

Sensitive interests

Where you consider that disclosure of the details of an interest could lead to you, or a person connected with you, being subject to violence or intimidation, and the County Council's Monitoring Officer agrees, if the interest is entered on the register, copies of the register that are made available for inspection and any published version of the register will exclude details of the interest, but may state that you have an interest, the details of which are withheld.

Under this policy, the effective management of all potential conflicts of interest will be achieved through consistent compliance with 6 clear steps:

1. **identifying** interests
2. **disclosing** interests
3. **maintaining** an up to date register of interests
4. **declaring** potential conflicts
5. **managing** potential conflicts
6. **recording** and reviewing the management actions taken

Identifying Interests

The existence of any interest fundamentally incompatible with fulfilling the role and statutory responsibilities of a Pension Board Member will be identified as part of the appointment process and will ultimately prevent an individual from being appointed to the Board.

Following their appointment to the Pension Board, all Board Members are required to identify any interests held directly by themselves or by close family or contacts which have the potential to lead to a conflict of interest.

This identification of interests involves detailed reflection on the role and specific responsibilities of the Pension Board and its members which are as set out in the Terms of Reference for the Pension Board.

Examples of the most common interests and the scenarios in which they may cause a conflict to arise are included at Annex 1.

Disclosing Interests

Board Members are required to complete and submit an interim disclosure form in advance of attending their first Pension Board meeting.

Thereafter Board Members will be required to disclose all financial and non-financial interests including the receipt of any gift or hospitality (received or declined) in excess of £25 via the completion and submission of the form at Annex 2. A definition of financial and non-financial interests is set out at Annex 3.

Where no relevant interests are identified by a Board Member, they must submit a nil return to evidence that they have complied with the requirement to identify and disclose all relevant interests. Officers, in line with the County Council's Code of Conduct for Employees, are not required to submit a nil return

It is the responsibility of each Board Member to regularly consider and review their relevant interests and to submit a further disclosure form within 28 days of becoming aware of any changes to an interest previously disclosed or of any new interest not previously disclosed.

All Board Members must review their interests and submit an updated disclosure annually. For Board Members with no relevant interests this will involve the submission of a new nil return. Making an updated return on each anniversary of their appointment to the Board will assist Lancashire County Council (as the administering authority) to fulfil the requirement to be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

Completed disclosure forms must be submitted to the Head of Legal and Democratic Services at the address below who will review the completeness of the disclosure form and confirm it has been signed and dated by the appropriate Board Member before the details are input onto the register.

The Head of Legal and Democratic Services
Christ Church Precinct, County Hall
Preston
Lancashire
PR1 8XJ

Tel: 01772 534676

Maintaining an up to date Register of Interests

An up to date register of the interests disclosed by Pension Board Members, will be maintained by the Head of Legal and Democratic Services.

The register of interests will be held electronically with details from new declaration forms input in a timely manner.

The register will be maintained so as to provide an accurate and up to date record of all details disclosed by individual Pension Board Members, advisors and officers and the date on which their disclosures were made.

Information held in the register will form the basis of an annual review of member interests by the Pension Board.

Each review will:

- encourage a thorough reflection on relevant interests disclosed by Board Members;
- allow a comparison of the range of interests being identified by individual Board Members and support interests being universally and consistently understood;
- confirm that, during the prior period, an appropriate declaration was made on every occasion where a registered interest had (or appeared to have) the potential to impact an item of business;
- examine the effectiveness of the management approach to potential conflicts of interest;
- confirm the accuracy and completeness of record keeping in order to identify weaknesses or learning points requiring action.

A copy of the register will be available for public inspection and will be published on the County Council's website.

Declaring Potential Conflicts

Pension Board Members are personally responsible for identifying potential conflicts of interest. They must routinely review the work plan, agenda and papers of the Board in advance in order to identify any matters in which they have an interest.

Where a Board Member is aware of an interest with the potential (or appearance of having the potential) to cause a conflict they should declare this in advance of the meeting taking place by providing details to the Head of Legal and Democratic Services who will inform the Chair of the Board.

The Local Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Local Pension Board must declare any situation where a potential, perceived or actual conflict exists, in order that it can

be appropriately managed. Declarations should be made in advance to the Head of Legal and Democratic Services who will inform the Chair of the Board.

Declaring an interest in advance provides the opportunity for adequate reflection on the most appropriate approach to managing a potential conflict, it also encourages open discussion and ensures a fully transparent approach.

All meetings of the Local Pension Board will commence with a standing agenda item which facilitates the declaration (and where necessary the disclosure and declaration) of all relevant interests.

Where it becomes apparent during the course of a meeting that an undisclosed interest held by a Board Member, officer or advisor is relevant and creates the potential (or appears to create the potential) for a conflict, this interest must be immediately drawn to the attention of the Board Chair who will determine the appropriate course of action to manage this situation.

Managing Potential Conflicts

Potential conflicts of interest will arise as a result of a variety of interests and scenarios and they fall to be managed on a case by case basis in the manner most suited to ensuring that:

- no actual conflict will arise;
- where there is the appearance of a potential conflict this is acknowledged and addressed openly;
- adequate attention is given to recording the basis for judging a declared interest to be immaterial.

The Board must determine the appropriate mechanism for managing each potential conflict. Approaches to managing potential conflicts of interest will include:

- the member for whom the potential conflict exists taking no part in discussions or voting on the matter creating the conflict;
- the member relinquishing or divesting themselves of a personal interest which is the source of a conflict of interest with their Pension Board responsibilities (where practical);
- a member considering resignation from their position if the conflict is likely to be so persistent as to limit meaningful participation in the Pension Board;
- The Scheme Manager removing the individual from the Pension Board where they consider the potential conflict is impractical to manage.

Recording the Management Approach

Details of the specific approach taken to manage potential conflicts of interest will be documented and reported upon as part of the routine business of the Board.

As an integral part of the minute taking which formally records the conduct and outcomes of Pension Board meetings, responsibility for recording and reporting on

the existence of potential conflicts of interest and the management approach to preventing an actual conflict from arising rests with the Head of Legal and Democratic Services.

Wherever a relevant interest is declared, the minutes of Board meetings will record this and give details of how the potential conflict of interest was managed to prevent an actual conflict from arising.

Compliance with the approach and procedures set out within this Conflict of Interests Policy is a requirement under the Terms of Reference for the Pension Board and the Code of Conduct for Members of the Pension Board of the Lancashire County Pension Fund.

Examples of Interests Creating Potential Conflicts

The following examples of potential conflicts of interest are provided for illustrative purposes. References to Board Members also apply to advisors and, where appropriate, to officers, where an interest is not covered by the County Council's Code of Conduct for Employees.

Circumstances where the Pension Fund invests in opportunities relating to functions undertaken by the County Council, e.g. care home provision, and where there would be a direct benefit on the County Council, would not in itself give rise to a conflict of interest.

Members of the Pension Board may be officers of the administering authority or another employer organisation within the Fund and will potentially face conflicting priorities by virtue of these two roles.

Example 1

Pension Board Members may be required to make or scrutinise a decision which will commit the Fund to injecting additional resources into improving administration and efficiency which will involve greater costs falling on employer organisations. Simultaneously, they may face pressure from their employing organisation to challenge existing budgets and to reduce expenditure on pension administration matters.

Example 2

The Local Pension Board might review a decision by the Pension Fund Committee to levy an additional charge (under the Regulations) on a group of employers whose poor performance in carrying out their statutory functions in respect of the Local Government Pension Scheme has caused the Administering Authority additional costs. Any Board Member employed by one of the affected employer organisations would need to declare their interest in order for a potential conflict to be identified and managed so as to prevent any actual conflict of interests from arising.

A Board Member might be employed by (or have some other relevant connection with) a firm providing administrative or other services to the Fund.

Example 3

Where the Board is due to discuss or monitor the performance of a supplier of administrative or other services in which a Board Member has an interest they will face a potential conflict of interests. The Board Member will need to declare their interest in order for a potential conflict to be identified and managed so as to prevent any actual conflict of interests from arising.

A Board Member may have financial or other interests which give the appearance of a conflict but which, by virtue of their nature or scale, are not ultimately material to the issue under consideration by the Board.

Example 4

A Board Member holds shares in a company that provides services to the Fund. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension Board is reviewing the performance of the provider and a decision to extend the value and term of the contract.

In this case the Board may consider that on grounds of materiality, no conflict of interest exists. The Local Pension Board is not responsible for the decision to award the contract and the impact of the contract extension will have no effect on the company's share price. The Board Member in question should, however, still declare their interest and the minutes of the meeting should record the decision that the Board judged the interest insufficiently material to require the member to be excluded from discussing or voting on the item of business.

Lancashire Local Pension Board

Code of Conduct for Members, Officers and Advisors

Notification of Disclosable Financial and Non-Interests

I

--

(insert title e.g. Mr or Mrs, and first name/surname)

as a member of Lancashire Local Pension Board have set out below the financial interests (sections 1 to 7) and the non-financial interests (sections 8 and 9) which I am required to disclose under the Code of Conduct for Board members and I have put "none" where I have no such interests under any heading

"Financial interest" means an interest which is my interest, or the interests of a close colleague or family member and I am aware that the other person has the interest. (NB. These people are referred to below as "the relevant person")

Financial Interests (see guidance notes at Annex 3)

1. **Any employment, office, trade, profession, or vocation carried on for profit or gain:**

<i>Description of your employment</i>	<i>Details</i>

Cont.

2. Any payment or provision of any other financial benefit (other than from the County Council) made or provided within the relevant period (12 months ending with the day on which I have disclosed the interest) in respect of any expenses incurred by me in carrying out duties as a member, or towards my election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992:

<i>Name of Body or Person making payment</i>	<i>Details of payment or benefit</i>

3. Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Lancashire County Pension Fund: (a) under which goods or services are to be provided or works are to be executed and (b) which has not been fully discharged:

<i>Description of Contract</i>

4. Any beneficial interest in land:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

Cont.

5. Any licence (alone or jointly with others) to occupy land for a month or longer:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

6. Any tenancy where (to my knowledge): (a) the landlord is the Lancashire County Pension Fund; and (b) the tenant is a body in which the relevant person has a beneficial interest:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

7. Any beneficial interest in securities of a body where: (a) that body (to my knowledge) has a place of business or land associated with the Lancashire County Pension Fund; and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class:

<i>Name of Body</i>

Cont.

Non-Financial Interests (see guidance notes at Annex 3)

8. Any position of general control or management, or membership of any body:

<i>Name of Body</i>	<i>Details</i>

9. Any gift or hospitality received or declined which is in excess of £25 in value:

<i>Details of Gift or Hospitality received or declined including date</i>	<i>Name and Address of Donor</i>

Signed

Date

Definitions

Financial Interests

Financial interest means an interest of a description specified below which is your interest, or the interest of a close colleague or family member and you are aware that that other person has the interest.

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the <u>Trade Union and Labour Relations (Consolidation) Act 1992</u>.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Lancashire County Pension Fund:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the Lancashire County Pension Fund.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Lancashire County Pension Fund for a month or longer.
Corporate Tenancies	<p>Any tenancy where (to the individual's knowledge):</p> <p>(a) the landlord is the Lancashire County Pension Fund; and</p> <p>(b) the tenant is a body in which the relevant person</p>

has a beneficial interest.

Securities

Any beneficial interest in securities of a body where:

- (a) that body (to the individual's knowledge) has a place of business or land in the area of the Lancashire County Pension Fund; and
- (b) either:
 - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Non-Financial Interests

Disclosable non-financial interest means an interest of a description specified below which is your interest, a close colleague or family member and you are aware that that other person has the interest.

Interest	Description
Outside Bodies	Any position of general control or management, or membership of any body, except where you have been nominated to that body by the Board or where you are an elected Member of a local authority.
Gifts and Hospitality	Any person or body from whom you have received a gift or hospitality with an estimated value above £25 (see below)

Lancashire Local Pension Board Meeting to be held on 19 October 2015

Electoral Division affected: None

Training and Development - Local Pension Boards

Contact for further information:
Frances Deakin, (01772) 533112, Financial Policy Officer
frances.deakin@lancashire.gov.uk

Executive Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a Technical Knowledge and Skills Framework for Local Pension Boards.

The framework complements an existing framework for officers and elected members/non-executives involved in the administration of public service pension schemes. The new framework aims to further promote good governance in public service pension schemes' by extending the scope of existing guidance to cover the specific training and development needs of Pension Board members.

Recommendation

The Board is recommended to:

- (i) Note the publication by CIPFA of a Technical Knowledge and Skills framework for Local Pension Boards;
- (ii) Note that requirements under the framework will be reflected within a refreshed Training Policy currently under development for the Fund which will be shared with the Pension Board for comments in due course.

Background and Advice

There is a legislative requirement on Members of Local Pension Boards to develop a level of knowledge and understanding of pension matters sufficient to enable them to provide effective, constructive and informed support to their Administering Authority. The responsibility is a personal one falling from section 5 of the Public Service Pensions Act 2013.

The establishment of Local Pension Boards has effected a change in the governance arrangements of Local Government Pension Schemes. Recognising this change, CIPFA has published a Technical Knowledge and Skills Framework

explicitly directed at Local Pension Boards and the knowledge requirements of their members.

The objective of the framework is to assist board members in achieving the degree of understanding needed to properly exercise the functions and responsibilities of a Local Pension Board, by improving their knowledge and skills in all the relevant areas of activity.

A copy of the CIPFA Technical Knowledge and Skills Framework for Local Pension Boards (July 2015) appears at Appendix 'A'.

The framework is intended to have two primary uses:

- as a tool for scheme managers in meeting the Pensions Regulator's *Code of Practice No 14* which states that scheme managers should '*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*'
- as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a Pension Board.

A refresh of Lancashire County Pension Fund's existing Training Policy is currently underway. Ensuring the new policy (which will apply to members of both the Pension Fund Committee and the Pension Board) reflects requirements under the CIPFA frameworks and the Pension Regulators Code of Practice¹⁴ is an important part of bringing the approach up to date and ensuring it meets the learning needs of those falling within scope.

An updated Training Policy for the Fund will be brought to the Pension Board for comments in due course.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Report to the Lancashire Local Pension Board – 'Knowledge and Understanding Requirements for Members of Local Pension Boards'	8 July 2015	Frances Deakin (01772) 533112

Reason for inclusion in Part II, if appropriate

N/A

local pension boards

A Technical Knowledge and Skills
Framework



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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local pension boards

A Technical Knowledge and Skills
Framework

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Acknowledgements

This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

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Geik Drever – West Midlands Pension Fund

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Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

The Panel would also like to acknowledge the role of the publication's sponsor, Barnett Waddingham, in helping to ensure that this key piece of guidance is available across the Local Government Pension Scheme.

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1. Purpose, Scope and Status of this Guidance

PURPOSE

- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*¹, as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
 - (a) *the rules of the scheme, and*
 - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
 - (a) *the law relating to pensions, and*
 - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)². The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing³. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.'

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.'*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator's *Code of Practice No 14* which states that scheme managers should '*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*'
 - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
 4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
 5. The organisation has designated a named individual⁴ to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that '*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator's *Code of Practice No 14* as set out in paragraph 38 of that Code⁵.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA's *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator's *Code of Practice No 14* states:
'Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.'

2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011⁶.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager⁸ to establish a pension board to assist the scheme manager in relation to the following:

- ‘(a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
- (c) such other matters as the scheme regulations may specify.’*

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- ‘(i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.’*

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS⁹. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended)) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.*

3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate)*.’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5** A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

- 3.6** On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7** Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8** Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

- 3.9** Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10** Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

- 3.11** The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12** In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

- 3.19** In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules.

Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board members.

Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

Pensions administration	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none">■ member data maintenance and record-keeping processes■ internal dispute resolution■ contributions collection■ scheme communications and materials. <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>
Pensions accounting and auditing standards	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
Pensions services procurement and relationship management	<p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
Investment performance and risk management	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

Financial markets and products knowledge	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Actuarial methods, standards and practices	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 5.1 This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2 As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator's *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3 The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

- 5.4 Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
 - how the knowledge and skills framework has been applied
 - what assessment of training needs has been undertaken
 - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator's *Code of Practice No 14*¹⁰ and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- 'Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.'*
- 5.7 The Pension Regulator's policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)¹¹.
- Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator's Code of Practice 14 state that:

'A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.'

11. www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
 - Individual local pension board member knowledge, understanding and skills assessment.
 - Training plan/programme development.
 - **Training**
 - Pre-appointment and induction training.
 - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
 - Ongoing and subject specific training such as regulatory changes and triennial valuations.
 - Annual refresher training and updates.
 - Member requested training.
 - Bespoke and open courses aimed at retention of knowledge and development of best practice.
 - **Support and mentoring**
 - Ongoing local pension board member mentoring, coaching and support.
 - BWebstream document access and storage system.
 - Training and support materials.
 - **Monitoring and reporting**
 - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The [CIPFA Pensions Network](#) provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> the rules of the scheme any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> the law relating to pensions any other matters which are prescribed in regulations. 		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)
Areas of knowledge and understanding required		
	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
Degree of knowledge and understanding required		
	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)
Acquiring, reviewing and updating knowledge and understanding		
Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: <ul style="list-style-type: none"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		Appropriate financial experience and training. Knowledge of pension funds and schemes. Demonstrable evidence of knowledge kept up-to-date.
2. Work experience	Chairing meetings, achieving effective outcomes. Experience of risk and performance frameworks.	Previously chaired a board or similar.
3. Abilities, intelligence and special aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment and social skills	Able to establish good working relationships with board members, councillors, officers and advisors. Able to direct discussions in politically sensitive environments. Able to command respect and demonstrate strong leadership. Able to achieve consensus when conflicting views arise. Able to challenge in a constructive manner. Assertive in pursuing the correct course of action. Able to work effectively with colleagues who may have different levels of experience and understanding.	Diplomacy and tact.
5. Motivation	Enthusiastic, not easily deterred and able to convey enthusiasm to others. Committed to the objectives of the pension scheme and fund(s).	
6. Equal opportunities	Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

Local pension boards: establishment

106.—(1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

- (a) *to secure compliance with—*
 - (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme^(a), and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
 - (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) *Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.*
- (7) *Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative^(b).*
- (8) *A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.*
- (9) *The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.*

Local pension boards: membership

- 107.—**(1) *Subject to this regulation each administering authority shall determine—*
- (a) *the membership of the local pension board;*
 - (b) *the manner in which members of the local pension board may be appointed and removed;*
 - (c) *the terms of appointment of members of the local pension board.*
- (2) *An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and*
 - (b) *a person to be appointed to the local pension board as a member representative has the capacity to represent members.*
- (3) *Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—*
- (a) *no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and*
 - (b) *any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.*
- (4) *Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be designated as an employer representative has the capacity to represent employers; and*

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

Local pension boards: conflict of interest

- 108.**—(1) *Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest^(a).*
- (2) *An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*
- (3) *A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).*
- (4) *A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).*

Local pension boards: guidance

109. *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) *See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.*

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
3 – Pensions administration			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to:	1 2 3 4 5		
<ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communication and materials. 			
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.			
1 2 3 4 5			
4 – Pensions accounting and auditing standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.			
1 2 3 4 5			
An understanding of the role of both internal and external audit in the governance and assurance process.			
1 2 3 4 5			
An understanding of the role played by third party assurance providers.			
1 2 3 4 5			
5 – Pensions services procurement and relationship management			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.			
1 2 3 4 5			

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
6 – Investment performance and risk management			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
7 – Financial markets and products knowledge			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5		
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5		
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
8 – Actuarial methods, standards and practices			
A general understanding of the role of the fund actuary.	1 2 3 4 5		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5		
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5		
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5		
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5		
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5		



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www.cipfa.org

CIPFA registered with the Charity Commissioners of England and Wales No 231060



Lancashire Local Pension Board

Meeting to be held on 19 October 2015

Electoral Division affected: None

Feedback from Board Members on External Training Events and Conferences

Contact for further information:

Dave Gorman, (01772) 534261, Legal and Democratic Services

dave.gorman@lancashire.gov.uk

Executive Summary

This report provides Members of the Board with the opportunity to provide feedback on external training events and conferences attended by Members since the last meeting of the Board.

Recommendation

The Board is asked to note the report and the feedback presented.

Background and Advice

The Pension Fund Committee at its meeting on 29 November 2013 approved a training plan for members of the Committee. The purpose of the plan is to ensure best practice within the Fund, and to comply with the Public Service Pensions Act 2013. Members and officers are also required to undertake training to satisfy the obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the
- Local Government Pension Scheme (LGPS) Governance Compliance Statement.

It is appropriate that the same principles be extended to the operation of the Board and that Board Members therefore provide verbal feedback at the subsequent Board meeting to cover:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to Board Members.

The following external training events/conferences have been attended by Board Members since the last meeting of the Board:

- **CIPFA Pensions Network - Introduction to the LGPS, 25 September 2015, Northern Trust Offices, Canary Wharf**
The event was attended by John Hall
- **NAPF Annual Conference/Exhibition, 14/15/16 October 2015, Manchester Central**
The event was attended by Bob Harvey

Feedback on these external training events/conferences will be provided at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, Board Members may be ill-equipped to make informed considerations regarding the direction and operation of the Pension Fund.

Financial

The cost of attendance, together with travel and subsistence costs were met by the Pension Board.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Attendance at Conferences approved under the Scheme of Delegation to Heads of Service	2015	Frances Deakin, (01772) 533112

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on 19 October 2015

Electoral Division affected: None

Lancashire County Pension Fund Administration Report and Communications Strategy

(Appendices 'A' - 'C' refer)

Contact for further information:

Diane Lister, (01772) 534827, Head of Your Pension Service,

diane.lister@lancashire.gov.uk

Executive Summary

This report includes further information in respect of administration and communication as requested by the Board at its meeting on 8 July 2015.

The reporting format is set out in the form of a draft revised Interim Administration Report (Appendix 'A') which is produced in line with the current Service Level Agreement (SLA) between Lancashire County Pension Fund and the service provider; Lancashire County Council's 'Your Pension Service' (Appendix 'B'). The SLA includes provision to carry out communications in line with the Fund's Communication Policy Statement (Appendix 'C'). The draft interim report has recently been reviewed and revised to incorporate a customer service section and a comprehensive update on Scheme communication.

Comments are sought from the Lancashire Local Pension Board prior to the report being presented at the next scheduled meeting of the Lancashire County Pension Fund Committee on 27 November 2015.

Recommendation

The Board is asked to comment on the draft revised Interim Administration Report as set out at Appendix 'A'.

Background and Advice

At its inaugural meeting on 8 July 2015, the Board requested more information in respect of administration and communication. In particular more information on complaints and compliments and the customer experience upon retirement was requested.

A report is set out in the form of a draft revised Interim Administration Report (Appendix 'A' refers) which is produced in line with the current Service Level Agreement (SLA) between Lancashire County Pension Fund and the service

provider; Lancashire County Councils 'Your Pension Service' (Appendix 'B' refers). The SLA includes provision to carry out communications in line with the Fund's Communication Policy Statement (Appendix 'C' refers). The draft interim report has recently been reviewed and revised to incorporate a customer service section and a comprehensive update on Scheme communication.

Comments are sought from the Lancashire Local Pension Board prior to the Report being presented at the next scheduled meeting of the Lancashire County Pension Fund Committee on 27 November 2015.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

your
pension
service

LANCASHIRE COUNTY PENSION FUND

Administration Report 1 April to 30 June 2015



Administered by



1. INTRODUCTION

Purpose

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services to Lancashire Pension Fund. The report describes the performance of Your Pension Service (YPS) against the standards set out in the SLA during the period 1 April to 30 June 2015.

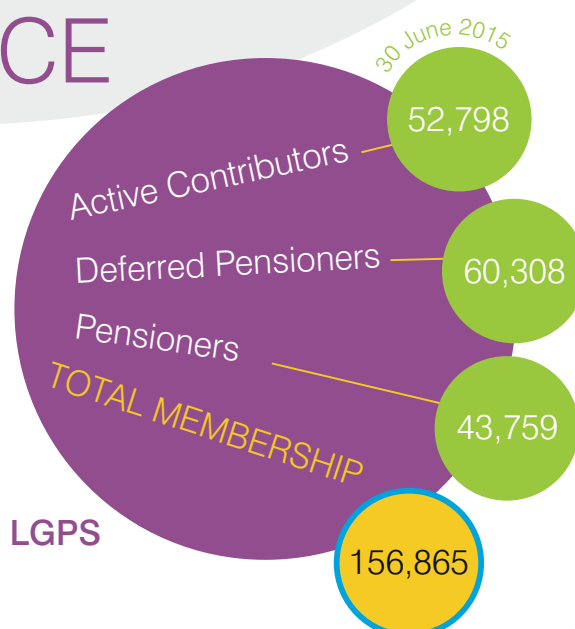
Annual Plan – 2015/16

● Due ● Completed

Event	Responsibility Your Pension Service (YPS)											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Application of Pension Increases	●	●	●	●	●	●	●	●	●	●	●	●
Issue Annual Benefit Statement to Active Members	●	●	●	●	●	●	●	●	●	●	●	●
Issue Annual Benefit Statement to Def Members	●	●	●	●	●	●	●	●	●	●	●	●
Issue P60s to Pensioners	●	●	●	●	●	●	●	●	●	●	●	●
Issue Newsletter	●	●	●	●	●	●	●	●	●	●	●	●
Complete HMRC Scheme Returns	●	●	●	●	●	●	●	●	●	●	●	●
Provide FRS17 data	●	●	●	●	●	●	●	●	●	●	●	●

2. PERFORMANCE

Fund Membership



PERFORMANCE STANDARDS



Target Hit



Target Missed

Service Level Agreements (LGPS Members)

During the reporting period 6,265 individual calculations/enquiries were completed, of which 5,955 met the performance standard; an overall performance of 95% was achieved.

LGPS

Performance Standard

Performance Standard	Cases received	Cases completed	Within SLA	% Within SLA	Target	Cases outstanding
Estimate benefits within 10 working days	1,242	1,149	1,068	93%	90%	93
Payment of retirement benefits within 10 working days	592	526	502	95%	90%	66
Payment of death benefits within 10 working days	767	696	687	99%	90%	71
Implement change in pensioner circumstance by payment due date	1600	900	875	97%	95%	700
Respond to general correspondence within 10 working days of receipt	901	845	812	96%	90%	56
Action transfers out within 10 working days	423	354	333	94%	90%	69
Action transfers in within 10 working days	164	108	92	85%	90%	56
Pay refunds within 10 working days	178	152	135	89%	90%	26
Provide leaver statement within 10 days	1219	963	883	92%	90%	256
Amend personal records within 10 working days	82	75	75	100%	95%	22
VR Estimates	478	456	453	99%	100%	22
VR Payments	51	41	40	98%	100%	10
	7,697	6,265	5,955	95%		1,432

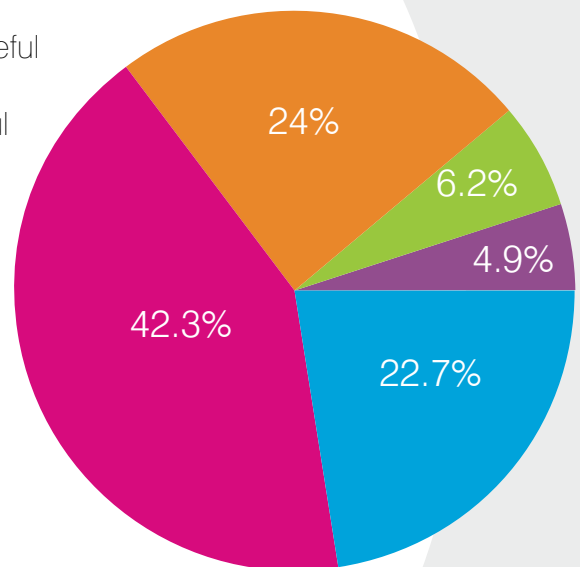
3. CUSTOMER SERVICE

My Pension Online Survey

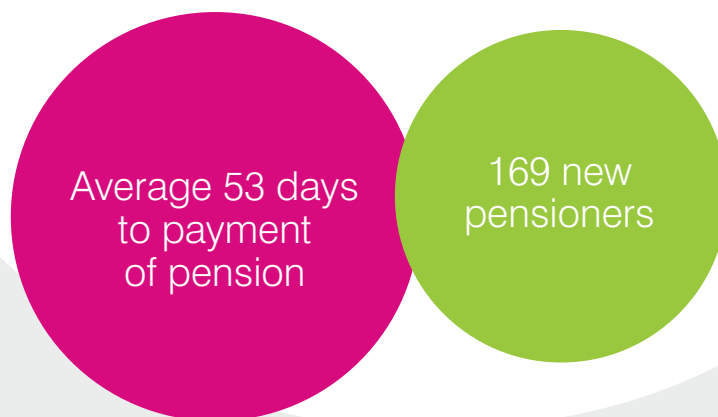
Members who are signed up to the online service were surveyed and below are the most recent results.

If you are registered for the “My Pensions Online” system how useful do you find this?

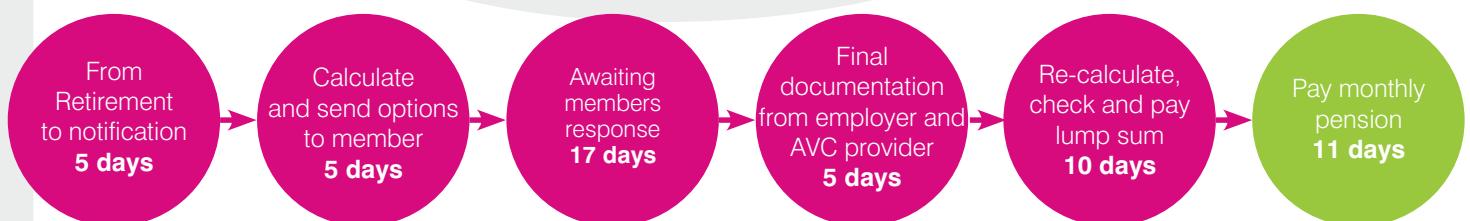
793	Extremely useful
1480	Very useful
838	Moderately useful
216	Not so useful
170	Not at all useful



Retirement Experience

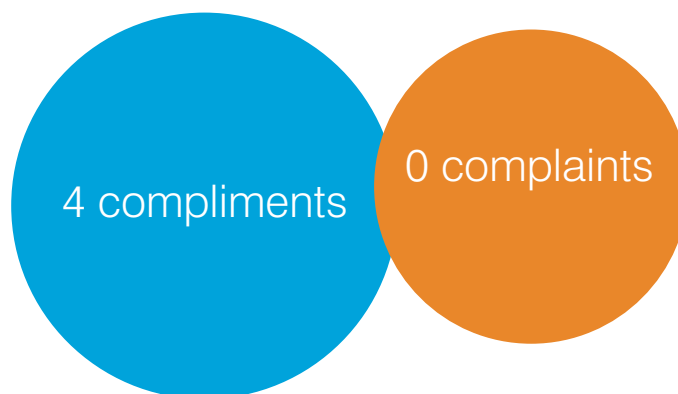


Below provides highlights on average how many days are spent to complete each part of the retirement process.



