



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 5 April 2018

**Committee:
Pensions Board**

Date: Friday, 13 April 2018

Time: 9.30 am

**Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,
SY2 6ND**

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

**PLEASE NOTE THAT A TRAINING SESSION WILL TAKE PLACE FROM 11AM –
12.30PM ON THE NEW DATA PROTECTION REGULATIONS FOLLOWED BY AN
UPDATE FROM OFFICERS. THE MEETING WILL FINISH APPROX 1PM.**

Members of Pensions Board

Liz Furey – Employer Rep
Philip Ingle – Employer Rep
Mike Morris – Pensioner Rep (Chairman)
Vacancy – Pensioner Rep

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719

Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies

2 Declarations of Conflicts of Interest

Members are reminded that they should declare any interests which may lead to conflicts of interest in the subject area or any specific agenda item of this meeting. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS.

3 Minutes of the previous meeting (Pages 1 - 6)

The Minutes of the meeting held on 17 November 2017 are attached for confirmation, marked 3.

Contact: Michelle Dulson (01743) 257719

4 Public Question Time

To receive any questions from the public, notice of which has been given.

5 Pensions Committee Updates - Exempt reports to be discussed in exempt session of the meeting.

To highlight any papers/reports arising from the recent Pensions Committee meeting which may of relevance to the Board.

Please click on the link below to access the reports considered by the Pensions Committee at its last meeting on 16 March 2018.

<http://shropshire.gov.uk/committee-services/ieListDocuments.aspx?CId=260&MId=3451&Ver=4>

6 Administration and Regulatory Updates (Pages 7 - 20)

Report attached, marked 6.

Contact: Debbie Sharp (01743) 252192

7 Update on Breaches of LGPS Regulations (Pages 21 - 24)

Report attached, marked 7.

Contact: Rebecca Clough (01743) 254457

8 Employers Insolvency (Pages 25 - 28)

Report attached, marked 8.
Contact: Debbie Sharp (01743) 252192

9 Review of Policies (Pages 29 - 32)

Report attached, marked 9.
Contact: Rebecca Clough (01743) 254457

10 Cross Pool Open Forum session

The Chairman will give a verbal update.

11 LGPS Central Update

Justin Bridges will give a verbal update.

12 Training requirements for 2018/19

Rebecca Clough to start the discussion on the training requirements for the upcoming year.

13 Update on the Appointment of a new Board Representative

Rebecca Clough will give a verbal update.

14 Date of Next Meeting

15 Exclusion of Press and Public

To consider approving a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Pensions Board in relation to Agenda Item 16 only shall not be conducted in public on the grounds that it involves the likely disclosure of exempt information as defined by the category specified against it.

16 Data Improvement Plan (Pages 33 - 34)

Report attached, marked 16.
Contact: Rebecca Clough 01743 254457



Committee and Date

Pensions Board

13 April 2018

PENSIONS BOARD

**Minutes of the meeting held on 17 November 2017 in the Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND
10.00 am - 12.55 pm**

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Liz Furey – Employer Rep
Pat Hockley – Pensioner Rep
Mike Morris – Pensioner Rep (Chairman)
Philip Ingle – Employer Rep

1 Apologies

1.1 No apologies were received.

2 Declarations of Conflicts of Interest

2.1 No conflicts of interest were declared.

3 Minutes of the previous meeting

3.1 RESOLVED:

That the Minutes of the meeting held on 7 July 2017 be approved and signed by the Chairman as a correct record.

4 Public Question Time

4.1 No public questions were received.

5 Administration and Regulatory Updates

5.1 The Board received the report of the Pensions Administration Manager – copy attached to the signed Minutes - which provided Members with the latest administration and regulatory updates affecting the local Government Pension Scheme. The Pensions Administration Manager took Members through the main points of the report and answered a number of queries.

5.2 The Pensions Administration Manager drew attention to the Scheme Advisory Board (SAB) Consultation on Academies which had closed on 29 September 2017, the results of which were reported to the SAB at its meeting held on 16 November 2017. She agreed to share the report with the Pensions Board once received from the SAB.

A brief discussion ensued in relation to concern over the possible bankruptcy of Academies. This was not however an issue in Shropshire.

- 5.3 In relation to the changes to the early retirement strain costs, the Pensions Administration Manager explained what this would mean for someone who was being made redundant or taking early retirement. The Pensions Administration Manager reported that the number of active members who had signed up to the Funds' secure website area, 'My Pension Online', was higher than the national average.
- 5.4 Members of the Board requested that a report on the new General Data Protection Regulations (GDPR) be presented to its next meeting in order to ensure that the Fund was compliant with the regulations. It was confirmed that the Pensions Administration Manager and the Pensions Communication Officer would be receiving training on the new GDPR in December from Eversheds. The Pensions Communication Officer reported that she was also a representative on the National Working Group for GDPR, which was seeking a legal view on a number of specific questions that had been raised about GDPR in respect of the LGPS. The Pensions Communication Officer agreed to share the response with the Board once received.
- 5.5 It was reported that a Data Protection Officer (DPO) had not yet been appointed by the Council and that legal advice was awaited about whether the Fund required its own DPO.
- 5.6 The Pensions Administration Manager drew attention to the Pensions Administration Report which had been presented to the Pensions Committee at its meeting on 22 September 2017. She informed members that the Fund had joined with its software provider to pilot a Data Quality Review, the results of which would be fed into a data improvement plan. She agreed to report back to the Board the improvements achieved.

