



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

Date: 8 November 2018

**Committee:
Pensions Board**

Date: Friday, 16 November 2018

Time: 9.30 am

Venue: Oswestry 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)

Members of Pensions Board

Liz Furey – Employer Rep
Philip Ingle – Employer Rep
Mike Morris – Pensioner Rep (Chairman)
John Hall – 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 13 April 2018 are attached for confirmation.
Contact: Michelle Dulson (01743) 257719

4 Public Question Time

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

5 Presentation from AON Hewitt

6 Administration and Regulatory Updates / Presentation from Pensions Administration team (Pages 7 - 128)

Report attached.
Contact: Debbie Sharp (01743) 252192

7 Transition to the Central Pool and LGPS Central Update

To receive a verbal update from the Head of Treasury and Pensions.
Contact: Justin Bridges (01743) 252072

8 Pensions Committee Reports and Feedback - 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 21 September 2018.

<http://shropshire.gov.uk/committee-services/ieListDocuments.aspx?CId=260&MId=3741&Ver=4>

9 Schedule of Future Pension Committee Meetings and attendance by Pension Board Members

10 Training requirements for Board Members - ongoing and refresher

To receive a verbal update from the Pensions Communications Officer.
Contact: Rebecca Clough (01743) 254457

**11 Report on Breaches of LGPS Regulations and any emerging patterns
(Pages 129 - 132)**

Report attached.
Contact: Rebecca Clough (01743) 254457

12 AOB

13 Date of Next Meeting

14 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following item.

15 Exempt Minutes (Pages 133 - 134)

The exempt minutes of the meeting held on the 13 April 2018 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

This page is intentionally left blank



Committee and Date

Pensions Board

INSERT NEXT MEETING DATE

PENSIONS BOARD

Minutes of the meeting held on 13 April 2018

In the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

9.30am – 11.00am

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Mike Morris – Pensioner Rep

Philip Ingle – Employer Rep

15 Apologies

15.1 An apology was received from Liz Furey – Employer Rep.

16 Declarations of Conflicts of Interest

16.1 No conflicts of interest were declared.

17 Minutes of the previous meeting

17.1 Paragraph 5.2

The Pensions Administration Manager updated the Board in relation to the Scheme Advisory Board Consultation on Academies. The next step was for a working party to look at the main issues including the scope to ringfence liabilities and a consistency of approach. Meetings in February between the MHCLG and Dfe included two working groups looking at Administration and funding. The issue of how monthly information flows into the Pension Fund was also being considered. In response to a query, the Pensions Communication Officer confirmed that Membership of the Scheme Advisory Board included representatives from scheme employers together with representatives from all three unions (Unison, GMB and Unite).

17.2 Paragraph 5.5

It was confirmed that Roy Morris had been appointed as the Council's Data Protection Officer under the new Data Protection Rules and that the Pension Fund did not require its own DPO. It was requested that Roy Morris be invited to a future meeting of the Pensions Board to give an overview of his role.

17.3 RESOLVED:

That the Minutes of the meeting held on 13 April 2018 be approved and signed by the Chairman as a correct record.

18 Public Question Time

18.1 No public questions were received.

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

19.1 The reports considered by the Pensions Committee at its meeting on 16 March 2018 had been received by the Board. In response to a query in relation to paragraph 3.4 of Agenda Item 16 – Pensions Administration Monitoring Report, it was confirmed that the increased costs due to the increased governance introduced by the Public Services Pension Act 2013 together with LGPSs having to fully index GMP's were to be borne by the Pension Fund.

19.2 Turning to paragraph 4.1 the Pensions Communication Officer updated the Board in relation to the team's output and performance levels. Following December's high levels of tasks that became due and procedures outstanding, it was confirmed that these were coming down.

19.3 The Pensions Communication Officer responded to a number of queries in relation to Auto enrolment opt out, and scams.

20 Administration and Regulatory Updates

20.1 The Board received the report of the Pensions Communication Officer – copy attached to the signed Minutes – which provided Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme. The Pensions Communication Officer took Members through the main points of the report and answered a number of queries.

20.2 The Pensions Administration Manager updated the Board in relation to a decision not to award ill health benefit that had been sent to the Pensions Ombudsman. She went on to explain that training was being provided to employers around how decisions should be reached and how to respond to any medical issues, whether undiagnosed or whether certain treatments had been looked into, also the likelihood of treatment being successful etc. Employers need to question what the medical examiner was telling them.

20.3 In response to a query, the Pensions Communication Manager reported that the Pensions Dashboard was still being worked on. She explained that the dashboard was being rolled out to the private sector first and that it was unclear how it would work in the public sector. The software providers were currently working on the software.

20.4 In response to a query, the Pensions Administration Manager explained that if the £1million lifetime allowance was exceeded, the value of the capital would be tax free up to 25%, but over that there would be an additional tax.

20.5 RESOLVED:

That the contents of the report be noted.

21 Update on Breaches of LGPS Regulations

21.1 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.

21.2 The Pensions Communication Officer reported that 11 discretions policies were still outstanding. She informed the Board that they were chasing these policies and had the option to report the employers to the Pensions Regulator. Documentation was available evidencing what was being done to chase these up. The employers were opening themselves up for challenge by not having a policy in place, especially if they were in breach in other areas.

21.3 The Pensions Communication Officer explained that although the Pension Fund had quite a good record, the Pension Regulator was looking for 100% compliance which was difficult to achieve. She went on to say that there had been no material breaches, although two were being looked at to check whether any improvements had been made.

21.4 Members wished to be kept informed of progress at future meetings.

21.5 RESOLVED:

That the contents of the report be noted.

22 Employers Insolvency

22.1 The Board received the report of the Pensions Administration Manager – copy attached to the signed Minutes – which provided 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.

22.2 The Pensions Administration Manager took Members through the main points of the report and explained that regulations now gave full cover to all of the scheme employers, whereas under previous regulations some bodies did not have to provide a guarantor or Bond, eg old Local Authority colleges, so although they had to be in the fund, with no guarantor or bond, they were a risk to the fund. Admitted bodies were only allowed in the scheme if they could provide a guarantor or bond. As at 31 March 2018 the fund had four Admission Bodies with no guarantor, three of these had bonds however one had no cover.

22.3 RESOLVED:

That the contents of the report be noted.

23 Review of Policies

23.1 The Board received the report of the Pensions Communication Officer – copy attached to the signed Minutes – which provided the latest report on the administration policies of the Shropshire County Pension Fund, which were regularly reviewed in line with guidance from the Pensions Regulator. Work had begun on updating three policies which would be reported to the Pensions Committee at its meeting in July.

23.2 RESOLVED:

That the contents of the report be noted.

24 Cross Pool Open Forum session

24.1 The Chairman gave a verbal update on the Cross Pool Open Forum session which he had attended on 27 March 2018 in London. The three main topics had been Pooling; the Role of the Scheme Advisory Board; and sharing information on progress. The biggest message seemed to be in relation to the hidden costs in terms of fees, which were more than previously anticipated.

24.2 Also, the Chairman reported that the estimated figures for long term benefits had been updated in the LGPS Central Business Plan. The Pensions Communication Officer agreed to feed these comments back to the LGPS Central.

24.3 The Head of Treasury and Pensions reported that it was hoped to set up a Members forum going forward.

25 LGPS Central Update

25.1 The Head of Treasury and Pensions gave a verbal update on LGPS Central, which was ahead of the other pools and went live on 3 April 2018 with £12million of assets. He reported that staff from the West Midlands and Derbyshire funds had been TUPED over and there were now 32 permanent members of staff, some on an advisory basis. The CEO and Chairman of the Board will be attending future meetings of the Pensions Committee. The fund was progressing well and managing its money and was on target to achieve £250 million of savings. He reported that the Governance structure was in place and that the Executive Committees and Joint Committee were up and running.

25.2 The Head of Treasury and Pensions reported that himself and the Section 151 Officer were receiving monthly updates. The fund was currently out to tender for a global equities manager and hoped to be in a position to appoint a manager by September 2018. It was confirmed that the first asset from Shropshire would be transferred in September. Finally, the Head of Treasury and Pensions drew attention to the key priorities for 2018/19 and informed the Board that the CEO and Chairman of the Board could be invited to present to a future meeting of the Pensions Board.

26 Training requirements for 2018/19

26.1 The Pensions Communication Officer discussed the training requirements for the upcoming year. She circulated information highlighting what was on the Pensions Regulations horizon and indicated that training requirements had been identified in the areas of legislation, administration and performance and risk management. An updated TPR module would be available in June 2018 which Members may be required to complete. Board Members were also invited to attend employers meetings and meetings of the Pensions Committee.