See annex A for a more detailed explanation of the retirement process.

Compliments/Complaints



During the period the service received 4 compliments and they related to the excellent online services and the helpful service provided by the staff within Your Pension Service.

In general complaints are varied and generally received from members at the time of claiming their pension. Complaints in this context are complaints received by the chief executive/leaders office.

Telephone helpdesk

A dedicated helpdesk AskPensions provides the first point of contact for members and employers. The helpdesk has a target to answer 90% of calls offered. Over the period 93% of calls to the pensions helpdesk were successfully answered. The average call wait time was 69 seconds and over 64% of calls were answered within 20 seconds. The service also received 8,764 emails.

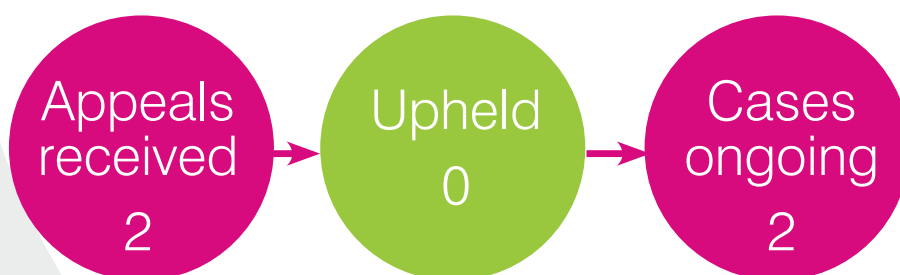
4. APPEALS

Members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS rules. The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering

authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer at the administering authority to review the disagreement.

Both appeals relate to ill health, and are currently being dealt with under stage 1 of the appeals process.

Period 01/04/2015 - 30/06/2015



5. Admissions

The Local Government Pension Scheme is open to 2 main types of employers, "Scheduled Bodies and Admissions Bodies". Scheduled bodies are listed within the LGPS regulations and if they meet criteria are eligible to participate. Two bodies were set up in the quarter, a parish council and a sponsoring academy.

written contractual agreement and the majority of cases are established when outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership. We are currently working on 7 of these agreements starting in this quarter. 6 related to outsourcing and the 7th relating to a non profit making organisation which provides a public service.

Admissions Bodies participate through a

Admissions to fund – 01/04/2015 – 30/06/2015



Communications

The Team

Communications are delivered by the Partnerships Team. The team consists of a manager and three Client Liaison Officers. They are the link between Your Pension Service scheme members and employers. The Team have been very busy lately hosting a wide range of events and services for both employers and scheme members alike.

Employers

The first edition of the employer e-zine was issued to all employers, this included articles on the Lancashire and London Pensions Partnership, the Local Pension Board, freedom and choice and investments.

The Partnerships Team have also begun the Annual Employer Visits provided automatically to all employers who have at least 100 active members. The annual employer visits are extremely popular; scheme employers really value the face to face communication. The visits provide the opportunity to build and maintain excellent working relationships with employers.

Employees/Scheme Members

During the quarter member communications have been issued to pensioners, these include P60 email alerts to over 18,000 members and the annual Beacon newsletter. The beacon newsletter provides useful information, such as pay dates for the year and confirming Pensions Increases.

As well as the routine presentations that are carried out which include attending pre-retirement courses and ad-hoc 'Scheme

Basics' presentations, particularly at schools across the county, who find it difficult to get time away from work to attend main events, The partnerships team have also delivered roadshow presentations for active members across the county, highlighting the flexibility of the LGPS to coincide with the pensions initiative Freedom and choice.

With many organisations going through restructures, The Partnerships team have produced tailored presentations at the request of scheme employers to support staff and provide information on how their pension benefits may be effected.

Customer Service Excellence

Aside from the member and employer communications outlined above, in other news, the Customer Service Excellence assessor visited the service to carry out the annual surveillance visit and was again impressed with his findings and happy for the continued use of the CSE accreditation. The Customer Service Excellence Accreditation focuses on developing customer insight, understanding our members' experience and delivering a first class service.

Coming up

The Annual Benefit Statements are being produced online for all active and deferred members including details of how to book on one of the pension surgeries being held in Lancashire from October through till March 2016 .

The pension surgeries provide the opportunity for members to have a face to face

appointment with one of The Partnerships team to discuss their annual benefits statement, or any other queries they may have relating to their LGPS pension.

A postcard has been issued to all members that are not signed up to My Pension online to signpost them to their annual benefit statements online and inviting them to the Fund members meeting to be held in November. Planning for the Annual Fund members meeting is well under way.

Organisation for our annual employers conference is completed and the venue booked for the event, employers have been invited and it will all take place on 12/10/15 at the Woodlands conference centre. Due to previous success we already have well over 100 employer representatives due to attend.

The Partnerships teams will represent Your Pension Service at Lancashire County Council staff briefings and supporting your future sessions. Again providing the opportunity for scheme members to ask questions about their pension benefits on a face to face basis.

Drop in sessions will continue to be held aimed at all types of members (Actives, deferred and pensioners) to assist with the online sign up process but also to provide a short tutorial to members outlining how the My Pension Online system can be beneficial to them.

Annual Benefit Statement Pension Surgeries

Towards the end of the year Your Pension Service will start to hold a series of Pension Surgeries across Lancashire. Staff from Your Pension Service will be available for you to speak to regarding your annual benefit statements (ABS), LGPS pension queries or if you just want some information about joining the scheme.

Our AVC provider Prudential will also be available at all venues marked with a *.

To book a 15 minute appointment with our staff, please click the link [here](#) to use our online booking system –Remember to book early!

* We would recommend you print your annual benefit statement off and bring it with you. You can do this through 'My Pension Online'

If you wish to speak with Prudential it would be helpful if you could also bring along a recent pay slip or current pay and tax code details.

No matter who your employer is, you can book an appointment at any of the sessions listed.

Venues

Dates

Lancashire County Council, Cabinet Room D, County Hall, Preston, PR1 0LD	05 Oct 2015*
West Lancashire Borough Council, The Chamber, 52 Derby Street, Ormskirk, L39 2DF	14 Oct 2015
Wyre Borough Council, Members Lounge, Civic Centre, Breck Road, Poulton-Le-Fylde, FY6 7PU	20 Oct 2015
South Ribble Borough Council, Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH	04 Nov 2015*
Hyndburn Borough Council, Rooms 1 & 2, Scaltcliffe House, Ormerod St, Accrington, BB5 0PF	19 Nov 2015*
Pendle Borough Council, Wilson Room, Town Hall, Market St, Nelson, BB9 7LG	08 Dec 2015*
Burnley Borough Council, Rooms 2 & 3, Town Hall, Manchester Rd, Burnley, BB11 1JA	15 Dec 2015*
Lancaster City Council, Committee Rooms A & B, Dalton Sq, Lancaster, LA1 1PJ	06 Jan 2016
Preston City Council, Room A, Town Hall, Lancaster Rd, Preston, PR1 2RL	19 Jan 2016*
Ribble Valley Borough Council, Council Chamber, Church Walk, Clitheroe, BB7 2RA	27 Jan 2016*
Edgehill University, Room JD13, Saint Helens Rd, Ormskirk, L39 4QP	16 Feb 2016*
Blackpool Council, Committee Room A, Town Hall, Talbot Sq, Blackpool, FY1 1AD	23 Feb 2016*
Fylde Borough Council, Porritt Room, Town Hall, St Anne's, FY8 1LW	08 Mar 2016*
Blackburn with Darwen BC Council Chamber, King William St, Blackburn, BB1 7DY	17 Mar 2016*
UCLAN, Sizer House, Sizer Street, Preston, PR1 7DR	23 Mar 2016*

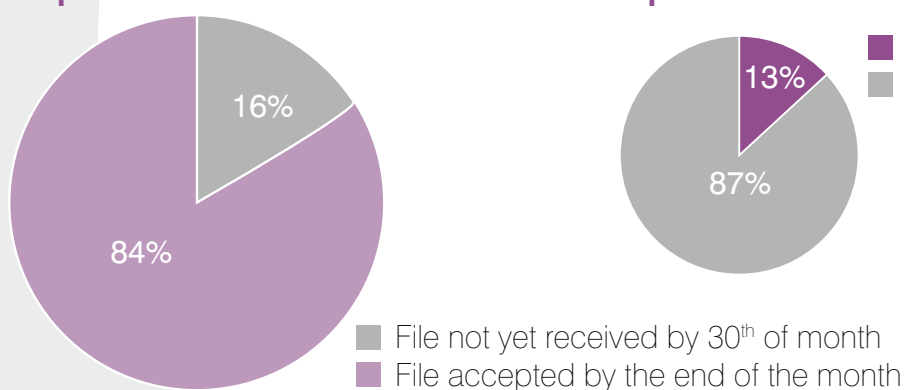
EPIC Update

Since 1 April 2014 LGPS employers have been submitting monthly files to Your Pension Service, which replace many of the forms that they used to complete, and enable us to accurately post and reconcile contributions and pensionable pay to individual member records. YPS use an internally designed system called "EPIC" to do this. EPIC has helped YPS to ensure that member data is accurate and up to date, and that every member receives their correct pension pot entitlement.

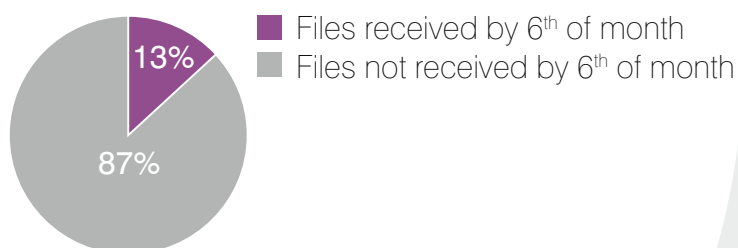
This has been a huge change in the way we do things, both for employers and for YPS. We are happy to report that the use of EPIC has led to the successful production of online annual benefit statements within the new statutory deadline.

Below are the statistics of file submissions for the period:

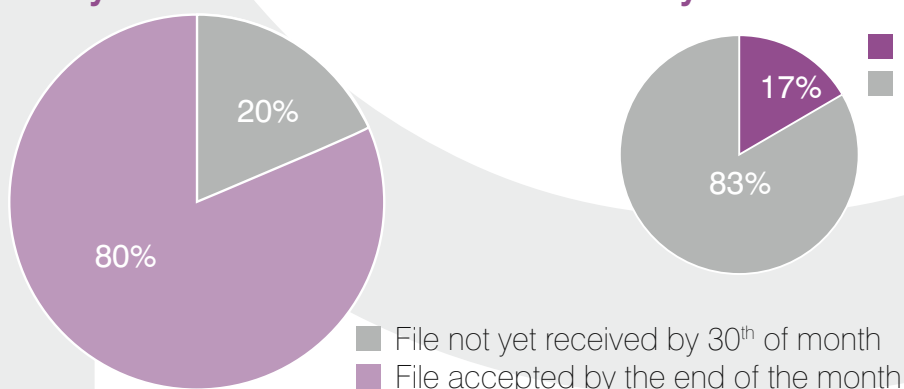
April



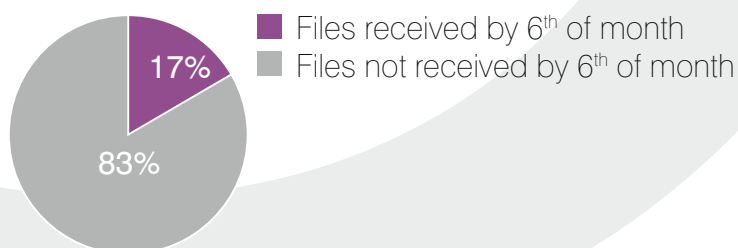
April files received by 6th of month



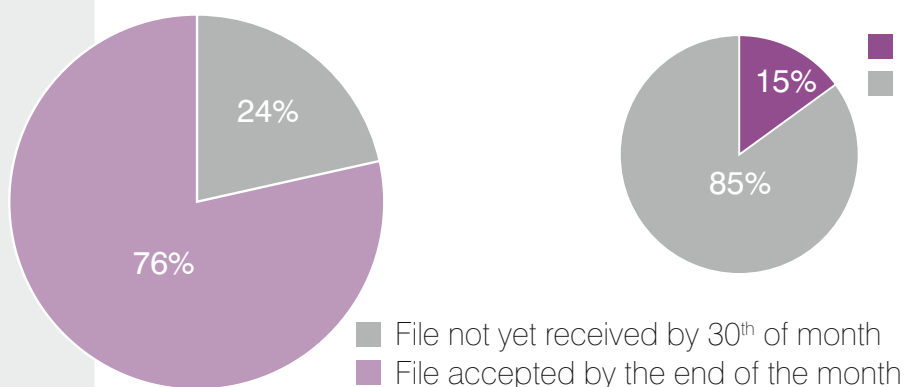
May



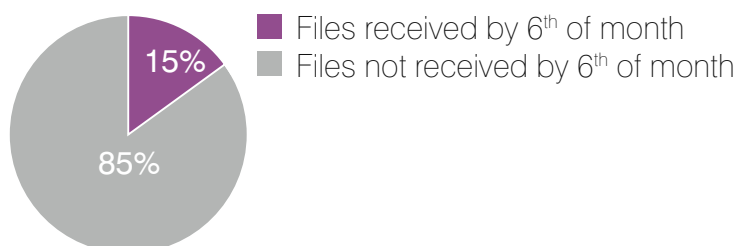
May files received by 6th of month



June



June files received by 6th of month



My Pension Online (MPO)

My Pension Online is an online facility that was developed in 2012 and launched comprehensively throughout 2013. Through 'My Pension Online' members can view their details and also securely update any changes in contact details. As well as this members can run various pension estimates assisting with planning for retirement. Members can also view their annual benefit statement via My Pension Online. Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also means that Your Pension Service can communicate with registered members via email. Currently 40168 members are registered to online.v

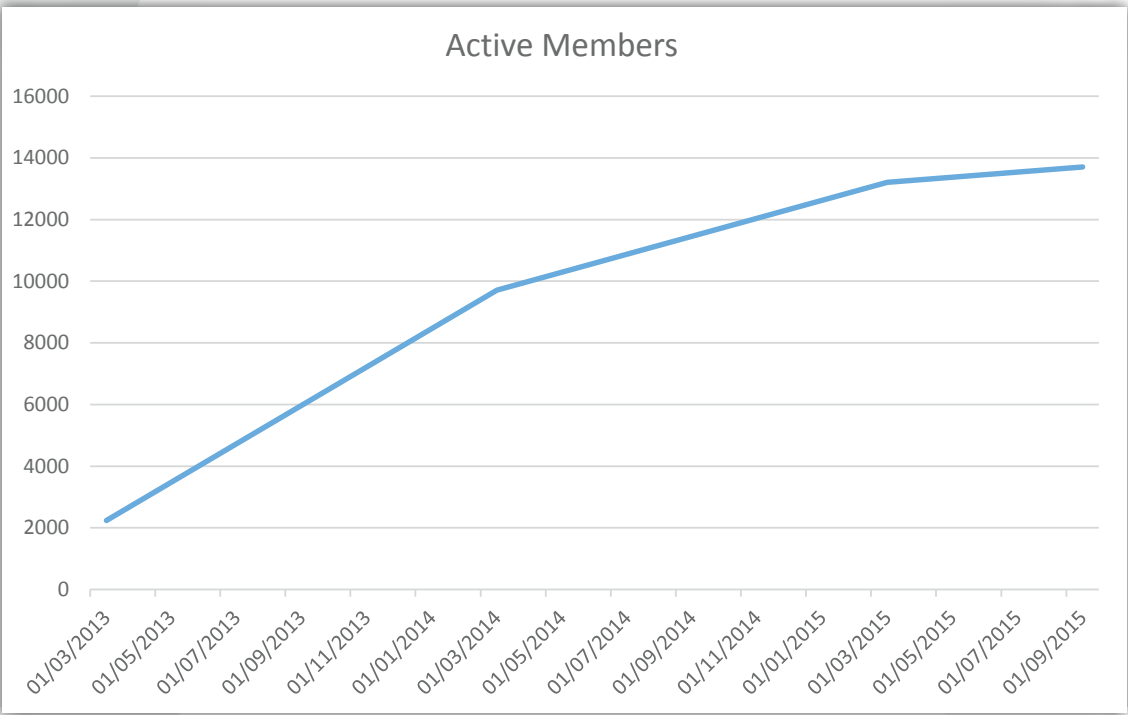
At every opportunity The Partnerships team promote 'My Pension Online' always encouraging members to get signed up online, also including the benefits of 'My Pension Online' in all presentations. Throughout the quarter the team have been delivering "drop in sessions" where members can sign up and be shown how to navigate the service and these have been held throughout the county. We offer each employer the opportunity for one of these sessions should there be enough interest.