5.7 **RESOLVED:**

That the contents of the report be noted.

6 **Update on Investment Strategy and implementation including transition to the Central Pool**

- 6.1 The Head of Treasury and Pensions gave an update on the Fund's current investment strategy and implementation including the transition to the Central Pool. He informed Members that the Committee had voted to support an equity protection strategy with Legal and General. 30% of equities were protected through passive management for 12 to 18 months. The investment strategy was to be reviewed by the Committee at its meeting on 24 November 2018.
- 6.2 Turning to the transition of assets into the Central Pool, the Head of Treasury and Pensions informed the meeting that this would begin in April 2018 and would take two years to complete. The Shropshire County Pension Fund would not be affected until June 2018.

7 **LGPS Central update**

7.1 The Head of Treasury and Pensions updated the Board in relation to a presentation given by Jason Fletcher the Chief Investment Officer of LGPS Central – copy attached to the signed Minutes. He drew attention to the benefits to Shropshire including £36m cost savings, benefits of scale and dedicated asset management oversight.

8 **Responsible Investment**

8.1 Members received a presentation by Michael Marshall, West Midlands Pension Fund in relation to Responsible Investment – copy attached to the signed Minutes. The presentation covered the following areas:

- What is Responsible Investment;
- The Link between Responsible Investment and performance;
- LGPS Regulations and Guidance;
- SCPFs approach;
- Climate Change
- LGPS Central

9 **Pensions Committee Updates - to include a presentation about Internal Audit**

9.1 Members received a presentation from the Principal Auditors in relation to the Internal Audit Service. They gave an overview of Internal Audit and the service it provided to the Pension Fund. The Internal Audit Service spent 50-60 days annually auditing the Fund. Internal Audit reported annually to the Pensions Committee.

9.2 In response to a query in relation to follow up audits where recommendations had been made, the Principal Auditor explained that some were automatically followed up whilst others would be tabled in when required. In response to a further query, the Principal Auditor explained how Internal Audit supported implementation of emerging risks.

9.3 The reports considered by the Pensions Committee at its meeting on 22 September 2017 had been received by the Board. In response to a query about Employers Insolvency, it was confirmed that Academies were underwritten by the Department for Education, other employers had guarantors and bonds, whilst some did not and were a risk to the Fund. It was confirmed that any debt would be apportioned across the fund employers.

9.4 **RESOLVED:**

That a short report on Employers Insolvency be presented to the next meeting.

10 **Update on Breaches of LGPS Regulations**

10.1 The Board received the report of the Pensions Communication Officer – copy attached to the signed Minutes – which informed Members of the latest breaches of the LGPS regulations affecting the Shropshire County Pension Fund.

10.2 RESOLVED:

That the contents of the report be noted.

11 Update on Implementation of the Markets in Financial Instrument Directive (MiFID 11)

11.1 The Head of Treasury and Pensions updated the Board in relation to the implementation of the European Markets in Financial Instrument Directive 2014/65 (“MiFID II”).

12 Fund Administration Policies

12.1 The Board received the report of the Pensions Communication Officer – copy attached to the signed Minutes – which provided Members with information on the Administration Policies of the Shropshire County Pension Fund.

12.2 The Pensions Communication Officer reported that Scheme Employers had been informed at their meeting on 9 November 2017 of the review of Fund policies together with compliance against all codes and regulatory requirements and how they were measured. An Action Plan of improvements would then be put in place and any policy changes circulated to employers for consultation.

12.3 The Pensions Communication Officer drew Members’ attention to the new Employer Events Policy which had been drawn up in conjunction with the actuary and which would cover the various ‘life stages’ of an employee within the Fund. Following consultation with employers, the draft Policy would be shared with the Board.

12.4 The Pensions Communication Officer drew attention to the Pension Regulators Code of Practice 14 which sets out the policies which a Pensions Board must have a working knowledge of. She also highlighted the Public Service Governance and Administration Survey results published in May 2017, attached at Appendix A of the report.

12.5 RESOLVED:

That the contents of the report be noted.

13 Future Training Requirements

13.1 The Pensions Communication Officer reported that training sessions were to be arranged in relation to the Regulations and the new data protection regulations. The sessions would be held prior to future meetings.