26.2 In response to a query the Pensions Communication Officer informed the Board that part of their role was to assist the Fund ensure its compliance with regulations. It was agreed that more direction was required from the Scheme Advisory Board.

27 Update on the Appointment of a new Board Representative

27.1 The Pensions Communication Officer updated the Board in relation to the appointment of a new Board representative. The closing date for applications was 21 May 2018 with interviews being held on Wednesday 6 June. The Pensions Communication Officer agreed to keep the Chairman updated.

28 Date of Next Meeting

28.1 It was agreed to wait until a new Member had been appointed before setting a date for the next meeting.

29 Exclusion of Press and Public

29.1 RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

30 Data Improvement Plan (Exempted by Category 3)

30.1 The Committee received the exempt report of the Pensions Communication Officer – copy attached to the signed exempt Minutes – which provided an update on the Fund's Data Quality Review and the Data Improvement Plan being drafted to be put in place to address any data issues.

30.2 RESOLVED:

That the contents of the report and contents of the draft data improvement plan be noted.

31 Exempt Pensions Committee Updates (Exempted by Category 3)

31.1 The Board received the exempt reports considered by the Pensions Committee at its meeting on 16 March 2018.

31.2 **RESOLVED**

That the contents of the exempt reports be noted.

Signed (Chairman)

Date:



Committee and date
Pensions Board

16 November 2018

9.30am

Item

Public

Administration and regulatory updates

Responsible Officer Debbie Sharp

Email: debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

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**

4.1 In addition to this report the Pensions Board are advised to note the Pensions Administration Reports submitted to the pension committee meetings held on 27 July 2018 and the 21 September 2018.

5. Current issues and challenges facing administration

5.1 Data improvement plan and rerunning data quality tests

- 5.11** A data improvement plan was implemented in 2018 following data quality tests undertaken in June 2017. This was reported to the Board at the 13 April 2018 meeting. The next data quality tests are scheduled to be run in March 2019 therefore the current data improvement plan will need to be updated and closed then.
- 5.12** A new plan will need to be drawn up following the results from the 2019 tests. The current objectives built into the 2018 plan will need to be reviewed and a report produced on what we were/were not able to achieve and why, to be provided to the Board. The Data Improvement Plan will evolve depending on the results of the data quality tests, the priorities of the Team at that time together with any risks identified.
- 5.13** The Pension Regulator return 2018 was completed on time. Data scores were provided.
- 5.14** The Scheme Advisory Board's (Sab) intention is still to have a set of agreed scheme specific data measures for the Local Government Pension Scheme for the 2019 Pension Regulator Return. They tried to do this for 2018 but did not give themselves time to complete this piece of work. A challenge for the team will be if the timing of the SAB work falls outside of the scheduled data quality test runs in 2019.

5.2 Cyber security

- 5.21** The Pensions Regulator acknowledges that pension schemes are potentially targets for cyber-crime due to the large amounts of personal information held and that scheme managers are responsible for putting controls in place to ensure the security of data and assets.
- 5.22** The Fund's IT systems are hosted on Shropshire Council's infrastructure. There is assurance that they have processes in place to keep the Fund's systems safe and secure.

Some of the ways the Fund's IT systems are protected from cyber-attacks are by:

- Installation of anti-virus software updates
- Regular system audits
- Frequent staff training to make sure staff can recognise an attempted attack
- Internal and external penetration testing

The Pensions Regulator also recommends that cyber security should be on risk registers and it is on the Fund's register.

- 5.23** External penetration testing by a third-party provider, to test the systems cyber resilience, will be undertaken in 2019 on the web facing elements of the pension administration system.

5.3 Training in 2019

- 5.31** The Fund has had a training policy in place since March 2016. The policy has the ultimate aim of ensuring the Fund is managed by individuals who have the appropriate levels of knowledge and skills. The policy applies to members of the Pension committee and Pension Board, as well as officers.

- 5.32** Members of the Pensions Board have a legal requirement under the Public Service Pensions Act 2013 to be conversant with the scheme rules, and any documented administration policies currently in force. Pension Board members must also have knowledge and understanding of the law relating to pensions. Being 'conversant' means having a working knowledge of the scheme regulations and policies. Further explanation can be found in the Funds training policy found on www.shropshirecountypensionfund.co.uk

- 5.33** To establish the level of knowledge and skills within the Pensions Board members, each member is asked to complete the CIPFA self-assessment matrix to model future training requirements. In August 2018, both the Pension Board members and Committee members were given the opportunity to engage in a national survey to gather feedback on the confidence of the roles and responsibilities of those tasked with managing the LGPS Fund. 1 Pension Board member and 3 Committee members responded. The results were released on 5 November and a copy of the national and local results have been forward to both members of the Pensions Board and Committee.

5.4 GMP reconciliation and rectification

- 5.41** During 2019 the Fund will continue its work on the GMP project. Reconciliation has almost been completed for all members and the rectification stage is being started soon. The aim is to complete by 31 March 2019 prior to the 2019 Pensions Increase.
- 5.42** Fund queries were logged with HMRC by the due date. Outstanding queries have just been received from the contractor which are currently being investigated by the Team.

5.5 Mortality and member tracing service

- 5.51** As previously reported the Fund had, early in 2018, chosen a provider to provide a mortality and member tracing service. However a contract could not be awarded due to risks being identified by the Council that

the provider was not prepared to cover enough financial indemnity. In September 2018, a national Local Government Pension Scheme Member Data framework was launched which covers:

- Address Tracing and Correction Services.
- Mortality Screening Services.
- Overseas Address Tracing and Correction Services.
- Overseas Mortality Screening Services

Officers are currently reviewing this framework to contract the services required in early 2019. Address identification will help improve record keeping which will contribute to improving our data quality scores.

5.6 Staff retention

5.61 Prior to the introduction of the 2014 Career Average Revalued Earnings Scheme on 1 April 2014 the size of the pension administration team was reviewed and new posts introduced to undertake the additional work the new scheme created.

5.62 However, there is a struggle to retain staff within the administration team. The Teams experience is supported by research undertaken by the Pensions Lifetime and Savings Association (PLSA) looking at recruitment, resourcing and retention within LGPS Funds, **Appendix A**.

5.63 It has been recognised by the SAB that the complex nature of Pensions Administration is not picked up by generic Job evaluation schemes.

5.64 A common reason for staff leaving the administration team has been because retention is high at middle and senior levels, meaning limited opportunities for career development. The team is very supportive of personal development; with team members undertaking leadership courses and 3 staff currently utilising the apprenticeship levy programme undertaking a management degree course. Going forward the Fund may look at apprenticeships or encourage inter-team secondments.

6. Ministry of Housing, Communities and Local Government (MHCLG) open consultation on technical amendments to benefits

6.1 MHCLG have recently opened an eight-week policy consultation called 'LGPS: technical amendments to benefits', found in **Appendix B**. The consultation looks at three areas:

- Survivor benefits – including changes to pensions paid to survivors of civil partnerships or same-sex marriages to be equal to those provided to widows of male members.
- Introducing a general power for MHCLG to issue statutory guidance.

- Correcting the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate reduction for early payment.

The consultation closes at 11:45pm on 29 November 2018 and officers hope to engage in the consultation. Any introduction of new or revised legislation brings with it additional administration and communication work for the team.

7. SCAPE discount rate – impact on actuarial guidance

- 7.1** In the 2018 Budget, 29 October, the Chancellor of the Exchequer confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI + 2.4% in the 2018 Budget.
- 7.2** The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all public service pension schemes. The reduced rate is effective from 29 October for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some interfund calculations and all CETVs for divorces are on hold until new factors are issued. It is expected that new factors will be issued by the Secretary of State in due course, within approximately 6 weeks (i.e. early December 2018). Quotations affected by these factors cannot be issued and are currently being stockpiled and monitored. It is not necessary to suspend Club transfers. Communication to members, documentation and internal processes all have to be updated during this period.
- 7.3** MHCLG have also confirmed that the remainder of the scheme's actuarial factors will be amended to take account of the reduction in the SCAPE discount rate in due course. It is expected that these revised factors will be issued around February/March 2019. Communication to members who request a retirement quote or who are leaving with an effective date on or after 1 February 2019 has been put in place.
- 7.4** Changes will be required to the pensions administration system to update the factors when issued. Which will then enable the stockpiled calculations to be worked on.