Drop In Sessions

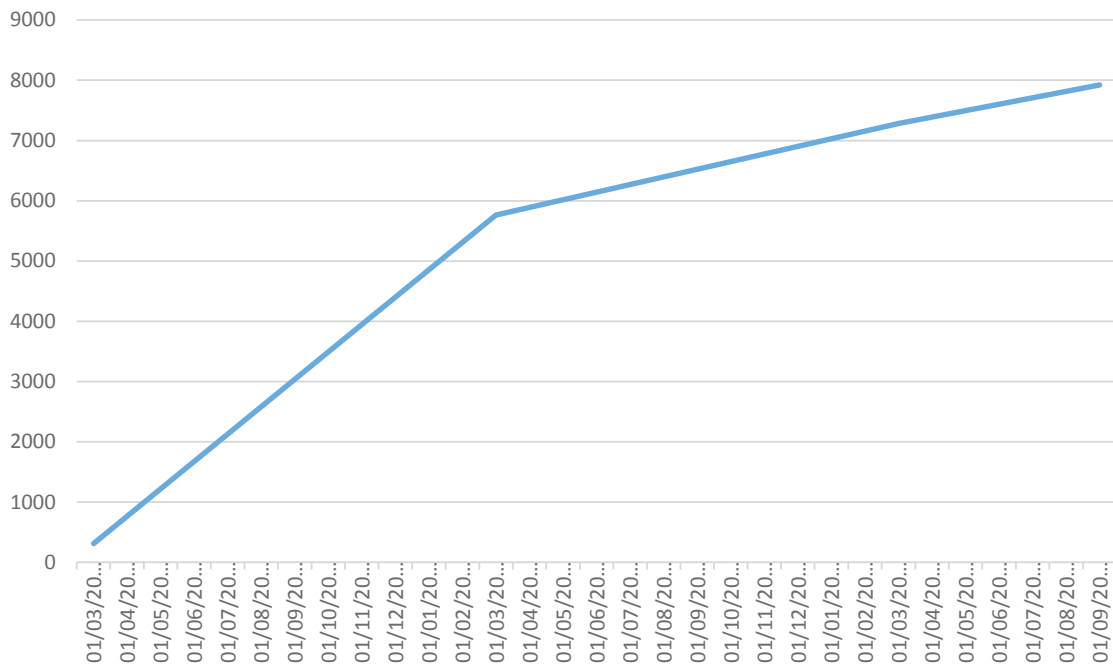
Date	Location	Time
Monday 15 June	Lancaster Library, Market Square LA1 1HY	10:00am – 13:00pm
Wednesday 17 June	County Hall, Preston PR1 0LD	10:00am – 13:00pm
Monday 29 June	Burnley Library, Grimshaw Street BB11 1NQ	10:00am – 13:00pm
Thursday 2 July	Ormskirk Library, Burscough Street L39 2EN	10:00am – 13:00pm
Wednesday 22 July	Blackpool Town Hall, Talbot Square FY1 1AD	10:00am – 13:00pm
Friday 24 July	Accrington Library, St James Street BB5 1NQ	10:00am – 13:00pm

The success of our promotion of My Pension Online can be seen from a great increase in the registered members and we are always aiming to improve the functionality of the service during 2015.

Below is a summary of how membership of 'My Pension Online' has grown since 01/03/2013.



Deferred Members



LOCAL GOVERNMENT PENSION SCHEME RETIREMENT GUIDE

PRE – RETIREMENT

Before you retire your employer may arrange for you to go on a pre retirement course to help you with:

- Investments
- Keeping Active
- Pension Benefits
- Health & Lifestyle
- Future Planning

Your employer will inform Your Pension Service of your retirement.

INTENTION TO RETIRE

Within 10 working days of being informed of your intention to retire Your Pension Service will write to you regarding:

- Your choices if your benefits are due to be reduced
- Options on how to increase your tax free lump sum (to ensure tax limits are NOT exceeded)
- Ask for information regarding entitlement to other pension benefits
- Request where applicable original Birth, Marriage and Other certificates
- Request your bank account details to pay both your pension and lump sum
- If you have AVC's your options and choices you have on drawing these too



When you receive these details you can contact us if you need any further help:

- By Phone
- Email
- Letter
- Face to Face
- Looking at our website

Please see contact details at the end of this guide.

ONCE YOUR PENSION SERVICE HAVE ALL YOUR DETAILS WE WILL

- Calculate your pension benefits
- Send you confirmation and payment details
- Pay your lump sum within 10 working days of your retirement date or receiving ALL the information (including your final pay details from your employer) which ever is the later
- Inform the tax office you have retired

WHEN YOU HAVE RETIRED

- Make pension payments on the last banking day of each month
- Apply annual increases to your pension each year in line with inflation
- Issue a combined payslip and P60 every April
- Provide you with an annual newsletter
- Tell you how to register to check your payslips on line
- if you move abroad we can pay your pension overseas

PLEASE TELL US IF...

- You retired on ill health and you have found another job
- You move or change your bank account
- You wish to make or change any nomination details (death grant or co-habiting partner nomination)



comms/3960

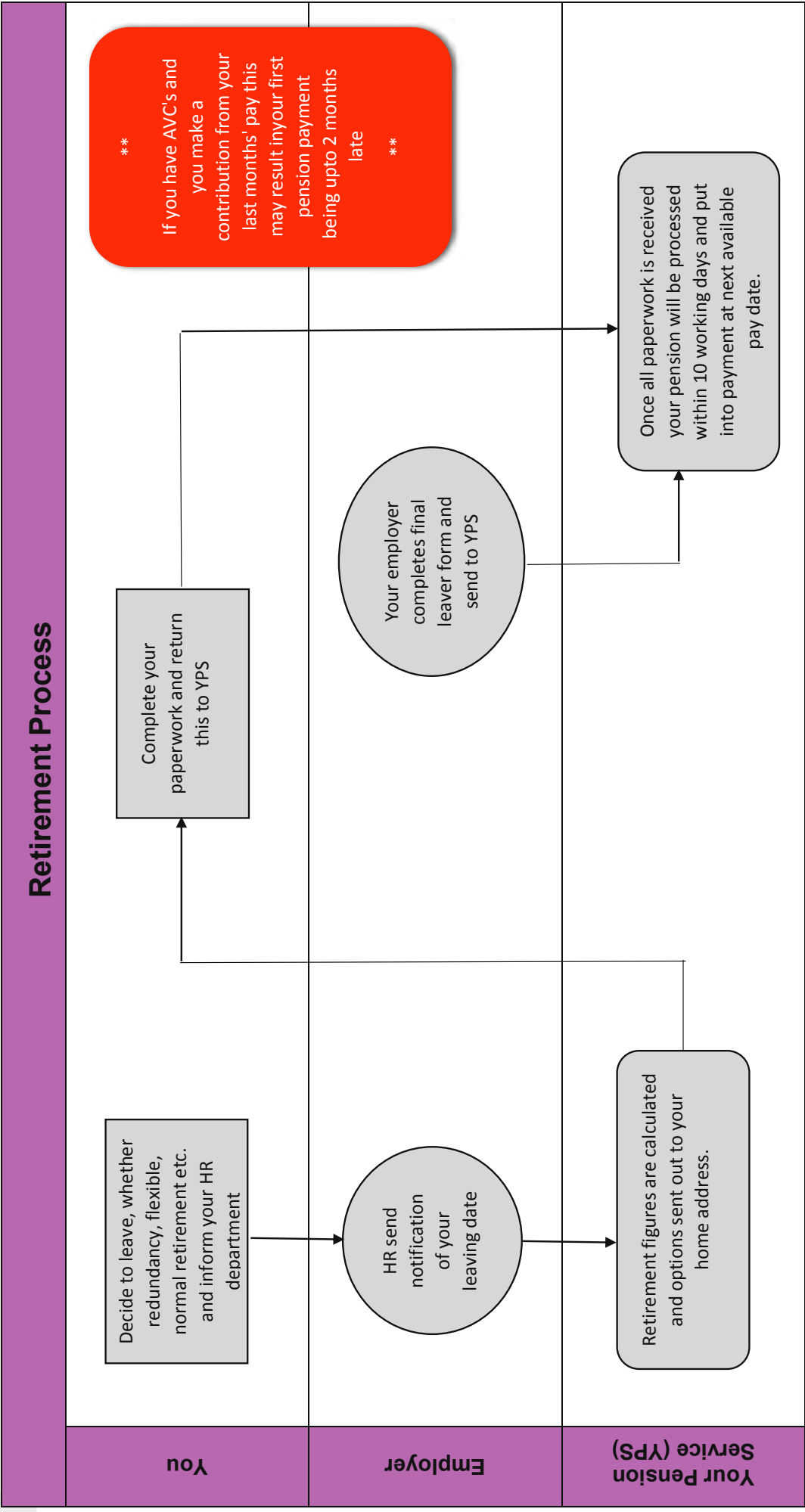
CONTACT US:

By Phone: Our helpdesk is manned Monday to Friday from 8am to 6pm 01772 530530

By Email: 24 hour automated response askpensions@lancashire.gov.uk

Website: www.yourpensionservice.org.uk

By Post: Your Pension Service, PO Box 100, Preston, PR1 0LD



***Please note – If you would like to access your payslips/P60 please register for our online service [here](#). If you are already registered please make sure you update your e-mail address if you previously used your work e-mail to register.**

LOCAL GOVERNMENT PENSION SCHEME

SERVICE LEVEL AGREEMENT

1. INTRODUCTION & PERIOD OF AGREEMENT

- The Agreement

This agreement is between the Service Provider and Lancashire County Council, as administering authority for the Lancashire County Pension Fund, for the provision of a range of pension administration services and support as prescribed within the agreement.

The agreement is for the administration of the Local Government Pension Scheme (LGPS) (as amended) as specified in The Local Government Pension Scheme Regulations (as amended) and the associated Local Government Discretionary Compensation Regulations (as amended).

The administering authority delegates its responsibilities for the administration of the Local Government Pension Scheme via this Service Level Agreement as set out in the Funds Governance Policy Statement (as amended).

- Service Specification

A range of services are specified in this agreement and performance standards have been incorporated into the service specification.

Monthly performance statistics will be provided to the administering authority showing performance achievement relative to the standards as shown in Section 3 of this agreement. A meeting will be convened where there is any significant shortfall of service standards (ie an overall average of 5% or more) by the Treasurer to the Lancashire County Pension Fund to ensure that an action plan is instigated to rectify the matter. If service standards remain consistently below the agreed standards a full review of the SLA will be invoked.

- Period of Agreement

This agreement will remain in force until terminated in line with the provisions set out in overarching contractual arrangements.

The agreement will also be subject to review as and when any legislative change arises affecting the terms of the agreement and, in any case, will be reviewed annually.

- Outline

The Service Provider will deliver the following pensions administration services

- A fully managed service covering all aspects of pension administration for all Scheme Members from new starters to retirements through to a pensioner payroll facility.
- Provision of a 24 hour customer service centre and a dedicated web link allowing electronic interaction for both Scheme Members and their employers;

- A dedicated Pensions Liaison Officer and annual on site surgeries in each District Council area and at least one annual conference/event
- Annual newsletters to all Scheme Members.
- A full annual report encompassing overall performance, volumes of processing undertaken over the year as well as an update on events and activities over the year.

2. SERVICE SPECIFICATION

Communications

In delivering the Services, the Service Provider will provide information in compliance with overriding statutory requirements, in particular; The Occupational Pension Schemes (Disclosure of Information) Regulations (as amended).

Where appropriate, the Service Provider will comply with the requirements of Fund's Communication Policy Statement.

Where possible, and in connection with delivery of the Services by the Service Provider, communication / information will be available in various media including; website, face to face, telephone, email, surgeries, conferencing and paper mail.

Scheme Information

New Starter information and documentation will be available to enable all new members to complete relevant details. The information and documentation will be provided by the Service Provider and issued by the relevant Scheme Employer. New Starter information will include brief scheme guides

A New Starter statement will be issued to new members by the Service Provider setting out start date of scheme membership.

A comprehensive scheme guide will be available from the Service Provider for all members and employers on request.

Fact sheets will be available as appropriate, providing Scheme Members and employers with information relating to specific pension scheme topics.

Scheme Employer bulletins will be provided as and when appropriate. Scheme changes affecting employers and the Scheme Members will be communicated by bulletin as a matter of course.

New Employer information will be available on request

A comprehensive Employer Guide will be available for all Scheme Employers in respect of the Local Government Pension Scheme.

AVC booklets will be available on request. Annual AVC statements will be distributed to relevant members.

Copies of the Actuary's triennial valuation report will be distributed to all employers including notification of employers contribution rates

Member and Employer Liaison

A senior contact will be provided in respect of all aspects of communication with Scheme Members and Scheme Employers. In addition a Pensions Liaison Officer will be appointed to provide an operational service for Scheme Employers

The Pensions Liaison Officer will undertake annual visits to Scheme Employers with more than 100 active Scheme Members. The terms of a Pensions Administration Strategy Statement will form the focus of these visits. The Pensions Liaison Officer will arrange and facilitate annual on site surgeries in each District Council area and at least one annual conference/event.

A dedicated helpdesk & email facility will be available via a 24 hour customer service centre providing a single point of access for general information for Scheme Employers and Scheme Members.

Annual Newsletters will be provided to all Scheme Members. In addition to this, specifically where a material or regulatory change occurs, the Service Provider will inform Scheme Members as appropriate

Where material and/or extensive regulatory change occurs in respect of the Schemes, the Service Provider will arrange and facilitate one off Road Shows. These events will be planned and agreed in conjunction with Lancashire County Council.

Induction events and pre-retirement events will be attended by the Service Provider, his servant or agent, on request by the relevant Scheme Employer. Attendance will be limited to a maximum of 10 working days in any one year. Attendance in excess of 10 working days will be provided at a daily rate to be negotiated as arising.

The Service Provider will provide dedicated training to Scheme Employers on request and/or where a need is identified. Training requests will be limited to a maximum of 10 working days in any one year. Training requirements in excess of 10 working days will be provided at a daily rate to be negotiated as arising.

Website communication and development will be actively encouraged by the Service Provider. A dedicated web link will be available encouraging electronic interaction with Scheme Members and Scheme Employers.

The Service Provider will liaise with the Scheme's AVC providers as required.

The Service Provider will provide information in compliance with overriding statutory requirements and regulations listed at Appendix 'A'. In particular

Lancashire Pensions Services is responsible for communication with all stakeholders in accordance with the Fund's Communications Policy Statement as shown at Appendix 'B'.