14 Date of Next Meeting

14.1 It was agreed that the next meeting be held in March 2018 after the Pensions Committee meeting on 16 March 2018.

NB. The next meeting was subsequently arranged for Friday 13 April 2018.

Signed (Chairman)

Date:

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<u>Committee and date</u> Pensions Board 13 April 2018 9.30am
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<u>Item</u> <u>Public</u>
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Administration and regulatory updates

Responsible Officer Rebecca Clough
Email: rebecca.clough@shropshire.gov.uk Tel: 01743 254457

1. **Summary**
The report provides Pension Board Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).
2. **Recommendations**
Pension Board Members are asked to note the contents of this report.

REPORT

3. **Risk Assessment and Opportunities Appraisal**
 - 3.1 **Risk Management**
By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.
 - 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.
 - 3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.
 - 3.4 **Financial Implications**
Currently there are no direct financial implications arising from this report.
4. **Administration topics covered at Pensions Committee since the last Pensions Board meeting**
 - 4.4 In addition to this report the Pensions Board are advised to note the Pensions Administration Reports submitted to the pension committee meetings held on 24 November 2017 and the 16 March 2018, which included updates on;

- Calls received by the helpdesk
- Take up of Member Self Service
- Address tracing update
- Update on GMP Reconciliation Project
- CARE pensions revaluation rate/pensions in payment increase from April 2018
- Benchmarking

5. Administration latest news

5.1 Scheme Advisory Board (SAB) work-plan for 2018/19

Three new projects have been proposed for SAB in 2018/19 these being separation, guidance and data improvement.

5.2 The objective for the separation work stream would be to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.

5.3 The second project is proposed to identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist with the drafting of guidance.

5.4 The final project aims to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data by the identification of scheme specific conditional data and the production of guidance for authorities and employers.

5.5 Business planning

The Pensions Regulator (TPR) issued guidance in December 2017 to make clearer what it thinks good governance look like, and what it plans to do if those standards are not being met.

5.6 The guidance is part of the TPR's 21st Century Trustee campaign which aims to improve standards of governance across all pension schemes and business planning is one of the ten areas of focus within the Pension Regulator's campaign. More information about the campaign can be found using this link:

<http://www.thepensionsregulator.gov.uk/21st-century-trusteeship.aspx>

5.7 The TPR's specific guidance on business planning states;

Having a business plan will enable Schemes to plan ahead and improve the ability to comply with legal requirements at all times and sets out the following:

- set out strategic goals for the scheme
- checks progress using short-term and medium-term objectives
- actions taken if objectives are not being met
- prioritise scheme business and board agenda items
- plan training and other activities to develop the skills of the board
- co-ordinate activities of advisers and those providing services to your scheme
- engage with employers
- manage risks effectively

The Fund's high level activities are included in Shropshire Council's Finance Governance and Assurance service plan but to keep in line with the TPR's guidance a separate business plan will be developed going forward.

6. Publication of the Pensions Ombudsman public pension scheme statistics enquires & investigations

- 6.1** Pension Board members are asked to note **Appendix A** which provides a summary of the statistics collated by the Pensions Ombudsman concerning the enquiries and investigations undertaken on behalf of the Local Government, Police, Firefighters and Teachers Pension Schemes. For the LGPS, the statistics reveal that ill health remains the most common type of complaint, followed by incorrect calculations.

7. Pensions Dashboard Update

- 7.1** As previously reported to the Board in February 2017 there is a project set up by Government to explore the feasibility of delivering a pensions dashboard providing a single point of access which would allow individuals to view all their pension savings in one place.
- 7.2** It was intended that Public Service Pensions are out of scope for the initial development of the prototype but in February 2018, the LGPC Secretariat attended an informal discussion with the Department of Work and Pensions (DWP) and other public service pension schemes about the Pensions Dashboard.
- 7.3** DWP have undertaken user research, the results of which show a consensus around there being a preference for a single dashboard with a single point of access along with a preference for the dashboard to be government led. Results from the feasibility study once published will be shared with the Board.

8. Key dates for 2018

- 8.1** The Fund's employer meeting has been set and is being held on Thursday 11TH October 2018 at the Shirehall. The agenda is currently

being drawn up however the Fund does intend to invite the Pensions Regulator to present.

- 8.2 The Fund's Annual Meeting date for 2018 has been set for Thursday 15th November 2018.

9. Regulatory latest news

9.1 General Data Protection Regulations (GDPR) – template privacy notices

The LGA have, on behalf of LGPS Administering Authorities, commissioned the legal company Squire Patton Boggs to produce the following three documents:

- 'Template full privacy notices' specifically for LGPS administering authorities to use setting out the information to be provided under articles 13 and 14 of the GDPR. This notice takes into account that most likely, the data will be obtained directly from both the employer and the member.
- 'Summary privacy notice' for use in newsletters / annual benefit statements – this will link to the full privacy notice that would be held on the Fund's website or made available upon request.
- A memorandum of understanding document for employers - the aim of this document is to set out that participating employers in the LGPS are able to share data with the LGPS administering authority without a data sharing agreement being in place (i.e. that there is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers). The document will quote the relevant statutory references to inform an employer's data protection officer and legal department of the legal position, to head off any issues with employers uncertain about what data they can / cannot share with LGPS administering authorities.