8. Working with employers

- 8.1** Further engagement will be undertaken in 2019 with scheme employers. An employers meeting was held in October 2018. Presentations were given by Fund officers, Aquilla Heywood and The Pensions Regulator. A Copy of the presentations delivered can be

found in **Appendix C**. A video of the meeting can be viewed on the Fund's website.

- 8.2** Positive feedback was received from The Pensions Regulator, on the day, regarding the content of the meeting and in particular the fact that the Fund had already introduced monthly data collection. This is an area they are pushing heavily with Pension schemes around the Country.
- 8.3** An area of development which was suggested by the Pensions Regulator was setting up a contact email address for the Pensions Board. This would ensure emails directed to the Board from members/employers can be managed separately from the team's general queries. The mailbox pensionsboard@shropshire.gov.uk has therefore been set up and will be communicated to employees/employers for use when they wish to contact members of the Pensions Board. All emails received to this inbox will be forwarded to all Board members.

9. Continued development of use of technology

- 9.1** Further development is planned for online methods of communication with and data collection from members and employers.
- 9.2** For members, 'My Pension Online' and use of the Fund website has expanded when and how pension information can be accessed. More members are using a smartphone or tablet however to access pension information and it is important that the Fund continues to adapt communications to increase engagement.
- 9.3** Work is underway to upgrade the current 'My Pension Online' system and the Funds website. It is hoped both will be in place in December 2018.
- 9.4** Employers send most of the data the Fund requires using iConnect but individual forms are still needed for all scheme leavers. The Fund is looking at an electronic form for employers to use which should improve efficiency for both employers and the Fund and eliminate paper forms being submitted by post therefore reducing costs too.

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

Item 16 – Pensions Board Meeting 13 April 2017 – Data Improvement Plan

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

Item 15 - Pensions Committee Meeting 27 July 2018 – Pension Administration

Monitoring

Item 8 - Pensions Committee Meeting 21 September 2018 – Pension Administration Monitoring

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – PLSA Research Document
Appendix B – MHCLG consultation document
Appendix C – Employers meeting 2018 slides

This page is intentionally left blank

TALENT MANAGEMENT IN THE LGPS : THE THREE RS

The PLSA commissioned Breaking Blue to conduct in-depth interviews with LGPS funds and comparable private sector DB schemes to look at the challenges funds were facing in their recruitment, resourcing and retention (the three Rs).

RECRUITMENT
RETENTION
RESOURCING

THE INTERSECTING 3RS

- ▶ Local Authority requirements to look internally first limits applicant pool size
- ▶ Succession planning not present
- ▶ Loss of people to pools

RESOURCING

- ▶ Recruitment time lags from Local Authority requirements
- ▶ Skills & knowledge need regular updating