Systems and Maintenance

The Service Provider will be responsible for the provision and upkeep of an electronic pension administration system (the "System") during the term of the Agreement including:

Licensing and maintenance of a new System on behalf of the Fund.

Implementing development needs arising from legislative change

Identifying and implementing developments in respect of administration and processing functionality

Development of Scheme Employer e-commerce functionality, specifically the development of Scheme Employer Interfaces.

Pensions Policy and Technical Services

The following services will be provided in respect of policy and technical matters.

Maintaining an up to date and current copy of the regulations or any statutory instruments governing the Schemes.

Attendance at Regional Pension Groups and any other meeting assessed as being of benefit to the operation of the Schemes

Ensuring compliance with the regulations and/or statutory instruments governing the Scheme as well as compliance with relevant overriding pensions legislation applicable in England from time to time.

Ensuring that the technical content of communication material delivered as part of the Services is correct.

Liaising with relevant Government bodies, including the Government Actuary's Department for the provision of actuarial tables for the calculation of benefits and options, and provision of one-off technical factors as required.

The Service Provider will assess the general implications of legislative, social, political and economic trends, including assessing Regulations from the Department for Communities and Local Government, and other government agencies and providing guidance and participation in consultation processes

Liaising with the Scheme Actuary on technical issues, including dealing with queries and data requests in respect of bulk transfers and admission and termination issues

Ensure all appeals under Stage 1 and Stage 2 of the Internal Dispute Resolution Procedure, including providing guidance and administration to the Councils Stage 2 Appeals Officer, are dealt with within statutory deadlines.

Ensuring the production of the triennial Actuarial Valuation Report and Certificates including supplying the Scheme Actuary with information to an agreed timescale and participation in the Councils (County Treasurers) Valuation process involving attendance at relevant meetings and events..

Ensuring administrative compliance with the Lancashire County Pension Fund's Funding Strategy Statement.

Accountancy and Taxation

The Service Provider will provide the following accountancy and taxation services

Administration of financial information in respect of early retirements and voluntary redundancies.

Account to HMRC in respect of tax due from the Scheme.

Maintaining and producing an annual summary in relation to scheme administration for inclusion in the Pension Scheme Annual Report and Statement of Accounts.

Co-operating with Lancashire County Council's External Auditors.

Membership Data

The Service Provider will provide data on membership of the LGPS in a format which will be agreed:

IAS 19 data on an annual basis

Central Government data requirements on an annual basis and on request

Valuation data requirements on a triennial basis

Data relating to Freedom of Information Requests on request.

Internal Audit

The Service Provider will allow Lancashire County Council's internal auditors full access to the Service.

Active and Deferred Member Services

The Service Provider will provide the following services and aim to achieve the standards shown in respect of active members (current employees who are members of the LGPS) and deferred members (former employees who have a frozen pension benefit).

<u>Performance Standard</u>	<u>Minimum Targets</u>
Amend personal records within 10 working days of receipt of required documentation.	90%
Providing an annual statement of benefit entitlement to all active and deferred members, including an assessment of HMRC limits.	100%
Calculation of additional membership for transfer values within 10 working days of receipt of transfer details.	90%
Action agreed transfer values within 10 days of receipt of acceptance.	90%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales.	100%
Implement Pension Sharing Orders within legislative timescales.	100%
Provide a statement of deferred benefit entitlement on leaving service within 15 working days of date of leaving or receipt of notification, whichever is later.	90%
Respond to requests for estimates of benefits in relation to retirement, leaving service or on death within 10 working days following receipt of request.	90%
Calculating and paying refunds of pension contributions, including deducting statutory deductions in accordance with HMRC and DWP regulations within 15 working days of receipt of notification.	90%
Respond to general correspondence within 10 working days of receipt.	90%
Calls to the Pensions Helpdesk answered.	90%
Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by Lancashire Pensions Services. Within 10 working days of receipt of notification or date of entitlement to benefit; whichever is later.	90%
Advise transfer value out within 15 working days of receipt of necessary documentation.	90%

Action agreed transfer values out within 15 working days of receipt of acceptance. 90%

Pensioner Member Services

The Service Provider will provide the following services and aim to achieve the standards shown in respect of pensioners:

<u>Performance Standard</u>	<u>Target</u>
Make payment of pensions on due date.	100%
Production and distribution of annual P60s to pensioners within statutory deadlines.	100%
Implementation of annual pension increases by payment due date.	100%
Implementation of change in pensioner circumstance including the calculation and quoting of benefits on death of pensioners and administering the recovery of overpayments by payment due date.	90%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales.	100%
Implement Pension Sharing Orders within legislative timescales.	100%
Respond to general correspondence within 10 working days of receipt.	90%
Calls to the Pensions Helpdesk answered.	90%
Undertake annual reviews to establish continuing entitlements to pension for all children over age 17 in accordance with section 3(e) of this agreement.	100%

All services, standards and targets specified within this agreement are dependent upon receipt of the necessary information and documentation from Scheme Employers, the member or relevant third party administrator.

3. EMPLOYER RESPONSIBILITIES

The Service Provider will provide support to the Council in respect of its functions as Scheme Employer as follows:

Administration of the County Council's severance schemes, including:

- Calculation of estimates of benefits payable;

- Calculation and payment of final benefits.

Calculate Final Pay:

- Calculate final pay for estimate purposes and final payment /retirement purposes for all leavers who are members of LGPS with an immediate or preserved pension entitlement.

Preserved Pensions into Payment:

- Administer requests for the early payment of preserved pensions under the Councils relevant policy.

Injury Allowances:

- Administration of claims under the Councils relevant policy
- Review of cases on request.

4. CHARGES

The proposed charging method for the Service Level Agreement is to apply an accepted industry standard of a price per member

The charge will be reviewed if the total scheme membership numbers fluctuate by more than 10%.

Members are defined as the total of pensioners, plus deferred beneficiaries, plus active contributors. For pricing purposes the average of the total number of members at the beginning and the end of the financial year will be used as a basis.

The price per member will be a maximum of the lower quartile figure from the DCLG's Annual Pension Funds Account (SF3) return. Charges for the services will be made quarterly in arrears.

5. CONTACTS

Service Provider

Diane Lister, Head of Your Pension Service, One Connect Ltd.

Colette Hannay, Director of Human Resource and Payroll Service, One Connect Ltd.

Lancashire County Council

George Graham, Deputy County Treasurer

Gill Kilpatrick, County Treasurer

Signed on behalf of the Service Provider

.....
(name & title)

Signed on behalf of the Service Provider

.....
(name & title)

Dated:

Signed on behalf of Lancashire County Council

.....
(name & title)

Signed on behalf of Lancashire County Council

.....
(name & title)

Dated:

REGULATIONS RELATING TO COMPLIANCE

- The Local Government Pension Scheme (Transitional Provisions)
- The Local Government Pension Scheme Regulations (as amended)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)
- The Occupational Pensions Schemes (Disclosure of Information) Regulations 1986
- The Data Protection Act 1998
- Freedom of Information Act 2000
- Age Related Discrimination Legislation 2006
- The Pension Acts 1995 and 2004
- The Finance Act 2004

**Lancashire County Pension Fund
Local Government Pension Scheme
Communication Policy Statement
March 2006**

Introduction

This is the Communication Policy Statement of the Lancashire County Pension Fund, which is administered by Lancashire County Council, the administering authority. All Local Government Pension Scheme (LGPS) administering authorities in England and Wales are required to publish a Statement by 1st April 2006, under the LGPS (Amendment) (No.2) Regulations 2005 which came into force on 14th December 2005.

The regulations require the administering authority to prepare maintain and publish a written statement setting out their policy concerning communications with ...

- Members;
- Representatives of members;
- Prospective members; and
- Employing authorities

In particular, the statement must set out their policy on ...

- The provision of information and publicity about the Scheme to members, representatives of members and employing authorities;
- The format, frequency and method of distributing such information or publicity; and
- The promotion of the Scheme to prospective members and their employing authorities.

The Policy

Lancashire County Council as administering authority is responsible for communications relating to the Local Government Pension Scheme and will ensure that an appropriate communications strategy is in place and is in line with Scheme regulations and overriding legislation.

Lancashire County Council recognises the measures contained in the Pensions Act 2004 and is committed to the Governments wider informed choice agenda. As administering authority, Lancashire County Council will actively encourage the provision of good pension information and the promotion of pensions in the workplace.

The administering authority's communications strategy includes ...

- Clear, accurate and timely communication of the provisions and requirements of the Local Government Pension Scheme to all stakeholders*
- Scheme promotion targeting prospective members and their employers.
- The use of various media as appropriate to ensure that information reaches all stakeholders.
- Recognition that different styles and methods of communication will suit different stakeholders
- Robust feedback and evaluation processes
- Encouragement and assistance for all stakeholders in respect of their own communication and information responsibilities in relation to the Scheme.

Provision of Information

Lancashire County Council, as administering authority, undertakes to provide information and publicity about the Scheme to members, representatives of members and employing authorities.

Format and Frequency

The format and frequency of information is set out in the Communication Programme at Appendix I of this Statement.

Promotion

The administering authority undertakes to promote the LGPS to employing authorities. In particular the authority will target prospective members i.e. the employing authority's new employees and current employees who are eligible to join the Local Government Pension Scheme and are not currently members of the Scheme.

Review

This statement will be reviewed if there is any material change in the administering authority's communications policy. The policy will be reviewed no less frequently than annually.

Appendices

- Appendix I Communication Programme
- Appendix II Statement of Risk
- Appendix II Scheme Regulations and Overriding Legislation

** Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

Communication Programme

Communication / Information	Stakeholder*	Format	Frequency	Method
Actuarial Valuation	All Stakeholders	Paper / website	Triennial	Mail / email / internet
Administering Authority Policies	All Stakeholders	Paper	As amended	Mail / email
Annual Benefit Statements (ABS)	Active and Deferred Members	Paper	Annual rolling schedule	Mailed to home address
Axise – On Line	Active Members	Interactive On-line Service	24/7	Intranet
Communication Policy Statement	All Stakeholders	Paper / website	As amended	Email / internet/intranet
Customer Surveys	Members	Paper	Annual Rolling schedule	Mail to home address
Employee Bulletins	Members and Prospective Members	Paper / website / DVD	As required	Mail / email / internet
Employee Guide	Members	Paper / website	On or before employment. On request	Via HR Depts Mail / intranet
Employee Surgeries	Active Members	Appointment / drop in	Co-ordinated with ABS annual rolling schedule	Face to face
Employer Bulletins	Employer	Paper / website / DVD	As required	Mail / email / internet
Employer Charter	Employer	Paper / email / website	On admission and as amended	Face to face / mail
Employer Forum	Employer	Presentation	Annually	Face to face /

(Directors Brief)				email
Employer Guide	Employer	CDRom / website	As amended	Mail / Internet
Employer Training	Employer	Presentation DVD	On request / as required	Face to face – in house and employer locations. Mail
Fact Sheets	All Members	Paper / website	On request / as required	Mail / email / internet
Focus Group	Members and Prospective Members	Meeting	Quarterly	Face to face
Funding Strategy Statement	All Stakeholders	Paper / website	As amended	Intranet / internet
Governance Policy Statement	All Stakeholders	Paper / website	As amended	Email / internet / intranet
Letter	All Stakeholders	Paper	As required	Mail
New Employer information pack	Employer	Paper / website	On Admission	Face to Face
New Starter information pack	Prospective Members	Paper / website	On or before employment On request	Via HR Depts / Mail / internet
Newsletters	Members & prospective Members	Paper/ website	Annual	Mail / internet / intranet
Pension Fund Committee meeting agenda & minutes	All Stakeholders	Website	Annual rolling schedule	internet / intranet
Practitioner Conference	Employer	Presentation	Annually	Face to face
Pre – Retirement presentations	Active members / Employers	Presentation	On request	Face to face
Report and Accounts	All Stakeholders	Paper / website	Annual	Mail / email / internet

Service Standards Leaflet	All Stakeholders	Paper / website	As amended	Internet / internet
Statement of Investment Principles	All Stakeholders	Paper / website	As amended	Intranet / internet
Telephone Helpdesk	All Stakeholders	Telephone	Mon – Fri 8.45 am to 4.30 pm	Oral
Viewpoint Leaflet	All Stakeholders	Paper / website	As amended	Internet / internet
Website	All Stakeholders	Website	24/7	Intranet / internet

**Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

Summary Risk Register

(A Full risk register can be found at Appendix 1 of the Lancashire County Pension Fund Funding Strategy Statement)

Key Risks Identified

Administering Authority

Deterioration of funding level
Local Government reorganisation
Changes to LGPS Regulations
Changes to overriding legislation
Resources
Unclear decision process
Change in Scheme Profile (increase/decrease membership)

Employing Authority

Deterioration of funding level
Change in employing authority circumstances (increase/decrease in membership).
Employer unclear of obligations and responsibilities in respect of the LGPS

This list may be amended from time to time as part of the review process.

Scheme Regulations and Overriding Legislation

The Local Government Pension Scheme (Transitional Provisions)
Regulations 1997

The Local Government Pension Scheme Regulations 1997 (as amended)

The Occupational Pensions Schemes (Disclosure of Information) Regulations
1986

The Pensions Act 2004

The Finance Act 2004

The Data Protection Act 1998

The Freedom of Information Act

Lancashire County Pension Fund

**Local Government Pension Scheme
Communication Policy Statement**

1 April 2014

Lancashire County Council
as administering authority of
**Lancashire County Pension
Fund**

Local Government Pension Scheme

Communication Policy Statement

Introduction

This is the Communication Policy Statement of Lancashire County Pension Fund which is administered by Lancashire County Council; the administering authority. All Local Government Pension Scheme (LGPS) administering authorities in England and Wales are required to prepare maintain and publish a written statement setting out their policy concerning communications with: -

- **Members;**
- **Representatives of members;**
- **Prospective members; and**
- **Scheme Employers**

In particular, the statement must set out their policy on: -

- ***The provision of information and publicity about the Scheme to members, representatives of members and Scheme Employers;***
- ***The format, frequency and method of distributing such information or publicity; and***
- ***The promotion of the Scheme to prospective members and their employers.***

Policy

Lancashire County Pension Fund recognises the government's objective to help people save for their retirement and will aim to: -

- ***Actively encourage the provision of good pension information and the promotion of pensions in the workplace.***
- ***Increase transparency and build trust, confidence and engagement in pension saving as the norm.***

To achieve its aim the administering authority will undertake to: -

- ***Provide clear, accurate and timely communication about the Local Government Pension Scheme to all stakeholders.****
- ***Actively promote the Scheme to prospective members and their employers.***
- ***Take a multimedia approach in recognition that different styles and methods of communication suit different stakeholders***
- ***Use and encourage the use of electronic/online communication and information sharing.***
- ***Support Scheme employers, providing publicity and information toolkits, to enable employers to fulfil their responsibility to communicate and share information with members in relation to the Scheme.***
- ***Treat information security with the upmost importance.***

Communication Policy Statement

Communication Programme

The Fund will regularly review the format, frequency and method of communication. The following programme is currently in use.