These documents have recently been made available to the Fund and are currently being reviewed for publishing to the Fund's website and circulated to members and employers.

9.2 Annual allowance and lifetime allowance limits applicable from 6 April 2018

- 9.3 The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2018 amends the Lifetime Allowance limit to £1,030,000 with effect from the 6 April 2018.

- 9.4 The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2018/19.

9.5 Divorce under Scottish Law

Pension Board members may wish to note that a recent legal case has changed how pension rights are assessed for divorce under Scottish law. It

has always been the case that under Scottish law, only the pension rights accrued during the period of the marriage can be shared. This has previously been understood to mean any period of active pension scheme membership while the member was married – for example, if a member joined the scheme in 1995, married in 2000, retired in 2005 and divorced in 2015, the Cash Equivalent Transfer Value (CETV) used in the calculation would be adjusted by 5/10 (dividing it by the 10 years of active membership and multiplying by the 5 years of active membership while married). However, a recent case has challenged this. The Supreme Court decision in the McDonald case was that all membership during the period of the marriage should be taken into account, including periods while the member was a deferred or pensioner member. This has the effect that in the above case instead of the CETV being adjusted by 5/10, it should be adjusted by 15/20, giving a much larger proportion of the CETV to be included in a pension sharing order.

- 9.6** This case sets a precedent and the change in approach will affect all LGPS funds who deals with any members divorcing under Scottish law. This is currently being discussed at the Local Government Association (LGA) and the Fund is reviewing systems and literature to ensure they are updated accordingly.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Item 5 - Pensions Board Meeting 2 February 2017 - Administration and Regulatory Update

Item 16 - Pensions Committee Meeting 24 November 2017 – Pension Administration Monitoring

Item 23 - Pensions Committee Meeting 16 March 2018 – Pension Administration Monitoring

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A - Pensions Ombudsman public pension scheme statistics

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Local Government Pension Scheme statistics enquires & investigations



**Pensions
Ombudsman
Service**

Year	2014	2015	2016/17
Investigations accepted	114	79	100
Investigations closed	77	102	98
Enquiries	89	129	*

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Outcome "Formal" Determined Investigations	2016/2017
Upheld	12.82% (5)
Partially upheld	17.95% (7)
Not upheld	69.25% (27)
Total	39 (39.8% total closures)

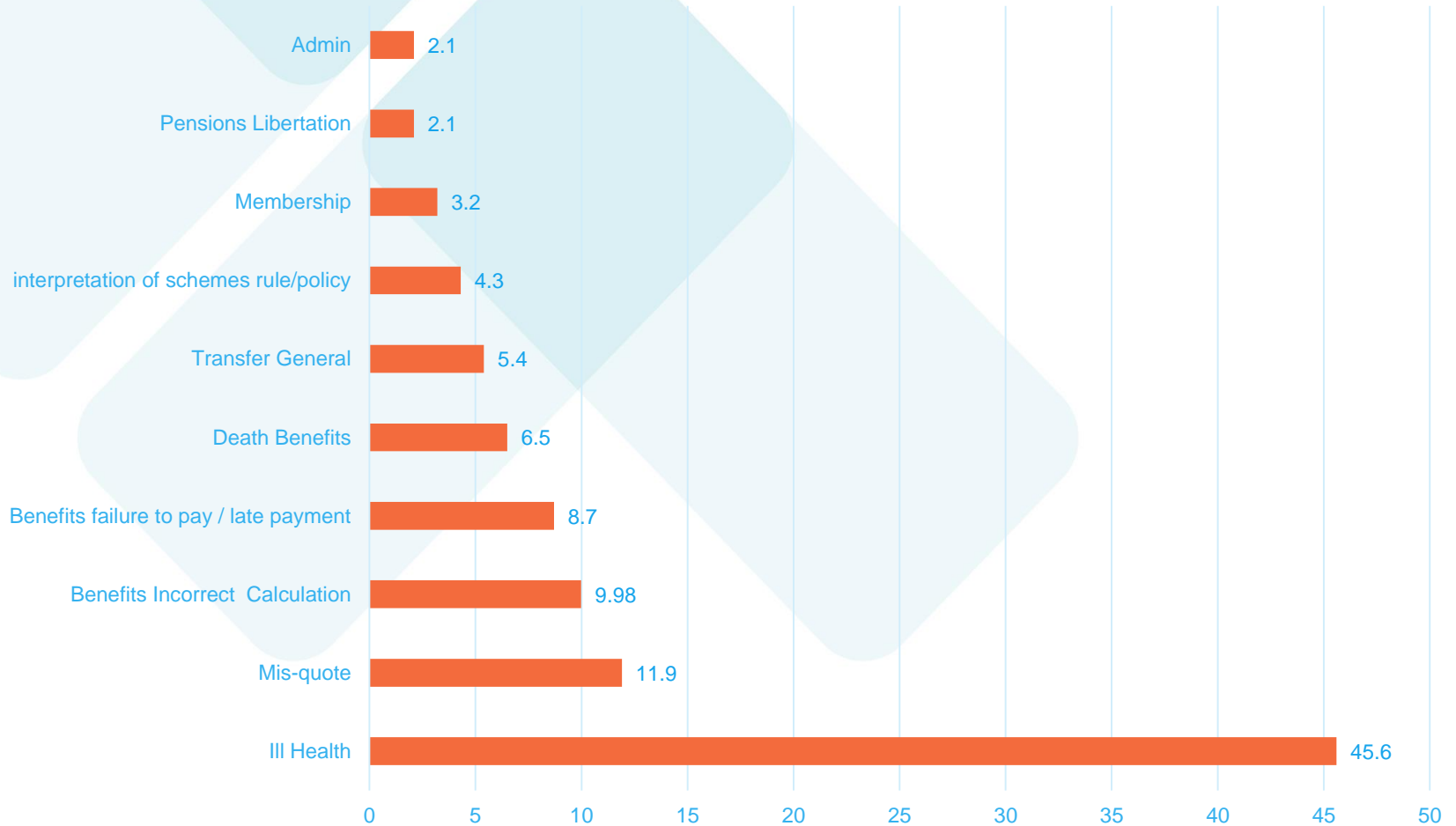
Outcome "informal" resolutions	2016/17
Opinion accepted	34.7% (34)
Resolution	25.5% (25)
Total	59 (60.2% total closures)