RECRUITMENT

Getting young people to see pensions as a viable career choice

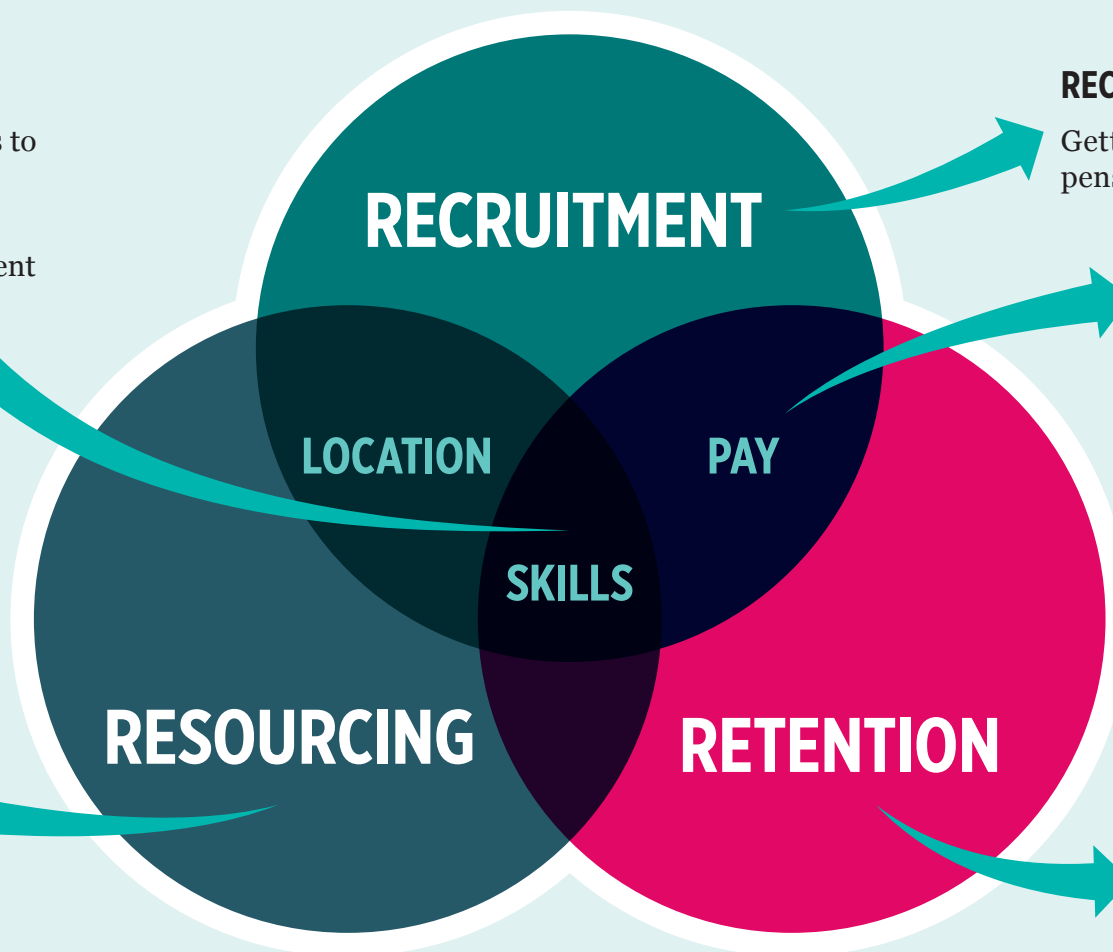
RECRUITMENT & RETENTION

Higher turnover of junior staff

!
FORMAL PROCESSES
FOR SUCCESSION OR
CAREER DEVELOPMENT/
PROGRESSION WERE
NOT ALWAYS PRESENT

RETENTION

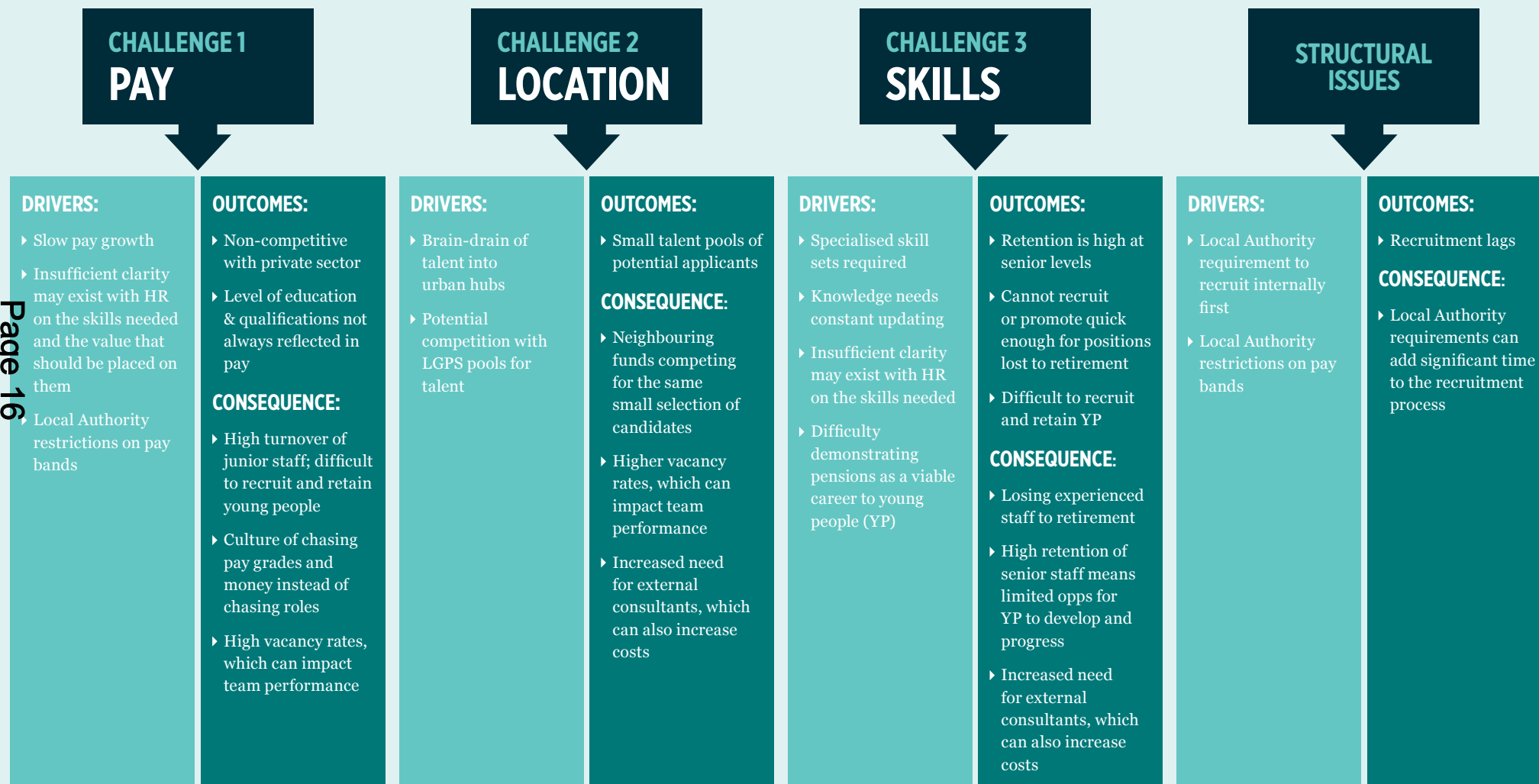
Losing staff to retirement



Within these three categories of recruitment, retention and resourcing, challenges are often linked and overlap in complex ways. The three largest of these challenges include **pay**, **location** and **skills**.

There is often a distinction between *what* the actual outcomes of these challenges are versus *why* these outcomes might be happening. Some of these drivers are levers for change that can be influenced.

RECRUITMENT
RETENTION
RESOURCES



The policy implications of these challenges and drivers, and the potential solutions to mitigate them through current examples of best practice, are explored in the *Talent Management in the LGPS* Guide.

If you have any questions about the guide, please contact membership@plsa.co.uk



Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme: Technical Amendments to Benefits

Policy Consultation



© Crown copyright, 2018

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

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

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

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

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

October 2018

ISBN: 978-1-4098-5331-2

Contents

Scope of the consultation	4
Introduction – Purpose of the Reforms	6
Survivor Benefits	7
Amendment to benefits payable to same-sex married or civil partners	7
Power to issue statutory guidance	8
Technical Amendment	10
Early access to benefits for deferred members of 1995 Scheme	10
About this consultation	13
Annex A	14

Scope of the consultation

Topic of this consultation:	This consultation seeks views on proposed amendments to the rules of the Local Government Pension Scheme. These amendments are necessary to respond to recent legal judgments and maintain existing pensions policy objectives.
Scope of this consultation:	MHCLG is consulting on changes that will affect members of the LGPS and those who may be entitled to survivor benefits from them.
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	<p>The government believes that any impact on protected groups as a result of these reforms would simply be a natural consequence of the composition of the local government workforce and does not believe that there would be a disproportionate impact on particular groups aside from as a consequence of this.</p> <p>How much individual members or their beneficiaries may benefit from these reforms will be determined by a combination of factors, including when they were employed, their pensionable earnings, the length of any pensionable service and the specific benefits of the scheme to which the deceased belonged. We do not hold data from which these costs could be modelled with any accuracy, however we do not anticipate that these extra costs will be material to the Scheme as a whole.</p>

Basic Information

To:	This consultation will be of greatest interest to members of the the Local Government Pension Scheme, as well as those who might be entitled to survivor benefits from them. Any change to the Local Government Pension Scheme is likely to be of interest to other stakeholders as well, such as local pension fund administrators, those who advise them, other LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	LGF Reform and Pensions Team, Ministry of Housing, Communities and Local Government.
Duration:	This consultation will last for 8 weeks from 4 October 2018
Enquiries:	For any enquiries about the consultation please contact LGpensions@communities.gsi.gov.uk
How to respond:	Please respond by email to:

LGPensions@communities.gsi.gov.uk

Alternatively, please send postal responses to:

LGF Reform and Pensions Team
Benefits Consultation
Ministry for Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name,
- your position (if applicable),
- the name of organisation (if applicable),
- an address (including post-code),
- an email address, and
- a contact telephone number

If you are responding in writing, please make it clear which questions you are responding to.

Introduction – Purpose of the Reforms

The Local Government Pension Scheme is a statutory scheme established under the Superannuation Act 1972. Its rules and benefits are set out in regulations¹.

The legislation governing the LGPS has been changed at various points in time. This has generally been in order to maintain the affordability and effectiveness of the LGPS, as well as to reflect wider legal changes. Changes have also been necessary to reflect the changing composition and working practices of those delivering local public services.

Since the Human Rights Act 1998 came into force, LGPS funds also need to interpret those rules consistently with the human rights of scheme members. Recently there have been a number of challenges on grounds that the plain meaning of the rules can be inconsistent with the human rights of those affected by them.

The purpose of this consultation is to propose some changes to the scheme to accommodate judgments already made and to give some flexibility to respond to future developments.

A number of those challenges have focussed on the issue of survivor benefits. The Scheme provides a variety of insurance-style benefits on the death of a scheme member. The nature of these benefits has changed over time in line with societal developments and evolving family structures. For example, for all active members, the scheme now includes equal benefits for the partners of survivors irrespective of the legal form of their relationship (i.e. marriage, civil partnership or co-habitation).

As the scope of these benefits has expanded over the years to take in wider numbers of beneficiaries, so has the cost of providing them. To manage this cost, it is long-standing government policy that benefits should only exceptionally be improved retrospectively and that only members with active membership at the time the benefit is brought in should be entitled to them.

However, there are instances when the rules around benefits have to be redrawn, and this consultation covers a number of those.

¹ Principally the Local Government Pension Scheme Regulations 2013

Survivor Benefits

Amendment to benefits payable to same-sex married or civil partners

One successful legal challenge was brought in the case of Walker v Innospec². Mr Walker was not a member of the LGPS, he was a member of a private defined benefit scheme. On 12th July 2017, the Supreme Court found that Mr Walker's male spouse was entitled to the same benefits which would be paid if Mr Walker had left a widow in an opposite sex marriage. The judgment meant that the survivor's pension would be calculated on all the years of Mr Walker's service with Innospec provided that, at the date of Mr Walker's death, they remained married. Prior to the judgment, pension schemes had been able to make use of a provision within the Equality Act 2010 which allowed service accrued before 5 December 2005 to be disregarded in calculating the pension entitlement of a surviving civil partner or surviving same-sex spouse.

The implication of this judgment for all pension schemes with similar benefits, like the LGPS, is that survivors of registered civil partnerships or same-sex marriages should be provided with benefits equal to those the scheme member would have left to an opposite sex surviving spouse. In the LGPS, surviving partners in a civil partnership or same sex marriage of either sex are all currently afforded benefits equivalent to widowers.

This change would be significant as earlier LGPS schemes, on which the pensions of certain members are still determined, recognise past service back to 1978 for widows of post-service marriages but only back to 1988 for widowers of post-service marriages.

The Government has decided that all public service pension schemes should implement changes to provide that survivors of registered civil partnerships or same-sex marriage will be provided with benefits that replicate those provided to widows. These changes will be implemented in LGPS as though they had applied from the date civil partnerships and same-sex marriages were implemented. Hence there will be a need for LGPS administering authorities to revisit all awards made under the current rules to partners affected and pay any additional sums that are due.

Many same-sex survivors of a public service pension scheme member will benefit from this change. How much they benefit will be determined by a combination of factors, including when the deceased was employed, their pensionable earnings, the length of any pensionable service and the specific benefits of the scheme to which the deceased belonged.

² Judgment available at : <https://www.supremecourt.uk/cases/uksc-2016-0090.html>

This differential treatment between widows and widowers has been held to be lawful by the Supreme Court in a long line of cases. The European Court of Justice judgment in Barber required schemes to provide equal survivor benefits for males who survive their female spouse in relation to service only from May 1990. The LGPS meets this requirement, but it is not proposed at this point to equalise benefits for all males who survive their female spouse on the same basis as they are provided to females who survive their male spouse. The costs of doing so would be significant - £2.8bn across different public sector schemes. The government had separately consulted widely on this issue in the joint HMT and DWP review of survivor benefits in Occupational Pension Schemes: <https://www.gov.uk/government/publications/occupational-pension-schemes-review-of-survivor-benefits>. No final decisions have been made on these issues and the Government will respond on this matter separately and in due course.