Information	Stakeholder*	Format	Frequency	Method of distribution
Actuarial Valuation	All Stakeholders	Presentation, formal report,	Triennial with annual updates	Email, mail, website and face to face briefings.
Fund Policy and Statements	All Stakeholders	website	As amended	Mail/email
Annual Benefit Statements	Members	Online self service	Annual	Online/email alert
Customer Satisfaction Survey	All Stakeholders	Website	Ongoing	Click question
Member Guides	Members	website	On or before employment. On request	Via employer HR/payroll departments Mail/intranet
Employer Updates	Employer	Website, online	As required	email/internet
Pensioner payslips/P60's	Member	Online self service, paper	Annually	email/mail
Employer Guide	Employer	Website,	As amended	email /internet
Employer Training	Employer	Presentation Webcast	On request in line with SLA	Face to face – In house Employer locations. Website
Factsheets	All members	Paper/website	On request / as required	Mail/email/ internet

Communication Policy Statement

Individual member information	All Stakeholders	Paper, Online self service	As required	Mail, email
Employer information pack	Employer	Paper/website	On Admission	Face to Face
Newsletters	Members	Paper/website	Annual	Online
Scheme change and legislative change	All Stakeholder	Presentation/webcast Website	As required and on request	Face to face/internet
Fund Report and Accounts	All Stakeholders	Paper/website	Annually	Mail/email/ internet
Service Level Standards	All Stakeholders	website	As amended	Internet /intranet
Query	All Stakeholders	Telephone/email/online	Mon – Fri	Telephone/email/ Online

**Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

Scheme Regulations and Overriding Legislation

Lancashire County Pension Fund undertakes to comply with Local Government Pension Scheme Regulations and the relevant Overriding Legislation; In particular, the Fund undertakes to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]. A full list of Scheme and related legislation is set out below: -

Local Government Pension Scheme Regulations 2013 [2013/2356]

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/]

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following Acts (including relevant secondary legislation made under each Act not mentioned above)

Communication Policy Statement

Finance Act 2004 [c.12]

Pension Schemes Act 1993 [c.48]

Pensions Act 1995 [c.26]

Pensions Act 2008 [c.30]

Public Service Pensions Act 2013 [c.25]

Welfare Reform and Pensions Act 1999 [c.30]

Pensions (Increase) Act 1971 [c.56]

Date Protection Act 1998 [c.29]

Review

This statement will be reviewed where there is any material change to the Funds policy in respect of communication.

Lancashire Local Pension Board

Meeting to be held on 19 October 2015

Electoral Division affected:
None

Lancashire County Pension Fund - Report on Administering Authority Discretions

(Appendices 'A', 'B', 'C', 'D' and 'E' refer)

Contact for further information:

Diane Lister, (01772) 534827, Head of Your Pension Service,
diane.lister@lancashire.gov.uk

Executive Summary

The LGPS regulatory framework grants certain 'discretions' to administering authorities (AAs), which allow some areas of LGPS policy to be locally-determined.

There are many discretions, ranging from relatively trivial to those where the application of a local discretion could have a significant impact on scheme members, fund employers and the Fund itself.

Significant change to pension legislation, including changes to the LGPS regulatory framework, have prompted a review of existing policies and discretions. At its meeting on 30 September 2015, the Pension Fund Committee approved proposals in the following five key areas of discretion as the basis for a consultation exercise with fund employers and the Lancashire Local Pension Board prior to formal policy adoption by the Committee at a future meeting:

- Abatement of pensions (Appendix 'A' refers)
- Transfer in of pension rights (Appendix 'B' refers)
- Commutation of pensions (Appendix 'C' refers)
- Admissions and Terminations (Appendix 'D' refers); and
- Bulk Transfers (Appendix 'E' refers).

Recommendation

The Board is asked to:

- (i) Note the proposals approved by the Pension Fund Committee set out at Appendices 'A' - 'E' and:
- (ii) Consider, in response to the consultation, the proposals set out at Appendices 'A' - 'E' and comment as appropriate.

Background and Advice

Administering Authorities within the Local Government Pension Scheme need to maintain a range of discretionary policies, which it is appropriate are reviewed from time to time. Appendices 'A' to 'E' outline proposals in relation to five key areas of discretion which, following approval by the Pension Fund Committee on 30 September 2015, will now be subject to consultation with the Local Pension Board and with employers on the basis that the Fund is minded to implement them.

The key areas of change proposed are:

- abatement of pensions (Appendix 'A' refers) - to maintain the existing abatement policy until the outcome of the Government's recently announced '£95k redundancy cap for the public sector' on members of the LGPS is known
- transfer in of pension rights (Appendix 'B' refers) - transfers into the Fund continue to be accepted within the existing 12 month time limit. Decisions in respect of exceptions are now jointly made by the Fund and the relevant employer;
- commutation of pensions (Appendix 'C' refers) - small pension pots are to be commuted as the 'standard offer'. An exercise to commute existing 'small' pensions is to be considered pending advice from the Fund Actuary on the impact on Fund cashflow and liabilities;
- admissions and terminations (Appendix 'D' refers) - admissions are no longer accepted, unless these follow as a result of contracting-out by a scheme employer or there are exceptional circumstances. Small admissions are streamlined for ease of administration; and
- bulk transfers (Appendix 'E' refers) - bulk transfers are treated on a case by case basis and on the advice of the Fund Actuary.

Consultations

A consultation exercise will now be conducted with the Local Pension Board and fund employers prior to presentation of revised policies to the Committee for approval and adoption.

Implications:

Risk management

The recommendations contained within this report are intended to mitigate financial and reputational risk where possible. Overall the impact of adopting these revised

policies should be fair, transparent and justifiable to the scheme member, the fund employer and the Fund itself.

Financial

The recommendations, whilst not solely focussing on financial implications, are intended where possible to make financial savings and reduce liabilities.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Abatement of Pensions

The Local Government Pension Scheme (LGPS) regulations allow an Administering Authority (AA) a broad discretion to abate (reduce) any pension in payment where a pensioner obtains further employment with any LGPS employer.

The AA has the discretion to reduce a pension such that the salary in the new employment plus the pension in payment does not exceed the salary the member earned prior to receiving a pension. Any such discretionary abatement ceases when the LGPS employment ends.

However, it should be noted that there is **no** discretion to abate a pension awarded under a flexible retirement agreement where the member is still in the same employment to which the flexible retirement relates.

Current Policy and Practice

The current policy applies abatement where it is required by statute to do so and in respect of ill-health retirements. The table below sets out current practice:

Retirement Type	Statutory Abatement	Discretionary Abatement	LCPF current Practice
Ill Health retirement (benefits are normally enhanced/reductions are waived)	No	Yes	Abatement applied
Redundancy/efficiency retirement with compensatory added years*	Yes**	Yes	Abatement applied **
Redundancy/efficiency retirement (reductions are waived)	No	Yes	No abatement
Retirement Augmented by employer (additional pension/service awarded)	No	Yes	No abatement
Early retirement where reductions waived by employer	No	yes	No abatement
Early retirement where reductions not waived	No	yes	No abatement
Normal Retirement (No reductions. Paid at State Pension Age or protected earliest retirement age)	No	Yes	No abatement

*Compensatory added years are an historic benefit and are no longer applied

**Only the added years element is abated

Potential Abatement Options

Administering Authorities have a wide discretion to abate pensions using a number of locally-agreed criteria. Taken literally, this means that any pensioner who takes on further employment with a LGPS employer, can have their pension abated according to their fund's discretionary policy.

AAs in developing a policy could, for example, choose to abate as follows:

- do not abate any pensions;
- apply abatement only to 'high earners', e.g. where pension exceeds £30,000
- abate subject to a maximum reduction in pension, say a maximum reduction of £5,000;
- where new salary plus pension cannot be reduced below, say, £20,000;
- only where the pension paid is above the fund average (or any other threshold);
- abating only when a pension has been paid at extra cost to the previous employer (generally speaking this would mean where a member aged 55 or over was made redundant – see below).

Recently Announced Government Consultation – Proposed £95k Redundancy Cap

Any LGPS member aged 55 or above is entitled to receive their pension, however where this is taken before 'normal retirement age' – approximately age 65 upwards – the pension is reduced to reflect the fact that it will be paid for a longer period than would have otherwise been the case.

LGPS members aged above 55, if made redundant, are entitled to receive an unreduced pension. The cost of, in effect, waiving reductions, is borne by the employer by means of making a cash payment into the pension fund. These "pension strain" costs can be significant.

The Government recently announced a consultation with a view to capping redundancy costs within the public sector; in essence the proposal is to limit the total cost of redundancy to £95k

In general redundancy costs comprise a lump sum redundancy payment based upon salary and years of service plus, for those aged 55 or over, the cost of waiving pension reductions. The core proposals include taking into account the cost of waiving pension reductions as part of the cap, and are summarised as follows:

- A cap of £95,000 on the total value of exit payments (before tax) to employees in the public sector;
- A cap covering all forms of exit payments including cash lump sums, the cost of early payment of pension benefits and other non-financial benefits such as additional paid leave; and
- A cap applying to all types of arrangement including formal redundancy schemes, collective agreements and contractual arrangements.

The implications of the potential cap are significant, and could arguably lead to a form of abatement being imposed upon the LGPS outside of the existing discretionary framework. Taken at face value there could be a situation where pre-cap pensioners who have been made redundant benefit significantly over their peers who were made redundant (whether voluntarily or compulsorily) post-cap.

To illustrate how the cap could affect LGPS members, the following illustrations have been provided by actuaries as potentially affected:

A member with 30 years of membership and final pay of £39,000

A member with 10 years of membership and final pay of £75,000

Taken literally the cap if applied to these members would place them in a worse position than peers who were made redundant before the cap was introduced, although the exact mechanics of how this may apply are not made clear in the consultation document. As such it may at present be deemed too difficult to set an abatement policy which took into account any issues around the cost of waiving pension reductions.

The Government's consultation document is not clear on what consequential changes to the LGPS regulations are proposed if the £95k cap is implemented and the option chosen could impact on the practicality of different forms of abatement policy.

Potential Change

The Fund pays out around £185m in pensions each year to more than 43,000 pensioners and dependants. At the last actuarial valuation the average annual pension in payment was £4,510.

Were a decision taken to amend the current abatement policy, consideration would need to be given to any administrative issues arising; for example assessing and potentially abating all pensions in payment would be administratively impossible without significant additional resource and, given the average pension in payment described above, it would seem that the additional work would be without material financial gain to the Fund. It could also be confusing, distressing and detrimental for thousands of mature local government workers currently undertaking low paid, part time roles to supplement their income.

However, it would be possible to develop an abatement policy which would affect only certain pensioners such as former high earners, by using an annual pension threshold where for example only annual pensions exceeding £30,000* would be subject to abatement. This would remove the issues involved in applying abatement indiscriminately but would serve to mitigate reputational risk in terms of paying out pensions to former high earning local government employees who potentially retire with unreduced pension benefits and immediately secure further employment with another local government organisation (i.e. the so called 'double-dippers').

**there are currently 385 pensioners receiving a pension of at least £30,000 per annum, whose average salary at retirement was £68,000.*

At the same time the uncertainty introduced by the proposed '£95k cap' would suggest that making a change of policy before the impact of the current consultation is fully understood could lead to the need for a subsequent change in policy within a short period.

Recommendation

That a policy be approved and adopted where:

- No change to current abatement policy is considered until the outcome of the '£95k cap' consultation is fully understood.
- Ill-health pensions continue to be abated (i.e. as per current policy).

Appendix 'B'

Transfers-in to Lancashire County Pension Fund

The Local Government Pension Scheme (LGPS) regulations allow new members of the Scheme to transfer pension rights accrued elsewhere, i.e. from a previous employment, into the Fund.

Lancashire County Council as Administering Authority (AA) has the discretion whether or not to accept transfers into Lancashire County Pension Fund. However, the AA must accept transfers from other LGPS Funds as well as other public sector pension schemes, for example the NHS Pension Scheme. There is no discretion to accept/not accept transfers in this area. The majority of transfers into the Fund are from other public sector schemes (90% of transfers during 2013/14). Therefore, in reality, the discretion available to the Fund is limited to transfers-in from other (non-public sector) types of pension arrangements.

Transfers-in 2013/14

Type	Value £m	Number of transfers
public sector	6.4	400
non-public sector	0.6	40

The actual transfer-in involves a cash amount from the transferring scheme being paid into the Fund. The pension benefit this amount 'buys' within the Fund is actuarially calculated and the additional pension is added to the individual's 'pension pot'. The additional pension is calculated to ensure that the cash coming into the Fund covers the added liability of the additional benefit flowing out of the Fund when the member retires.

The LGPS regulations stipulate that the normal time period for the acceptance of transfers-in, is within 12 months of the new member's employment start date. However the regulations allow an extension of this 12 month limit at the discretion of the administering authority and the individual's employer. This is a new 'joint' discretion previously exercised by the employer alone.

Current Policy and Practice

Current Fund policy is generally to accept all transfers-in.

In addition, transfer requests made by a Scheme member within 12 months of retirement are referred to the employer to make a decision. This is because transfers-in increase liabilities in the Fund. These liabilities are offset by the amount paid by the previous transferring scheme. However, in some cases where an early or ill-health retirement occurs the additional cost is not covered and is ultimately payable by the employer either by an up-front payment to the Fund (known as 'pension strain') or longer term through increased contributions.

Potential Change

It would be possible not to accept non-public sector transfers-in going forward. However, the low volume of cases currently accepted would suggest that the impact on the Fund in terms of a potential reduction in liabilities would be immaterial. The impact on administration would also be minimal due to the low volumes experienced.

Also, for new local government employees such a change would discriminate between those able to transfer pension benefits arising from other public sector employment and those with pension benefits accrued elsewhere. It is also arguable that such a position would be contrary to the national policy position which is to encourage freedom and choice in relation to pensions.

Recommendation

That a policy be approved and adopted where:

- Requests to transfer into the Fund are generally accepted provided that the transfer is made within the expected 12 month time period, except that:
- cases where the scheme member might expect to retire within 12 months of the transfer are not automatically accepted. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer and;
- cases falling outside the 12 month time period are accepted where administrative issues have caused the delay or where exceptional circumstances apply. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer.

Appendix 'C'

Commutation

The LGPS regulations allow the commutation of 'small pension pots' under various pieces of overriding legislation*. The new Freedom and Choice in Pensions legislation provides further flexibility in respect of commuting small pensions, the most notable being that some members of the Scheme can commute small pension pots from age 55 (previously age 60).

The LGPS regulations set out that the Fund may make the following payments:

1. A commutation payment (where the value of LGPS-only small pension pots must not exceed a lump sum payment of £10,000)
2. A trivial commutation lump sum (where the total actuarial value of all LGPS and non LGPS small pension pots does not exceed £30,000)
3. A trivial commutation lump sum death benefit (where the value of all LGPS death benefits does not exceed a lump sum payment of £30,000)

**The LGPS regulations set out that the above terms are defined, in the case of (2) and (3), within the Finance Act 2004 and, in the case of (1), within the Registered Pension Schemes (Authorised Payments) Regulations 2009.*

The principle of commutation relates to converting a 'small' pension entitlement into a one-off cash lump sum payment to be made by the Fund, effectively discharging any further liability.

'Small' Pension Pots

The commutation framework described above applies to 'small' pension pots only. Generally speaking, a 'small' pension pot's capital value is £30,000 or less. For the sake of clarity, and as a useful benchmark, the value of a person's pension 'pot' is approximately 20 times the value of the pension they have accrued; so for example a £30,000 pension pot would provide an annual pension of £1,500.

Difference Between 'Commutation' and 'Conversion' of Pension

All scheme members have the option to convert some of their pension entitlement into a lump sum, whereas **some** members have the option to commute. The following text from the YPS website explains conversion:

"You can take a tax-free lump sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGPS benefits as a lump sum⁵. For every £1 of annual pension that you give up you will receive a £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on."

This principle applies to any value of pension pot and differs from commutation, which applies only to 'small' pots – the reason for the differentiation is linked to the taxation treatment of pensions.

Small pension pots have a different conversion factor as opposed to the 12:1 factor described above; as there are no tax implications, the conversion factors are different; for example a 60 year old male's small pension entitlement would be commuted by a factor of 18.28 (e.g. £1,000 pension would commute to a lump sum of £18,280), a female of the same age would see a factor of 19.23 (£1,000 pension commutes to £19,230).