LGPS Complaint Types



Pensions
Ombudsman
Service

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Firefighters Pension Scheme statistics (investigations)



Pensions
Ombudsman
Service

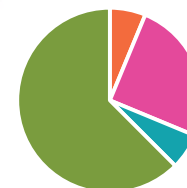
Year	2014	2015	2016/17	01.04. 017 31.07.2017
Investigations accepted	15	13	16	9
Investigations closed	N/A	18	11	5

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Outcome "Formal" Determined Investigations	2016/2017	01.04.2017- 31.07.2017
Upheld	4	-
Partially upheld	1	-
Not upheld	5	-
Total	10	-

Outcomes "informal" resolutions	2016/17	01.04.2017- 31.07.2017
Opinion accepted	1	-
Resolution	4	-
Withdrawn	1	-
Total	6	-

2016/17

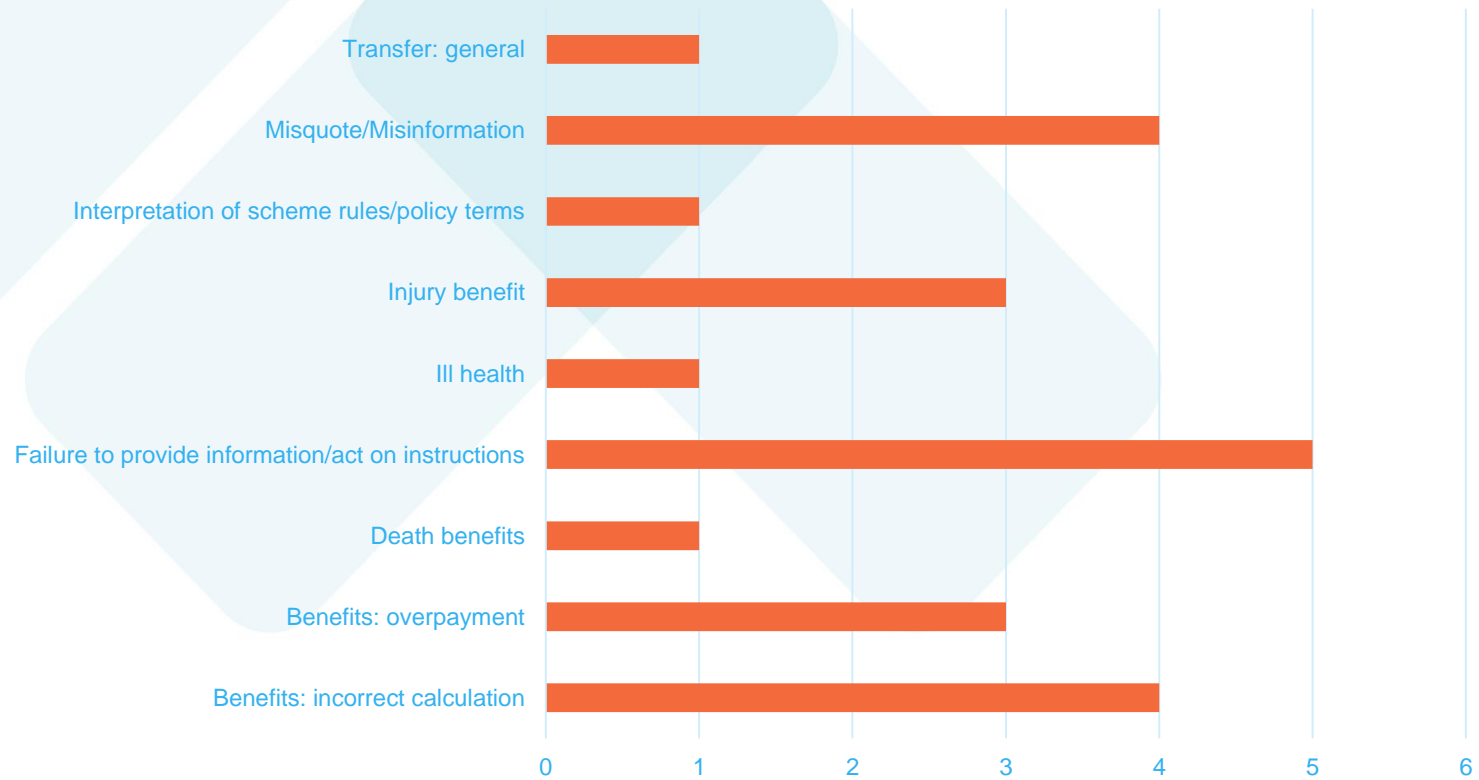


Opinion accepted Resolution Withdrawn Determined



Firefighters Pension Scheme complaint types

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Police Pension Schemes, enquiries investigations & outcomes



Pensions
Ombudsman
Service

Year	2014	2015	2016	2016/17
Investigations accepted	10	8	2	11
Investigations closed	9	8	14	9
Enquiries	55	113	-	18

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Outcome Determined Investigations	2016/2017	2017 to date
Upheld	25% (2)	28.57% (2)
Partially upheld	12.5% (1)	14.29% (1)
Not upheld	62.5% (5)	57.14% (4)
Formal resolution	42.1% (8)	77.8% (9)
Informal resolution	57.9% (11)	22.2 % (2)

Police Pensions outcomes closed investigations



Pensions
Ombudsman
Service

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Type informal resolutions	2016/17
Opinion accepted	36.8%
Resolution	15.8%
Withdrawn	5.5%

Investigation topic	2016/17
Ill Health	21% (4)
Injury Benefit	21% (4)
Mis quote/Mis information	21% (4)
Transfer general	10% (2)
Benefit Income	10% (2)

Teachers Pension Scheme, enquiries investigations & outcomes



Pensions
Ombudsman
Service

Year	2014	2015	2016	2016/17	YTD
Investigations accepted	71	62	64	49	22
Investigations closed	50	70	66	61	*
Enquiries	16	15	18	26	8

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Outcome Determined Investigations	2016/2017	
Upheld	9.09 %	(1)
Partially upheld	27.7 %	(3)
Not upheld	63.6 %	(7)
Formal resolution	22.91%	(11)
Informal resolution	77.09%	(27)

Teachers Pension Schemes outcomes closed investigations



Pensions
Ombudsman
Service

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Type informal resolutions	2016/17
Opinion accepted	7
Resolution	17
Withdrawn	1

Investigation topic top five topics	2016/17
Benefits overpayments	32.65% (16)
Membership	14.29% (7)
Transfer general	8.16% (4)
Failure to perform instructions	6.12% (3)
Death Benefits	6.12% (3)

- a professional adviser in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,