Question One - Do you agree with this approach?

We intend to undertake separately a technical consultation on draft amendment regulations to give effect to this change in the current and previous Schemes.

Power to issue statutory guidance

A further successful challenge was brought in the very similar cases of Brewster³ and Elmes⁴. In February of last year the Supreme Court handed down its judgment in the case of Brewster. The claimant, who was the unmarried partner of a deceased member of the Northern Irish Local Government Pension Scheme, successfully argued that the requirement for her partner to have provided a written nomination of her as the recipient of his survivor benefits was unlawful.

The LGPS in England and Wales maintained a similar nomination requirement for several years (between 2008 and 2014). Prior to 2008 no unmarried partners were recognised for survivor benefit purposes and from 1 April 2014 no nomination form was required to establish eligibility. The change in 2014 was made in part in response to legal action that was brought by the unmarried partner of a deceased scheme member, Ms Elmes. Her circumstances were almost identical to those in Brewster and the rules were changed in LGPS ahead of the judgment in Brewster. Ms Elmes' case was stayed behind Brewster and has since been settled in the claimant's favour.

On 17 August last year the Department wrote to funds asking them to review their records and see whether they now need to offer a survivor pension to partners whose claim for a benefit had been rejected at the time the nomination requirement was in force. However,

³ Judgment available at: <https://www.supremecourt.uk/cases/uksc-2014-0180.html>

⁴ The judgment is not yet available

there will also be cases where as the fund judged that there was no eligible surviving partner any dependent children were given a larger pension than they would have received had there been an eligible partner. Accordingly, where a partner is now found to be eligible for a survivor benefit (which would be backdated to the scheme member's death) the children's pension would need to be reduced and, in theory, the overpayment recovered.

Although it was not necessary for this to be decided in the case before him, the Judge in Elmes queried what account would need to be taken by funds of the rights of the children affected.

The Department's view of the implications of this case was set out in the letter of 17 August 2017. However, that letter recognised that the Department's view had no legal force as the Secretary of State had no power to issue statutory guidance in this area. Accordingly it is possible for funds to reach different and inconsistent conclusions about to the entitlements of beneficiaries in identical positions.

This is contrary to the Government's view that the LGPS is a single scheme administered locally. It was always our intention that equivalent members' benefits should be the same everywhere. These issues are sensitive and to avoid funds taking different approaches, the government proposes to create a power to issue statutory guidance on the operation of the scheme's rules. The aim of this is to deliver greater standardisation of approach, in particular on how the interpretative duties under the Human Rights Act are met. An alternative would be to amend the rules of the scheme in relation to each judgment as it is made. Such an approach would be less flexible to inevitable changes in position as case law develops. It would also require a greater call on Parliamentary time.

Question Two - Do you agree with this approach?

We intend to undertake separately a separate technical consultation on draft amendment regulations to give effect to this change.

Technical Amendment

Early access to benefits for deferred members of 1995 Scheme

The Government consulted in 2016 on amendments to the LGPS regulations⁵. These proposals set out the Government's wish to remove the requirement for persons aged between age 55 and 60 to obtain their employer's consent before drawing their benefits early (with the appropriate actuarial reduction for early payment). This intention was restated in the Government response published earlier this year. In that response we said that we proposed to remove the need for an employer to give consent when a member who left the LGPS with deferred benefits prior to 1 April 2008, and is aged between 55 and 59, chooses early payment of their benefits.

Regulations were made on 17 April 2018 that were intended to have that effect but it has since become apparent that in relation to one group of members the Regulations have not had the intended effect. Our intention was that Regulation 24 of the 2018 Amendment Regulations [SI 2018/493] should modify the LGPS Regulations 1995 (as preserved) to provide that this option is extended to members over the age of 55 who left the LGPS with a deferred benefit under that scheme.

This has not been achieved because the 1995 Scheme rules were constructed differently from other Schemes. The 1995 Scheme provided that a person may elect for early payment of their benefits *within three months of attaining age 60*, or if later, the date on which they ceased to be employed in local government employment. The Amendment Regulations reduced the age at which that choice could be exercised to 55, but left this as a single, one-off point at which that flexibility could be exercised.

Successor LGPS schemes had adopted a different formulation and allowed members early access to their *benefits on or after* reaching the earliest age at which benefits could be drawn down early. This gave them an on-going flexibility to make an election at any time after having reached the revised minimum age.

The amendments made earlier this year have created a lacuna whereby members who left active membership of the LGPS prior to 1 April 1998 and who were aged between 55 and 60 are likely to have lost the option to elect for early payment of benefits. We therefore intend to amend the regulations again to fully achieve the initial policy aim, which is to allow all deferred members over the age of 55 to draw down their pensions early, with the appropriate actuarial reduction.

⁵ <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

It is also proposed to allow anyone who has been prevented from getting early access to their pensions because of this oversight to be able to backdate their application to 14 May 2018. This facility will be available for 6 months from the coming into force of the amendment to the 1995 scheme rules.

Question Three - Do you agree with this approach?

We intend to undertake a separate technical consultation on draft amendment regulations to give effect to this change to the 1995 Scheme.

Equality Impact Assessment

Each of these measures is intended to increase equality of treatment between scheme members. They extend or clarify entitlements under the scheme for certain groups of members who previously have not had the benefit of them.

The government believes that any other impact on protected groups as a result of these reforms would simply be a natural consequence of the composition of the local government workforce and does not believe that there would be a disproportionate impact on particular groups aside from as a consequence of this.

Question Four – Do you agree with this assessment? Please identify any evidence you think would support your response.

About this consultation

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

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

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

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

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

Individual responses will not be acknowledged unless specifically requested.

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

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

Annex A

Personal data

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

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

1. The identity of the data controller and contact details of our Data Protection Officer

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

2. Why we are collecting your personal data

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

3. Our legal basis for processing your personal data

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

3. With whom we will be sharing your personal data

We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation

5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. **Your personal data will not be used for any automated decision making.**
8. **Your personal data will be stored in a secure government IT system.**

This page is intentionally left blank



Employers Meeting 2018



SHROPSHIRE COUNTY
PENSION FUND

11.10.2018

Debbie Sharp
Pensions Administration Manager





Housekeeping

Page 34

- No fire drill planned
- Fire exit at the back of the room
- This meeting is being filmed
- Please turn off mobile phones
- Please complete feedback forms



Agenda

Page 35

9:30am – 10:00am	Recent Developments and Hot Topics	Debbie Sharp, Pensions Administration Manager
10:00am – 10:30am	Employer Role and Responsibilities	Rebecca Clough, Communications and Governance Team Leader
10:30am – 10:45am	Break with Refreshments	
10:45am – 11:30am	iConnect Developments	An update on online leavers forms from Colin Lewis of Heywoods
11:30am – 12:15pm	The role of The Pensions Regulator	An insight into the role of The Pensions Regulator from Neil Wilson, Industry Liaison Manager
12:15pm	Close and Questions	



Scheme wide hot topics

Page 36

- Academy consultation
 - Work commissioned by MHCLG and DfE to review the treatment of academies within and across different LGPS Funds.
- Exit payment reform
 - understood to be no policy change but government priority on these reforms is unclear

Covered in more detail today

- Scheme valuations and cost management process
- LGPS Amendment Regulations 2018 came into force on 14 May 2018



Scheme Valuations and Cost Management Process

- Draft direction issued by HMT
- GAD also issued a Technical Bulletin and a statement to Parliament
- Covering scheme valuations and cost management for **all Public Sector Schemes**
- LGPS only funded Public Sector Scheme all others unfunded
- LGPS also has SAB cost management process

Page 37

A lot to digest and understand how it might affect LGPS Funds



In summary from GAD and HMT

Page 38

- Change to member benefits or contributions where the cost cap floor has been breached
- Important to note - dual cost cap process for LGPS which differs from the unfunded schemes
- Differing views between the LGPS Scheme Advisory Board cost management process and HMT process
- Scheme valuations to move to every 4 years – separate exercise from individual fund valuation with own actuary



In summary from SAB

- SAB appears more likely to suggest upwards cost pressure because of assumptions made under 50/50 take up, baseline cost of pay and effect of commutation of benefits





Implications for the LGPS

Page 40

- The two processes (Treasury direction and SAB cost cap mechanism) currently leads to opposing results for the LGPS
- Could be an agreement - any recommendations suggested by SAB being taken into account in the HMT process?