The difference in lump sum dependent on gender helps illustrate the philosophy supporting commutation: the factors are set by the Government Actuary's Department (GAD) such that, all things being equal, there should be no financial gain or loss to either pensioner or fund, upon commutation.

Financial Impact of Commutation within the Lancashire Fund

Whilst the GAD factors are calculated on the basis of equity, the fact that they are fixed means that local differences in fund performance and longevity can mean that, on a technical level, a small gain or loss to individuals or the fund could occur upon commutation.

The conclusion of the Fund's actuary is that in the current environment it is broadly beneficial to the calculation of the Fund's liabilities to commute pensions. However, this benefit is the difference between the theoretical value of paying benefits over an estimated lifetime when compared to an actual sum paid over to an individual, and it is impossible to prospectively estimate whether an individual will receive a greater level of benefit from commuting or continuing to receive a pension. The key issue is that the choice lies with the scheme member, who will need to consider the options available to them in the context of their own financial position.

Fund Perspective

The most significant benefits to the Fund from any significant increase in the level of commutation would be in the area of reduced administrative costs, and an increased level of certainty within future valuations given the crystallisation of more liabilities at an earlier point.

Demographics of Commutation

An equality analysis is set out at Annex 1.

Average annual pensions paid by LCPF are:

Female £2.9k per annum

Male £6.7k per annum

Given that on average female pensions are lower, this would infer that proportionately more females than males would be able to take advantage of the option to commute. However, as indicated the actuarial factors provide a higher value of lump sum to women (reflecting differential life expectancy) and it is a matter of individual choice whether or not to commute.

Current Policy and Practice

The Fund's current policy is to commute small pensions where they meet the relevant criteria. However, in practice commutation has been both age limited and inflexible and consequently current practice, as opposed to the actual policy, has been to include reference to commutation within the normal retirement process but not to offer commutation in isolation. The information required to satisfy the trivial commutation lump sum criteria shown at 2. above is particularly difficult to obtain and assess.

Potential Change

In the light of the intention to increase flexibility provided by the new freedom and choice in pensions legislation, it would appear to be appropriate now to reinforce the Fund policy to commute small pensions where the relevant criteria are met. It should be noted that it would not be possible to 'impose' commutation 'reinforce' in this context would mean that commutation would become the 'standard offer' and that, operationally, prospective pensioners would be given clearer information on their choices in pre-retirement paperwork, e.g. "You have the option of receiving a lump sum of £x or an annual pension of £y". However, all options would be explained at retirement and ultimately, pensioners would make an informed choice which suited their circumstances.

In reinforcing commutation as the Fund's standard offer where the relevant criteria are met, there is no doubt that this would result in a reduction in administrative effort in terms of processing a commutation as opposed to processing an actual retirement, and including the additional ongoing effort involved in maintaining pensioner payroll records. In addition it is clear that discharging any future liability would also be beneficial to the Fund. Day to day processing of commutation payments as business as usual should not result in any significant cashflow issues.

Current practice has resulted in a significant number (around 10,000) of pensioners and deferred pensioners with very small pension entitlements that could potentially be commuted. The Fund Actuary has been asked to consider the potential impact on both the Fund's cashflow and liabilities, of carrying out an exercise to commute these pensions. Clearly the cost of undertaking such an exercise would need to be weighed against the benefits of potentially discharging the ongoing liability in full but nonetheless the affected pensioners and deferred pensioners could be offered the option to commute in line with future practice.

It is also possible to commute pensions payable to a Child dependent. Children's pensions can be paid up to age 23 so long as the child is in higher education. Assumptions would need to be made in calculating a commuted children's pension as to how long they will be in higher education, but again it would be beneficial to the Fund to commute where possible, and would again be in line with national policy intentions.

Recommendation

That a policy be approved and adopted where:

- Commutation is the Fund's standard offer when a member retires or leaves the Scheme, where the pension value satisfies the £10k commutation criteria described at 1. above
- All other retirement/leaver cases are offered the option to commute where possible i.e. where they satisfy the criteria described at 2. and 3. above.
- Child dependant pensions will be commuted where possible.
- Where a child is aged 16 or over and still in full time education, the commutation will be based on an assumption that the pension would be paid until the age of 23.
- In respect of certain protected members, it may be possible to pay an ill-health commutation, and the policy would continue to be that this provision be applied where possible.

In addition, following consideration of advice from the Fund Actuary, a one-off exercise will be undertaken with a view to commuting current pension and deferred pensions where they satisfy the criteria described at 1. above.

Appendix 'D'

Admissions and Terminations

Certain employers and their staff are 'allowed' to participate in LGPS by virtue of being specifically designated. Other employers can be admitted to the scheme, at the discretion of the AA. 'Admissions and Terminations' is the term used to describe the process by which new employers gain entry to, and leave, LGPS.

Dealing with admissions or exits from LCPF consumes staffing resource and incurs other costs, and can create risk to the fund. It is therefore desirable to:

- reduce administrative costs borne by the fund;
- reduce the complexity of the current admissions process as far as possible; and
- put in place measures to manage risk.

In a typical year between 20 and 40 admissions or terminations may occur, at an estimated administrative cost of £60k to £100k. Recently the bulk of admissions have occurred due to schools contracting out catering or cleaning functions, usually involving very small numbers of LGPS members.

➤ Scheduled Employers and Admitted Bodies

There are over 200 active employers in the LCPF, ranging from the very large to the very small in terms of employee numbers. Employers are categorized into two types:

- 'Scheduled Employers'; and
- 'Admitted Bodies'

Scheduled employers have a statutory 'right' to participate in LGPS and include councils and academies.

Admitted bodies are 'allowed' to participate at the discretion of the AA and include organisations which contract with scheme employers following a contracting-out exercise, housing associations, universities and charities.

Admitted bodies gain entry to LCPF by means of an admission agreement; scheduled employers do not need an admission agreement.

Employers can also leave LGPS, for example when an admitted body's contract with a scheme employer ends. An admission agreement would end at the time of leaving so long as any debts due to LCPF are paid.

➤ Admission Agreements

An admitted body joins LGPS by means of an Admission Agreement – this is a formal legal document which spells out responsibilities, risk management arrangements and financial issues etc. and requires agreement between the parties involved.

➤ **Contracting out by Scheduled Employers**

Where scheduled employers contract work out to third parties, those staff who transfer under the contract have a right to remain with LGPS or otherwise be offered membership of a 'broadly comparable pension scheme'. In practice this means that whilst there is a wider element of discretion in allowing who to admit under admitted body status, LCPF to all intents and purposes **must** admit certain employers where this is requested by a scheduled employer.

➤ **Valuing Liabilities, Risks, and Setting Contribution Rates**

In dealing with admissions and departures from the fund, LGPS regulations require an assessment of employers' incoming and outgoing liabilities, and future contribution rates; historically this has been achieved through a very detailed process, the cost of which often bears little relation to number of employees or liabilities involved. This existing process works in such a way as to ensure that ceding employers either pass on (to the new employer), or guarantee, any existing 'liability risk' and pay contributions at a level which will not increase liability risk in future. Clearly, this risk management process provides an element of security to the Fund.

Liability risk is a term used to describe the risk to the pension fund of an employer's pensions liabilities falling upon other employers, if the original employer becomes insolvent or otherwise unable to meet its commitments.

When a new employer is admitted, its liability risk is managed either by requiring a scheme employer to guarantee any liabilities or by requiring the admitted body to obtain an insurance bond which would cover any future shortfall in the event of insolvency.

➤ **Administrative Issues**

As stated previously, admissions cost the fund upwards of £60k per annum in staff time and legal costs. Generally speaking actuarial costs are passed onto new employers. LCPF publishes detailed guidance documents to assist employers in understanding and managing the admissions process, and engages with employers regularly, however a number of persistent problems exist, such as:

- chasing employers to sign documents (time and resource);
- Employers wanting to change the LCPF standard admission agreement (time and legal costs); and
- Employers not keeping the AA up to date about planned contracting out exercises or the potential creation of new aspirant admission bodies (causing the AA to backdate admission agreements).

➤ **Outdated Admission Agreements**

In some instances existing admission agreements have become obsolete due to changes in LGPS regulations. Many of the older admission agreements do not contain provisions which require employers to provide security against their liability risk. It is the intention of the AA, following consultation, to draw up a new template admission

agreement, specifying a requirement to provide security, which would not normally be subject to negotiation with individual employers on an admission-by-admission basis.

Given such a position it would seem unreasonable to 'impose' a new admission agreement on existing employers, however the proposed AA position will be that admitted employers either sign up to the new admission agreement, or consider whether they wish to remain in LCPF. Whilst this may appear a relatively assertive position, the AA does not wish to enter protracted negotiations but instead move to a standardized admission agreement, quickly and without prolonged debate or legal arguments. This course of action is required to reduce risk to the Fund.

Current LCPF policy and practice

This is generally to:

- accept admissions from aspirant admitted bodies so long as adequate risk management arrangements (largely insurance bonds or ceding employer guarantees) are put in place; and
- require a detailed actuarial calculation in respect of liabilities and contribution rates for any admission;
- absorb the costs of legal and administrative time in dealing with admissions and terminations;
- negotiate admission agreements with individual employers; and
- accept late admissions.

Potential Changes

➤ Actuary's Proposal to Simplify Admissions and Terminations

The LCPF actuary, Mercer, has proposed a new model to manage admissions and set initial contribution rates which will simplify processes significantly, and reduce costs. It is proposed to adopt this approach.

➤ Passing on Costs to Employers and Moving to a Standard Admissions Model

It is proposed that the recommendations below would help ensure that employers, rather than the Fund, meet the costs of the admissions process and additionally would provide some imperative for employers to actively engage in/support the wider objective of simplifying and speeding up administrative processes.

Recommendations

That a policy be approved and adopted where:

- the Mercer proposal for a simplified approach to the setting of initial contribution rates be adopted by LCPF;

- that entry to LCPF be restricted in future only to those employers whom the fund is required to admit; in practical terms this means excluding any new admissions except where these occur as a result of scheduled employers contracting out work;
- a philosophy of 'no changes to the fund's standard admission agreement' be applied unless exceptional circumstances apply;
- a charging framework for the processing of admission agreements be introduced;
- this charging framework to additionally reflect any costs associated with changing template admission agreements;
- LCPF refuse to accept backdated admission agreements unless exceptional circumstances apply; where this is the case the charging framework applying to employers will be twice as high as 'on time' admissions; and
- existing admitted employers with outdated admission agreements be required to sign up to the current template admission agreement.

Appendix 'E'

Bulk Transfers

This term covers pensions issues surrounding the transfer of pension rights either:

- From the LGPS to another pension scheme ; or
- From one LGPS scheme to another LGPS scheme, where the numbers of staff involved exceed 2 or 10 respectively.

Pension legislation is framed generally so as to protect members' pension rights, should these rights be transferred between schemes, due to decisions made by their employers, central government, etc. In essence, the value of a person's pension rights in the old scheme must equal those transferred into the new scheme.

The transfer of pension rights ultimately involves cash moving from one pension scheme to another, and if a transfer, due to the numbers of staff involved, falls under the bulk transfer definition, a detailed calculation is required to be carried out by the respective funds' actuaries. In simple terms the transferring out scheme wishes to minimise cash paid out, whilst the receiving scheme would seek the opposite.

When bulk transfers occur, respective funds must agree on a basis of calculation, specifically each schemes' actuaries must agree a methodology between themselves and with the agreement of the schemes' managers.

Current Policy and Practice

Existing policy and practice is to treat each bulk transfer, with the agreement of parties involved, on a case-by-case basis.

Potential Change

Pensions legislation and regulations prescribe the bulk transfer philosophy, but not the mechanics of calculation. Due to the potential complexities and unique circumstances involved, it is not advisable to draw up a detailed bulk transfer policy, but rather than to state general principles.

Recommendation

To approve and endorse current bulk transfer practice in accordance with regulations and law, but to state additionally the following principles:

- LCPF will work with its actuary to determine the terms and assumptions used as a starting position for any bulk transfer exercise;
- LCPF will always seek to obtain, following actuarial advice, the best outcome for the fund and its members;

- LCPF will seek to work with receiving schemes and their actuaries in a positive and constructive manner, seeking both to minimise its actuarial fees and time taken, and to obtain the best outcome for the fund and its members.

Annex 1

Section 4

Equality Analysis Toolkit

Commutation of Small Pensions
For Decision Making Items

September 2015

What is the Purpose of the Equality Decision-Making Analysis?

The Analysis is designed to be used where a decision is being made at Cabinet Member or Overview and Scrutiny level or if a decision is being made primarily for budget reasons. The Analysis should be referred to on the decision making template (e.g. E6 form).

When fully followed this process will assist in ensuring that the decision-makers meet the requirement of section 149 of the Equality Act 2010 to have due regard to the need: to eliminate discrimination, harassment, victimisation or other unlawful conduct under the Act; to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard means analysing, at each step of formulating, deciding upon and implementing policy, what the effect of that policy is or may be upon groups who share these protected characteristics defined by the Equality Act. The protected characteristics are: age, disability, gender reassignment, race, sex, religion or belief, sexual orientation or pregnancy and maternity – and in some circumstances marriage and civil partnership status.

It is important to bear in mind that "due regard" means the level of scrutiny and evaluation that is reasonable and proportionate in the particular context. That means that different proposals, and different stages of policy development, may require more or less intense analysis. Discretion and common sense are required in the use of this tool.

It is also important to remember that what the law requires is that the duty is fulfilled in substance – not that a particular form is completed in a particular way. It is important to use common sense and to pay attention to the context in using and adapting these tools.

This process should be completed with reference to the most recent, updated version of the Equality Analysis Step by Step Guidance (to be distributed) or EHRC guidance at

<http://www.equalityhumanrights.com/private-and-public-sector-guidance/public-sector-providers/public-sector-equality-duty>

This toolkit is designed to ensure that the section 149 analysis is properly carried out, and that there is a clear record to this effect. The Analysis should be completed in a timely, thorough way and should inform the whole of the decision-making process. It must be considered by the person making the final decision and must be made available with other documents relating to the decision.

The documents should also be retained following any decision as they may be requested as part of enquiries from the Equality and Human Rights Commission or Freedom of Information requests.

Support and training on the Equality Duty and its implications is available from the County Equality and Cohesion Team by contacting

AskEquality@lancashire.gov.uk

Specific advice on completing the Equality Analysis is available from your Service contact in the Equality and Cohesion Team or from Jeanette Binns

Jeanette.binns@lancashire.gov.uk

Name/Nature of the Decision

Review and clarification of Pension Fund policy in the light of recent legislative changes, which allow pension funds to extend the choice to commute 'small' pensions to a wider group than previously existed.

To endorse an exercise to offer the new commutation freedoms to existing eligible pensioners.

What in summary is the proposal being considered?

To implement a policy whereby 'small' pensions (according to a specific definition) are commuted to a lump sum as the 'standard offer' for those taking their pension for the first time; additionally to carry out an exercise to commute existing eligible 'small' pensions which are already in payment.

Note that the term 'standard offer' implies that, operationally, information for prospective pensioners would promote the commutation route as well as other options, for example by the relevant paperwork and retirement process, but the choice not to commute would remain for prospective and current eligible pensioners.

Is the decision likely to affect people across the county in a similar way or are specific areas likely to be affected – e.g. are a set number of branches/sites to be affected? If so you will need to consider whether there are equality related issues associated with the locations selected – e.g. greater percentage of BME residents in a particular area where a closure is proposed as opposed to an area where a facility is remaining open.