- 4.2** When deciding whether a breach is likely to be of material significance to the Pensions Regulator, the cause, effect, reaction to and wider implications of the breach should all be considered and, if a breach has occurred that is deemed material, it should be reported to the Pensions Regulator.
- 4.3** Any potential breaches by the Administration Team or Fund Employers' are recorded on the Breaches Log and reported quarterly to Pensions Committee. Over the 2017/18 financial year, the majority of breaches were due to employers not preparing a discretions policy, leavers forms being provided outside the four week time period, or contributions and/or data not being submitted on time.
- 4.4** In March 2018, 11 discretions policies are outstanding. 3 of these are in relation to new employers who have joined the scheme after 1 January 2018. These employers have 3 months in which to submit a policy before the absence of a policy is considered a breach. Of the other 9 outstanding policies, which are in breach of the regulations, 1 employer has submitted a draft policy for review.
- 4.5** The majority of the other breaches are when employers do not pay over their pension contributions on time and/or data supporting the payment is not being submitted on time. Each breach recorded is reported to the employer and most employers engage with the Fund to ensure the breach does not happen again. These type of breaches are largely due to administration errors such as contribution cheques not being posted on time, the payment deadline of the 19th falling on a weekend, or a new employer failing to correctly understand the responsibilities of becoming an employer in the Fund, particularly when separating from the Local Authority, such as Academy conversions.
- 4.6** Throughout 2017/18 there were 12 employers who appeared on the breaches log with a total of 6 or more breaches for the reasons set out above. These employers have all been written to, the letter being sent to the main contact at the organisation, and the Fund is continuing to work with them to improve their practises. For those employers who have built up multiple breaches, the breaches tend to have occurred around the same issue, for example recording the additional contributions incorrectly on their data extract, meaning that the payment made does not match the data submitted. This indicates a lack of knowledge specific to the individual employer, which is rectified by the team through targeted guidance and training on the issue.
- 4.7** No breach has yet been assessed as material and therefore none have needed to be reported to the Pensions Regulator.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Item 8 - Pensions Board Meeting 17 November 2017