The Local Government Pension Scheme (Amendment) Regulations 2018

Technical amendments to deliver policy intent

Change to Regulations	Impact on Employer
Cancellation of membership of the 50/50 section	Must cease 50/50 memberships if the member is auto enrolled OR goes to nil pay, no requirement for both together
Contributions during absence from work	Members receiving both PP AND APP should be credited with earned pension
Calculation of assumed pensionable pay (APP)	ERs can use their discretion if APP is materially lower than what the PP would be had the member been at work
Aggregation	A small number of members joining the 2014 scheme had no time limit to make an election to aggregate their benefits. Now aligned with all other members. ERs should update their discretion policy.



The Local Government Pension Scheme (Amendment) Regulations 2018

Technical amendments to deliver policy intent

Page 42

Change to Regulations	Impact on Employer
Benefits payable where a member is dismissed on the grounds of redundancy or business efficiency	Clarification that ERs should only pay the active pension benefits unreduced, other benefits relating to the same employment will be subject to reductions
Clarification of statutory pay definition Prior to the amendment, statutory sick pay was inadvertently not included in the definition of statutory pay.	ERs to include statutory sick pay if you haven't been



The Local Government Pension Scheme (Amendment) Regulations 2018

New regulations

Change to Regulations	Impact on Employer
Election for early payment of deferred benefits at age 55 for leavers before 1 April 1998	An election for early payment can only be made at age 55. If a member is over 55 they can now only take payment at their NRD, not 60 if their NRD is later. This was not MHCLG's intention though*
Election for early payment of deferred benefits from age 55 for leavers between 1 April 1998 and 31 March 2014	Members can now choose to take early payment of their deferred benefits from age 55 with reductions, without the need for employer consent

*Consultation opened on 3 October 2018



The Local Government Pension Scheme (Amendment) Regulations 2018

New regulations

Page 44

Change to Regulations	Impact of Employer
Requirement to pay exit credits	Allows the Fund to pay any surplus to ERs if upon exit
Backdating of admission agreements – start date of admission agreement may be earlier than the date the admission agreement is completed	Useful change where there are delays in finalising admission agreements



Proposed changes still under discussion



Fair Deal

- Not be introduced into the LGPS at this time.
- Government state they still remain committed to introducing Fair Deal
- Consultation on new proposals by the end of the year.

Uncrystallised Funds Pension Lump Sum (UFPLS) - AVCs

- Not introduced due to substantial administration complexities
- Member must transfer AVC out of the LGPS if want to take an UFPLS

End of Automatic aggregation

- Proposal to end automatic combining of benefits not taken forward
(Member with deferred benefit re-joins – within 5 years Public Service Pensions Act 2013 states **final salary protection** must be provided)



Latest news – closer to home



2017/2018 – data overview

- 100% of employers sending data monthly - using iConnect
- Data received with less manual intervention
- 89 LGPS Funds – SCPF early adopters of monthly collection of data
- Individual leavers form still required to determine benefits – 2132 actual scheme leavers
- iConnect developments - covered later by Colin Lewis

Key iConnect data facts for 2017/18 Employer Events Policy

12,699



address
updates

196,514



contributions
postings

402,588



pay data
postings

6,452



notifications
of starters

5,268



notifications
of leavers



2017/2018 – Work undertaken

Page 48

- Changed payroll system
- Data quality exercise undertaken ready for 2018 Scheme return
 - Data improvement plan in place
- Checked processes inline with new Data Protection legislation
- Completed scheme year end balancing – (7 employers still not returned their compliance form and year end statement so will be logged as a breach)
- Annual Benefit Statements - active members - issued by deadline



Areas for development

- Outsourcings – still not always being notified
- Late submission of iConnect data
 - Logged as a breach
 - 41% of employers logged at least 1 breach in this area
 - Indicating good time to refresh training
- Dealing with ill health retirements – RC
- Knowing your role - RC





Contracting other Services

Page 50

- Engage with us before invitation to tender
- New employer doesn't automatically pay same employer rate as transferring employer
- New employer rate is calculated by the Fund Actuary
- How are they going to tender?



What we do to help

- Employers guide on our website
- Provide training – this meeting but would you like anything else?
- Do you have enough resource for your pensions responsibilities?
Help with business case
- Email bulletins
- Helpdesk for queries
- Filming these meetings – can be used as training



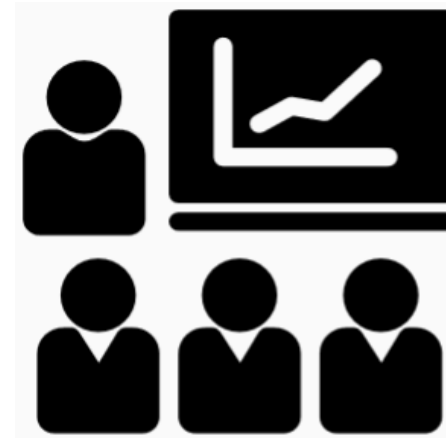
Annual Meeting 2018

When?

15th November 2018 11am – 1pm

Covering:

- LGPS Central update
- Administration news
- Investment latest



Don't worry – the meeting is filmed if you can't make it





Any questions?





Employers Role and Responsibilities



SHROPSHIRE COUNTY
PENSION FUND

11.10.2018

Rebecca Clough
Communications and Governance
Team Leader





About us

45,668 active, deferred and pensioner members

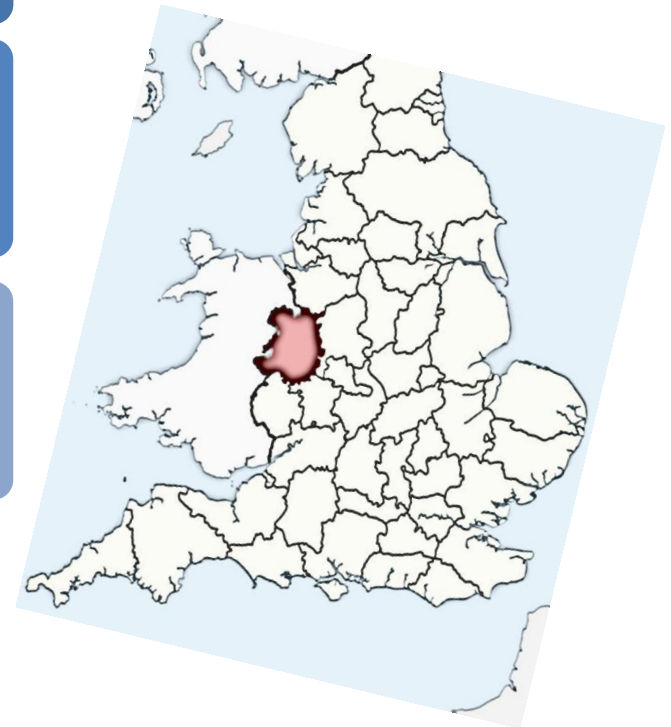
139 employers

25 staff

8,062 calls
per year

6,541 email
queries

808 member
drop ins





Our role

Page 56

Pay member benefits accurately and on time according to scheme regulations

Communicate effectively with members

Set out and assist scheme employers with responsibilities

Collect and check data and contributions

Engage with Pensions Committee and Pension Board

Keep robust internal controls

Data protection definition – “Data Controller”

Issue annual benefit statements



Challenges we face

- More complex scheme design – different rules across different periods of membership
- More data to hold and check – CARE benefits
- Helping members understand the scheme
- Liaising with more employers and varied payroll providers
- Ensuring we don't hold unnecessary data





Employer role

Page 58

- Bringing members into the scheme and setting contribution rate
- Collecting contributions
- Providing the data we require accurately and on time
- Decision maker (ill health, flexible retirement)
- Data protection definition – “Data Controller”