The proposal would have no specific geographical impact. Note that around 90% of pensioners live in Lancashire.

Could the decision have a particular impact on any group of individuals sharing protected characteristics under the Equality Act 2010, namely:

- Age
- Disability including Deaf people
- Gender reassignment
- Pregnancy and maternity
- Race/ethnicity/nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership Status

In considering this question you should identify and record any particular impact on people in a sub-group of any of the above – e.g. people with a particular disability or from a particular religious or ethnic group.

It is particularly important to consider whether any decision is likely to impact adversely on any group of people sharing protected characteristics to a disproportionate extent. Any such disproportionate impact will need to be objectively justified.

Yes

If you have answered "Yes" to this question in relation to any of the above characteristics, – please go to Question 1.

If you have answered "No" in relation to all the protected characteristics, please briefly document your reasons below and attach this to the decision-making papers. (It goes without saying that if the lack of impact is obvious, it need only be very briefly noted.)

Question 1 – Background Evidence

What information do you have about the different groups of people who may be affected by this decision – e.g. employees or service users (you could use monitoring data, survey data, etc to compile this). As indicated above, the relevant protected characteristics are:

- Age
- Disability including Deaf people
- Gender reassignment/gender identity
- Pregnancy and maternity
- Race/Ethnicity/Nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership status (in respect of which the s. 149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act).

In considering this question you should again consider whether the decision under consideration could impact upon specific sub-groups e.g. people of a specific religion or people with a particular disability. You should also consider how the decision is likely to affect those who share two or more of the protected characteristics – for example, older women, disabled, elderly people, and so on.

Data held about pension fund members is limited to age, gender, marital status only. This means that no information is available around personal details as above.

The policy would affect existing and future pensioners aged 55 or above, and a small number of children whose (scheme member) parents die in service. Members (except in very limited circumstances such as ill health cannot access their pension pot before the age of 55)

Average pensions paid to females are lower than those paid to males (£2.9k pa and £6.7k pa respectively). This means that proportionately

more females than males would be able to take advantage of the commutation option.

Question 2 – Engagement/Consultation

How have you tried to involve people/groups that are potentially affected by your decision? Please describe what engagement has taken place, with whom and when.

(Please ensure that you retain evidence of the consultation in case of any further enquiries. This includes the results of consultation or data gathering at any stage of the process)

Ongoing engagement/consultation will take place at a members' conferences and via regular communication via roadshows, pension surgeries, newsletters etc. Your Pensions Service provides a continuous service to members allowing face-to-face consultation and advice etc. across the county.

Question 3 – Analysing Impact

Could your proposal potentially disadvantage particular groups sharing any of the protected characteristics and if so which groups and in what way?

It is particularly important in considering this question to get to grips with the actual practical impact on those affected. The decision-makers need to know in clear and specific terms what the impact may be and how serious, or perhaps minor, it may be – will people need to walk a few metres further to catch a bus, or to attend school? Will they be cut off altogether from vital services? The answers to such questions must be fully and frankly documented, for better or for worse, so that they can be properly evaluated when the decision is made.

Could your proposal potentially impact on individuals sharing the protected characteristics in any of the following ways:

- Could it discriminate unlawfully against individuals sharing any of the protected characteristics, whether directly or indirectly; if so, it must be amended. Bear in mind that this may involve taking steps to meet the specific needs of disabled people arising from their disabilities
- Could it advance equality of opportunity for those who share a particular protected characteristic? If not could it be developed or modified in order to do so?
- Does it encourage persons who share a relevant protected characteristic to participate in public life or in any activity in which participation by such persons is disproportionately low? If not could it be developed or modified in order to do so?
- Will the proposal contribute to fostering good relations between those who share a relevant protected characteristic and those who do not, for example by tackling prejudice and promoting understanding? If not could it be developed or modified in order to do so? Please identify any findings and how they might be addressed.

None anticipated. The advice received from the Fund's actuary indicates that, from a relatively technical perspective, some pensioners could marginally 'lose out' by commuting, whereas others could 'gain' by a similar margin . However it must be stressed that the factors used in reaching this conclusion do vary according to fund performance, actuarial assumptions etc., and would very probably change in future. Additionally, the commutation factors used in relevant calculations are periodically revised by the Government Actuary, to ensure gender equity. Against any technical marginal loss or gain must be weighed up questions of amenity and choice etc., and it should be emphasised that the choice whether or not to commute remains with the individual.

Question 4 –Combined/Cumulative Effect

Could the effects of your decision combine with other factors or decisions taken at local or national level to exacerbate the impact on any groups?

For example - if the proposal is to impose charges for adult social care, its impact on disabled people might be increased by other decisions within the County Council (e.g. increases in the fares charged for Community Transport and reductions in respite care) and national proposals (e.g. the availability of some benefits) . Whilst LCC cannot control some of these decisions, they could increase the adverse effect of the proposal. The LCC has a legal duty to consider this aspect, and to evaluate the decision, including mitigation, accordingly.

If Yes – please identify these.

Receiving a lump sum of up to £30,000, as can happen under a 'small' pension commutation, could affect a person's entitlement to means-tested benefits, or result, for example, in paying higher charges for social care. In line with the Freedom and Choice agenda, pensioners must make the best decision which fits their circumstances and aspirations.

The retirement process will need to provide relevant signposting to ensure awareness of such risks.

Question 5 – Identifying Initial Results of Your Analysis

As a result of your analysis have you changed/amended your original proposal?

Please identify how –

For example:

Adjusted the original proposal – briefly outline the adjustments

Continuing with the Original Proposal – briefly explain why

Stopped the Proposal and Revised it - briefly explain

Not at this stage. The risk to any means-tested benefits must be pointed out to pensioners or prospective pensioners, by Your Pension Service, at the time a decision is made.

Question 6 - Mitigation

Please set out any steps you will take to mitigate/reduce any potential adverse effects of your decision on those sharing any particular protected characteristic. It is important here to do a genuine and realistic evaluation of the effectiveness of the mitigation contemplated. Over-optimistic and over-generalised assessments are likely to fall short of the “due regard” requirement.

Also consider if any mitigation might adversely affect any other groups and how this might be managed.

The proposed change is that commutation of small pensions will become the service's standard offer; although prospective and current pensioners will be able to choose not to commute. The final decision will always be that of the pensioner.

Question 7 – Balancing the Proposal/Countervailing Factors

At this point you need to weigh up the reasons for the proposal – e.g. need for budget savings; damaging effects of not taking forward the proposal at this time – against the findings of your analysis. Please describe this assessment. It is important here to ensure that the assessment of any negative effects upon those sharing protected characteristics is full and frank. The full extent of actual adverse impacts must be acknowledged and taken into account, or the assessment will be inadequate. What is required is an honest evaluation, and not a marketing exercise. Conversely, while adverse effects should be frankly acknowledged, they need not be overstated or

exaggerated. Where effects are not serious, this too should be made clear.

It is not perceived that there will be any adverse impact on pensioners or the fund – the choice of options to take a pension or commutation will remain after any change in policy.

There would be a positive impact in terms of administrative costs should take up be significant. Additionally the fund would see a reduction in both liabilities and assets, but could benefit by reducing the amount of uncertainty in future strategic investment planning, valuation strategy etc.

Question 8 – Final Proposal

In summary, what is your final proposal and which groups may be affected and how?

To make commutation of 'small' pensions the standard offer for those about to take their pension for the first time; to offer existing 'small' pensioners the option to commute their existing 'small' pension.

To implement any policy or practice change starting in 2016

To retain choice for all current and prospective pensioners.

To enable pensioners to take advantage of 'the Freedom and Choice' agenda

To see a potential improvement in wellbeing, as accessing a lump sum could enable, for example, holidays, a new car etc. to be purchased. Such options may not be available to those on limited incomes (who for example may struggle to obtain credit to purchase a new car).

To provide information to prospective and current eligible pensioners to enable them to make an informed choice as to the option which suits their circumstances.

Question 9 – Review and Monitoring Arrangements

Describe what arrangements you will put in place to review and monitor the effects of your proposal.

Feedback from pensioners; monitoring of take up etc. Feedback provided to the Pensions Committee and Pension Board

Equality Analysis Prepared By Andy Brown

Position/Role Policy and Operations Manager

Equality Analysis Endorsed by Line Manager and/or Service Head Diane Lister

Decision Signed Off By

Cabinet Member or Director

Please remember to ensure the Equality Decision Making Analysis is submitted with the decision-making report and a copy is retained with other papers relating to the decision.

Where specific actions are identified as part of the Analysis please ensure that an EAP001 form is completed and forwarded to your Service contact in the Equality and Cohesion Team.

Service contacts in the Equality & Cohesion Team are:

Karen Beaumont – Equality & Cohesion Manager

Karen.beaumont@lancashire.gov.uk

Contact for Adult Services ; Policy Information and Commissioning (Age Well); Health Equity, Welfare and Partnerships (PH); Patient Safety and Quality Improvement (PH).

Jeanette Binns – Equality & Cohesion Manager

Jeanette.binns@lancashire.gov.uk

Contact for Community Services; Development and Corporate Services; Customer Access; Policy Commissioning and Information (Live Well); Trading Standards and Scientific Services (PH), Lancashire Pension Fund

Saulo Cwerner – Equality & Cohesion Manager

Saulo.cwerner@lancashire.gov.uk

Contact for Children's Services; Policy, Information and Commissioning (Start Well); Wellbeing, Prevention and Early Help (PH); BTLS

Pam Smith – Equality & Cohesion Manager

Pam.smith@lancashire.gov.uk

Contact for Governance, Finance and Public Services; Communications; Corporate Commissioning (Level 1); Emergency Planning and Resilience (PH).

Thank you

Lancashire Local Pension Board

Meeting to be held on 19 October 2015

Electoral Division affected: None

Governance Review

Contact for further information:

George Graham (01772) 538102, Director, Lancashire County Pension Fund,
george.graham@lancashire.gov.uk

Executive Summary

It is good practice for any organisation to regularly review its governance arrangements, particularly when its operating environment is changing, and the Pension Fund is no different in this regard.

The Fund's operating environment has changed as a result of the reforms introduced by the Public Service Pensions Act 2013, including the introduction of the Local Pension Board. In addition to the proposed partnership with the London Pensions Fund Authority, if it proceeds, any other form of pooling arrangement will also require different things from the Fund's governance arrangements.

As a result, a review is being undertaken of the Fund's governance arrangements to ensure that they are fit to meet the challenges going forward.

Given that the Pension Board has only just begun to operate it is not proposed to specifically review the Board. However, members of the Board may have valuable insights which can help shape the conclusions of this review.

Recommendation

The Board is asked to:

- (i) Note the work being undertaken to review the Fund's governance arrangements;
- (ii) Provide comments to officers which can be taken into account in framing the conclusions and recommendations from the review.

Background and Advice

The environment within which the Lancashire County Pension Fund operates is changing and consequently it is good practice to consider whether the Fund's governance arrangements need to change as a result. The key changes to the environment are:

- The changes brought about by the Public Service Pensions Act 2013, including the introduction of Local Pension Boards and the Scheme Advisory Board, together with the new role for the Pensions Regulator.
- The potential partnership with the London Pensions Fund Authority and the requirement from the Government to pool investment assets even if the Partnership does not proceed.
- The work being undertaken by the Scheme Advisory Board on the separation of the Fund from the operation of the host (administering) authority in order to avoid conflict of interest.

These changes require the Fund's governance arrangements to deliver different outputs and deliver a different form of challenge to the executive.

The Review Process

The review process is being carried out as a series of parallel dialogues:

- Firstly with the members of the Pension Fund Committee facilitated by Grant Thornton, the Fund's external auditor. The key question in this dialogue, which mirrors the type of self assessment regularly undertaken by the Audit Committee, i.e. whether the current arrangements are fit for purpose.
- Secondly with Fund officers, internally facilitated focussing on the same question.
- Thirdly, with review agencies such as internal and external audit.
- Finally, through inviting comments from the Local Pension Board, which given its statutory focus and recent creation is being treated as out of the scope of this review.

The conclusion of each of these dialogues will be brought together by officers to form recommendations for consideration by the Pension Fund Committee and if necessary the full County Council. The aim will be to bring any changes into operation from the beginning of the new municipal year in May 2016.

Issues for Consideration

The sort of questions to be considered in coming to a view on the effectiveness of governance arrangements in the context of the Pension Fund are:

- Is the balance of time spent by the various governance bodies focussed on the most important issues?
- Are reports considered by governance bodies clear and comprehensible?
- Are governance bodies providing sufficient and appropriate challenge to the Executive (in this case officers)?
- Are members of governance bodies able to develop and maintain adequate knowledge and skills in line with the relevant guidelines?
- Are appropriate interests represented and able to be heard in governance bodies?
- Do the various governance bodies effectively engage key stakeholder groups in coming to significant policy decisions?

Members of the Local Pension Board may wish to comment on these questions based on their personal experience of the operation of the Fund in recent years.

Pension Fund Committee Workshop

The workshop held on 16 September 2015 invited members of the Pension Fund Committee to critically reflect upon current governance arrangements and assess the extent to which they support the effective operation of the Fund and the fulfilment of the roles and responsibilities falling upon the Committee and its members.

Grant Thornton asked attendees a series of questions designed to facilitate discussion around five key themes:

- Knowledge and understanding
- Pension Committee – structure, terms of reference, and operation
- Managing risks
- Funding strategy and performance
- Conflicts of interest

Members were asked to anonymously indicate their personal views on a range of questions including whether the Committee's terms of reference and the way it operates gives sufficient time to all key aspects of the fund's management and administration.

The workshop was practically focussed and designed to elicit feedback on any significant problems or barriers faced and also to produce opinions and ideas on how the business of the Committee can be enhanced or better supported through practical changes to current practices and arrangements.

Consultations

This report forms part of the process of consultation and dialogue.

Implications:

N/A

Risk management

There are no significant risks associated with the proposals set out in the report.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board
Meeting to be held on 19 October 2015

Electoral Division affected: None

Recent Reports Considered by the Pension Fund Committee
(Appendix 'A' refers)

Contact for further information:
Dave Gorman, (01772) 534261, Legal and Democratic Services,
dave.gorman@lancashire.gov.uk

Executive Summary

Consideration of recent Part I reports considered by the Pension Fund Committee.

Recommendation

The Board is recommended to note the Part I reports considered by the Pension Fund Committee at its meeting on 30 September 2015, as set out at Appendix 'A', and comment as appropriate.

Background and Advice

The Pension Fund Committee has considered a number of reports at its meeting on 30 September 2015.

Details of the reports considered are set out at Appendix 'A'.

Board Members have also previously received notification of the Committee agenda and reports, upon publication.

The agenda and reports can also be viewed at:
<http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=183&MIId=5045&Ver=4>

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

List of Background Papers

Paper	Date	Contact/Tel
Pension Fund Committee Agenda	30 September 2015	Dave Gorman, (01772) 534261,

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Lancashire County Council

Pension Fund Committee

Wednesday, 30th September, 2015 at 1.15 pm in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston

Part I Reports Considered

Part I (Open to Press and Public)

- 8. Initial Approach to the 2016 Actuarial Valuation**
- 9. Lancashire County Pension Fund - Report on Administering Authority Discretions**
- 10. Annual Report and Statement of Accounts of Lancashire County Pension Fund for the year ended 31 March 2015**
- 11. External Audit - Lancashire County Pension Fund Audit Findings Report 2014/15**
- 12. Lancashire County Pension Fund Risk Register**
- 13. Responsible Investment**
- 14. Lancashire County Pension Fund Compliance Monitoring**
- 15. Report of Decisions taken under the Urgent Business Procedure**
- 16. Feedback from Committee Members on External Pension Fund Training Events and Conferences**

Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