Item 13 - Pensions Committee Meeting 24 November 2017 Record of Breaches Report (Exempt paper)

Item 23 - Pensions Committee Meeting 16 March 2018 Record of Breaches Report (Exempt paper)

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

NA

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<u>Committee and date</u> Pensions Board 13 April 2018 9.30am
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<u>Item</u> <u>Public</u>
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Employers Insolvency

Responsible Officer Debbie Sharp

Email: debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

1. Summary

The report provides Pension Board Members with information on how the Fund manages the different employers participating in the Scheme and the measures in place to protect the Fund in the event of employer insolvency.

2. Recommendations

Pension Board Members are asked to note the contents of this report

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Currently there are no direct financial implications arising from this report.

4. Employers Insolvency

4.1 Scheme employers are listed in Schedule 2 (parts 1-3) of the Local Government Pension Scheme Regulations 2013 as follows:

- Part 1 - 'Schedule' bodies – these are employers that must make the LGPS available to all eligible employees. They are employers such as District and County Councils, Academies and ex Local Authority Colleges.

- Part 2 – ‘Designation’ bodies – these are employers that can make the LGPS available to all or some of their employees. Such as parish and Town Councils.
- Part 3 – ‘Admission’ bodies – those employers participating in the LGPS through an admission agreement which will specify which employees are eligible for membership. Such as charities or companies working on service contracts for Schedule bodies.

- 4.2** Admission Bodies fall into two types: referred to in previous regulations as community admission bodies and transferee admission bodies. This report will use this terminology. ‘Community admission bodies’ (CAB) these are bodies defined under Schedule 2 part 1 of the LGPS Regulations 2013 and are “not for profit” organisations that normally have a community of interest with local government employers. To allow a CAB entry to the Shropshire Fund the Pension Committee has for many years required these to be guaranteed by a body with tax raising powers or to provide a Bond.
- 4.3** An Admission Agreement arising in respect of a contract for services was formerly referred to as a ‘Transferee Admission Bodies’ (TAB) and these bodies are now defined under Schedule 2 part 3d of the LGPS Regulations 2013. There are certain obligations under the LGPS regulations on the body letting the contract to provide a contractual protection for certain aspects of the transferring employees’ pension provision. Regulation 64(3)(a) is where a New Admission Body is not able to pay for the liabilities it has accrued at the date of termination of the admission agreement therefore, the shortfall attributable to the New Admission Body will revert back to the Transferor Scheme Employer. This includes the commitment to maintain all liabilities relating to deferred and retired members whose pension payments will continue to be made long after the termination of the admission agreement.
- 4.4** Admitted Body status allows scheme members who are transferred under TUPE from their Local Government employment to an external provider, for the delivery of a contract for services, to remain in the LGPS for so long as they are employed in connection with the delivery of the outsourced contract.
- 4.5** Any organisation which now applies to become an admission body in the Fund under either of the above two regulations must either have a guarantor or provide a bond. This means that, if the employer fails or is unable to meet its pension obligations, the Fund can revert to the guarantor or bond provider to protect all other Scheme Employers from having to pick up the debt.
- 4.6** As at 31 March 2016 the Fund had 4 Admission Bodies that do not have a Guarantee given by a Scheduled Body within the Fund. 3 have Bonds in place. The deficit of the 1 with no cover was £3.6million.