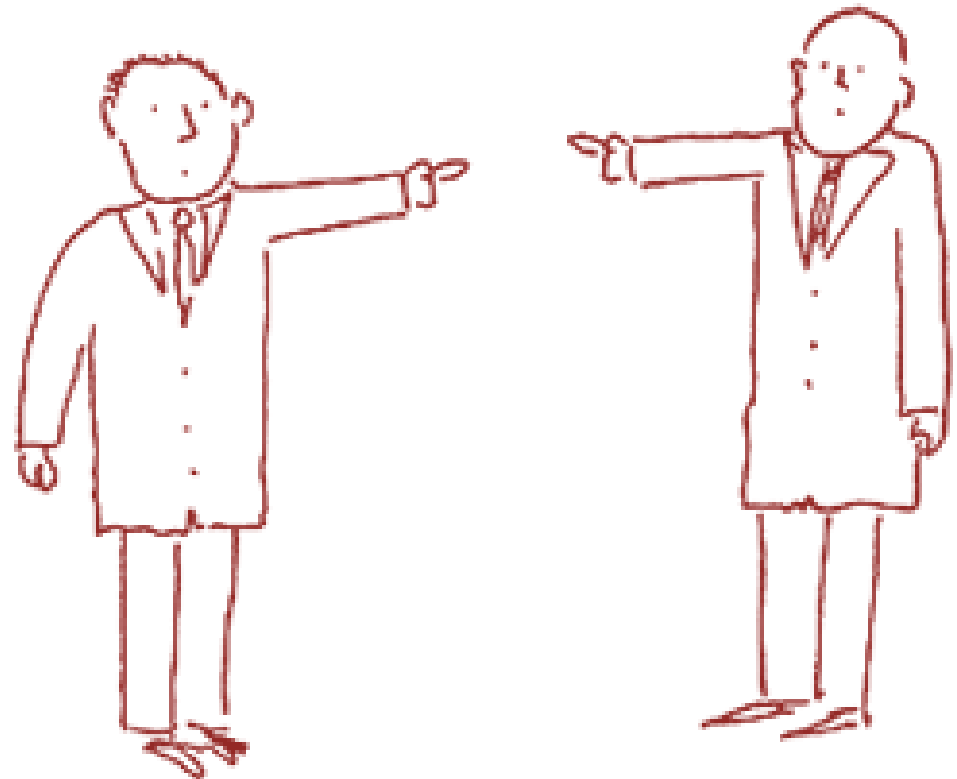


Challenges you face

- More complex scheme design – APP, final salary pay, CARE pay etc
- More data to hold and share
- Communicating with your employees – following scheme rules and national auto enrolment rules
- Instructing your payroll/HR providers
- Pensions is only part of your role



WHOSE FAULT ?



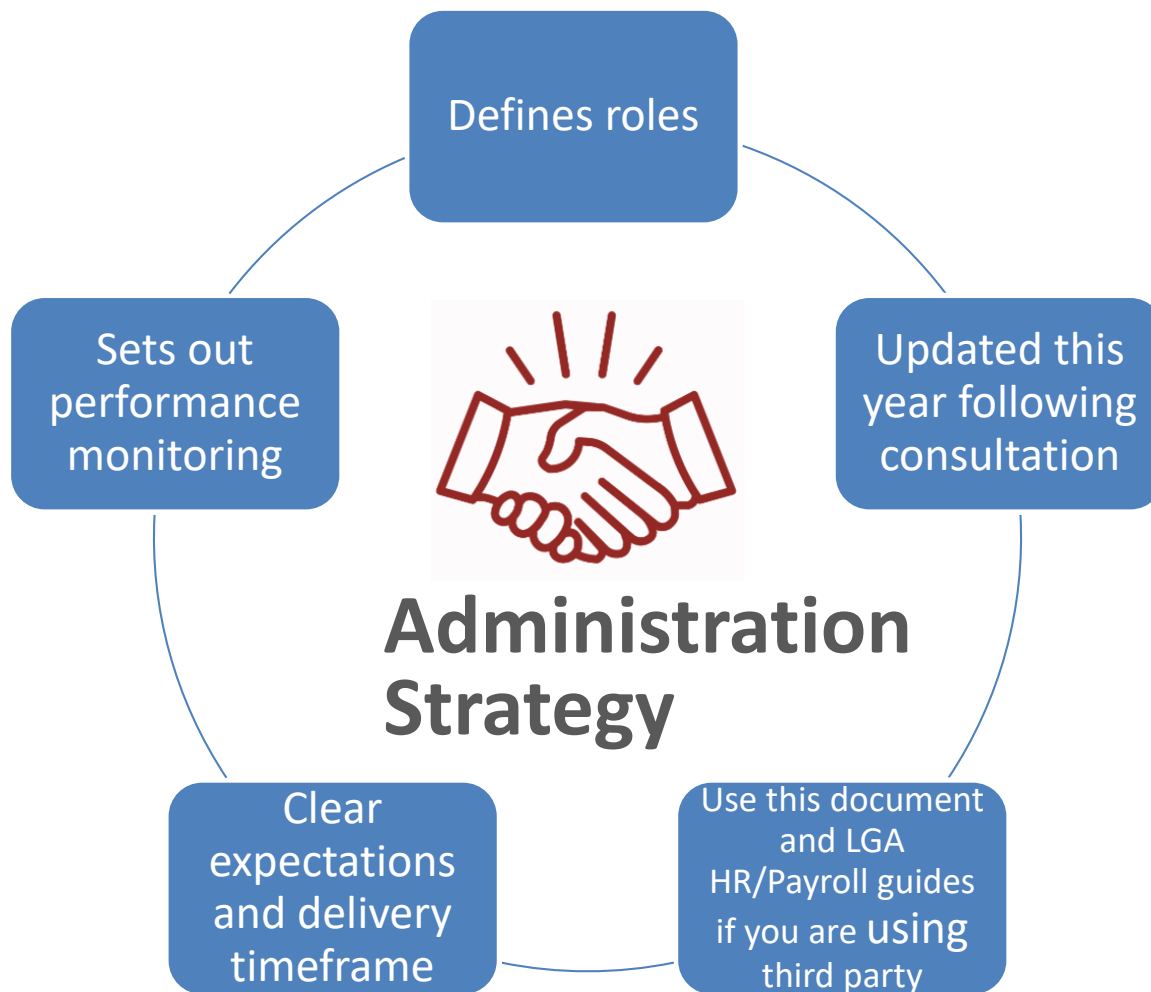
Employer LGPS
responsibilities
cannot be shifted
to a third party



Considerations when choosing a third party

- ☐ Have you chosen a provider that has a good reputation?
- ☐ Can they hold and share the data we need?
- ☐ Do you have a service level agreement?
- ☐ Are you aware what they are doing on your behalf?
- ☐ Assurance reports







Found with all our other policies at
www.shropshirecountypensionfund.co.uk



Why does it matter?

Pre 2014 Scheme	Post 2014 Scheme
<p>All benefits based on final salary (FTE) and you could get it right at the end.....</p> 	<p>Benefits based on actual salary per year - incorrect CARE pension for any year will be revalued incorrectly forever.....</p> 
<p>Not just getting member benefits paid correctly!</p> <ul style="list-style-type: none">• Could save you £'s! Wrong data means liabilities calculated incorrectly• Save you time - Getting it right first time avoids queries from us• Happy members? Reduced appeals	



How we avoid getting things wrong

Page 64

- ☐ Robust internal controls – at year end, iConnect monthly verification, final checks before benefit payment
- ☐ Internal and external audits
- ☐ Monitor breaches to identify training requirements - reported to pensions committee and board
- ☐ Escalate non-compliance to senior management within scheme employers
- ☐ Measure data quality and report to score to the Pensions Regulator
- ☐ Utilise the ability to impose charges
- ☐ Communicating with members - ABS online access



Updated leaver forms

- A lot of information is needed
- Separated out ill health retirements – we know this is a complex area
- This form instigates the calculation and payment of member benefits – is the correct person signing them?
- Do not keep large paper copies
- Good to receive feedback – we have introduced a fillable PDF form as a result



Dealing with ill health retirements

Page 66

Refer to our employers area on website for guidance

It is **your decision** – but must follow regulations

Make sure you evidence **your decision** – clearly explained in notice letter

Popular for appeals – make sure **you're aware** of appeal response deadlines

Template letters – would these be useful?



Employer website developments

Page 68



SHROPSHIRE COUNTY
PENSION FUND

[HOME](#) [ABOUT US](#) [EMPLOYER](#) [FIREFIGHTER](#)

[Home](#) > Employer

Employer

This section contains everything you need to know as an employer in the Shropshire County Pension Fund. Please select the relevant buttons for more information.