5 Academies

- 5.1** Academy schools (including free schools) are Scheduled Bodies under the LGPS regulations. This means the non-teaching employees of an Academy have an automatic right to join the scheme, or remain in it following conversion from a maintained school.
- 5.2** On conversion, an Academy becomes a stand-alone employer in the Fund, with an individual funding position. When a maintained school converts to Academy status, existing staff who are already members of the LGPS will not have their pension benefits impacted by the conversion. Their membership of the LGPS will continue unaffected through the continuing participation of the Academy employer in the LGPS.
- 5.3** The Department for Education (DfE) has provided a Departmental guarantee to all LGPS administering authorities in England that in the event of the closure of an academy trust (AT) or multi-academy trust (MAT) any outstanding LGPS liabilities that cannot be met by the trust's assets will be met by the DfE and will not revert to the fund. Academies therefore present no greater risk to funds than local authorities and should not be treated as higher risk employers. The guarantee applies also to sixth form colleges that have changed their status to become an academy.
- 5.4** In the guarantee the DfE commits to ensuring that where an AT or MAT closes, the closure is effectively managed. Normally the liabilities will be met from the trust's assets on closure, but the Secretary of State has the power to determine how the assets of a trust are disposed. Any remaining outstanding LGPS deficit would then be met by the DfE in full.
- 5.4** The Parliamentary Minute states that the DfE and HM Treasury reserve the right to withdraw the guarantee. This is a standard condition for all government guarantees where there is no specific end date; there is absolutely no expectation that the guarantee would be withdrawn. Before any withdrawal of the guarantee the DfE would consult all relevant parties and give reasonable notice to allow funds to undertake new risk assessments.
- 5.5** The guarantee is not time bound. The liabilities set out in the parliamentary minute have been projected over a seven-year period and the DfE will continue to project future academy numbers and assess potential liabilities on a rolling programme.

6 Designating Bodies

- 6.1** These were previously called Resolution Bodies and are also listed in Local Government Pension Scheme Regulations 2013. They include

Town and Parish Councils and entities under the control of Scheduled Bodies (this includes Local Authority Companies).

- 6.2** Designated Bodies can 'designate' an employee, or a class of employees, as being eligible to join the LGPS. If an employee is covered by the employer's published admission policy or, where there is no admission policy, if their employer designates them as a member, they must be brought into the LGPS automatically, unless they have opted out.
- 6.3** Designated Bodies in the Fund have tax raising powers and are backed by Statute.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

N/A

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

N/A



<u>Committee and date</u> Pensions Board 13 April 2018 10.00am

<u>Item</u> <u>Public</u>
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Review of Policies

Responsible Officer Rebecca Clough
Email: rebecca.clough@shropshire.gov.uk Tel: 01743 254457

1. **Summary**
The report provides Pension Board Members with the latest report on the administration policies of the Shropshire County Pension Fund.
2. **Recommendations**
Pension Board Members are asked to note the contents of this report

REPORT

3. **Risk Assessment and Opportunities Appraisal**
 - 3.1 **Risk Management**
By ensuring the guidance and legislation mentioned in this report is followed and adhered to, risks to the Fund are minimised.
 - 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.
 - 3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.
 - 3.4 **Financial Implications**
Currently there are no direct financial implications arising from this report.
4. **Review of Policies**
 - 4.1 In accordance with the Local Government Pension Scheme Regulations 2013 and other regulatory requirements the Fund has created and maintains a series of strategies, policies and statements relating to the governance and administration performance of the Pension Fund. These can all be viewed on the Pension Fund website.
 - 4.2 The Fund policies are regularly reviewed in line with guidance from the Pensions Regulator and the regulatory requirements. In line with this guidance, the Pensions Team is in the process of undertaking a review of some of the Fund's policies.

5. Updates to Existing Policies

- 5.1** Work has begun on updating the Governance Compliance Statement, the Communications Policy Statement and the Administration Strategy Statement. These three policies are prepared and maintained by the Pension Fund in accordance with The Local Government Pension Scheme Regulations 2013; Regulations 55, 61 and 59 respectively.
- 5.2** The review of the Administration Strategy Statement has largely focused on evaluating the responsibilities of the Scheme employers and the Administering Authority and ensuring that these are still compliant with legislative requirements. Further work is also underway to improve reporting on administrative tasks to ensure the Team are meeting the timescales quoted in the Administration Strategy Statement.
- 5.3** Work on the Governance Compliance Statement is underway to ensure that the document is still up-to-date. In particular, all the discretions available for an Administering Authority to exercise are being reviewed. The exercise will also ensure that the Governance Compliance Statement clearly states how the Shropshire County Pension Fund intends to exercise all such discretions.
- 5.4** Updates to the Communications Policy are underway. These are primarily concerned with updating the policy to reflect the move to electronic data transfer from employers using the iConnect data transfer service.
- 5.5** The Reporting Breaches Policy and the Training Policy have been reviewed and do not need content to be updated, but have undergone a design update to ensure uniformity of design across all Fund policies.

6. Employer Events Policy

- 6.1** An Employer Events Policy has been put in place which replaces the Termination Funding Policy. The policy covers the various “life stages” of an employer participating in the Fund and summarises the events and possible outcomes from those events right through until withdrawal from the Fund. Scheme employers were consulted on the new policy and all feedback received was provided with a response by the Fund. Pensions Committee agreed the policy on 16 March 2018. The Policy has been uploaded to the Pension Fund website and is available for all Scheme members and employers to view. All employers have been notified that this Policy has been agreed by Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

NA

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

NA

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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