Becoming an
employer or existing
employer letting a
contract »

[For more information >>](#)

Employers guide »

[For more information >>](#)



Contact us

01743 252130



Write to us

Shirehall, Abbey Foregate, Shrewsbury,
SY2 6ND



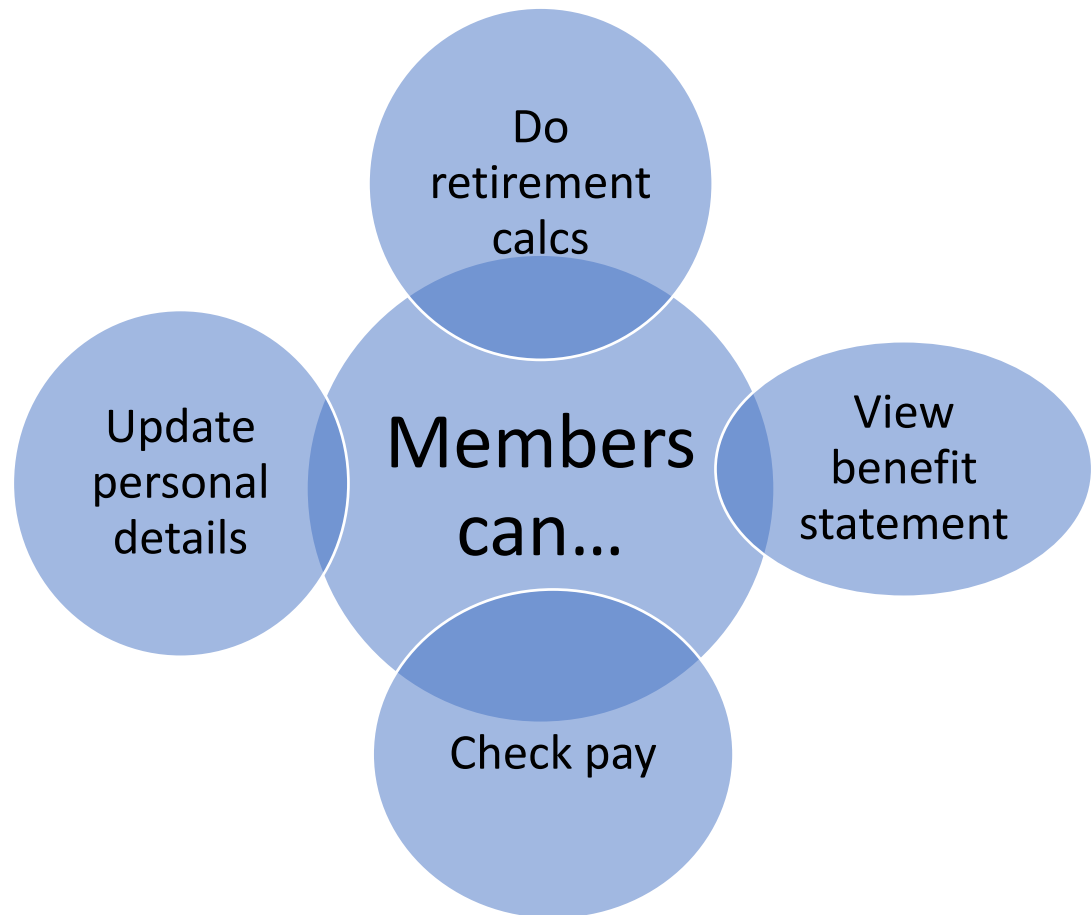
Email us

pensions@shropshire.gov.uk



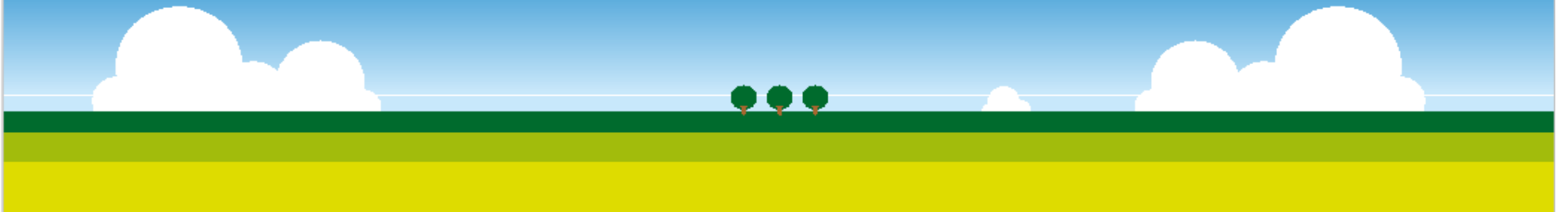
My Pension Online developments

- 'New look' system being developed
- 39% active members registered - can you help us increase this number?
- We can come to your workplace to help members with registration process





Any questions?







i-Connect

Shropshire Pension Fund : Employers Forum

The Data Exchange Solution for the Public Sector

October 2018 | Colin Lewis

Electronic Leaver Forms



Leaver Forms

Page 74

Share Initial
Design

Validate the
Design

Decide what
to keep

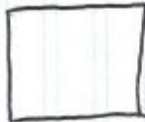
Identify
changes to the
process

iCONNECT / EMPLOYER SERVICES (LIVE) ▼

DASHBOARD

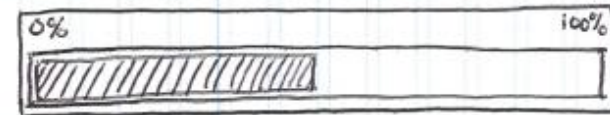


<MEMBER
LEAVING>



<TASK
SPECIFIC>

TEAM TASKS FOR <MONTH> <YYYY>



<TO DO FOR TEAM>



<TASK TYPE>	<PLAIN ENGLISH DESCRIPTION>	<DUE DATE>	<X DAYS LEFT>	EDIT	RAISE QUERY

<SUBMITTED TASKS - FOR TEAM>



<COMPLETED TASKS - FOR TEAM>



iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE

SUBMIT

① FIND MEMBER



SEARCH BY

NATIONAL INSURANCE NUM ▼

ENTER NATIONAL INSURANCE NUM *

SAVE SEARCH

LOAD SEARCH

<CHECKLIST>

<FIND
MEMBER>

<REASON
FOR LEAVING>

<PAY+
CONTRIBUTIONS>

SAVE

SUBMIT

iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE SUBMIT

① FIND MEMBER



SEARCH BY

EMPLOYER
JOB TITLE
NATIONAL INSURANCE NUM
PAY REFERENCE NUM
SURNAME

ENTER NATIONAL INSURANCE NUM *

SAVE SEARCH

LOAD SEARCH

<CHECKLIST>

<FIND MEMBER>

<REASON FOR LEAVING>

<PAY + CONTRIBUTIONS>

SAVE SUBMIT

iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE SUBMIT

① FIND MEMBER ✓

SEARCH BY

PAY REFERENCE NUM ▼

ENTER PAYROLL REFERENCE NUM... *

SAVE SEARCH

LOAD SEARCH

<CHECKLIST>

<FIND MEMBER>

<REASON FOR LEAVING>

<PAY + CONTRIBUTIONS>

SAVE SUBMIT

iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE SUBMIT

① FIND MEMBER

SEARCH BY

PAYROLL REFERENCE NUM ▾

<PAYROLL REF (PARTIAL)> *

SAVE SEARCH

LOAD SEARCH

<SURNAME> <NINO> <PAYROLL REF> <JOB TITLE>

<SURNAME> <NINO> <PAYROLL REF #2> <JOB TITLE #2>

<SURNAME #2> <NINO 2> <PAYROLL REF> <JOB TITLE>

<SURNAME #3> <NINO 3> <PAYROLL REF> <JOB TITLE>

<SURNAME #4> <NINO 4> <PAYROLL REF> <JOB TITLE>

<CHECKLIST>

<FIND MEMBER>

<REASON FOR LEAVING>

<PAY+ CONTRIBUTIONS>

SAVE SUBMIT

iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

< CONTEXT FOR PROCESS >

SAVE

SUBMIT

① <SURNAME 2> <NINO 2> <PAYROLL REF> <JOB TITLE>

② <REASON FOR LEAVING>

WHY IS MEMBER
LEAVING? *

SELECT...

DATE

LEAVING *

DD/MM/YYYY



MORE DETAIL?

<FREETEXT FIELD>

<CHECKLIST>

<FIND
MEMBER><REASON
FOR LEAVING><PAY+
CONTRIBUTIONS>

SAVE

SUBMIT

iCONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE SUBMIT

① <SURNAME 2> <NINO 2> <PAYROLL REF> <JOB TITLE>

② <REASON FOR LEAVING>

WHY IS MEMBER
LEAVING? *

NORMAL RETIREMENT


MORE DETAIL? [

DATE
LEAVING *

DD/MM/YYYY



<CHECKLIST>

<FIND
MEMBER> 

<REASON
FOR LEAVING>

<PAY+
CONTRIBUTIONS>

SAVE SUBMIT

i-CONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

< CONTEXT FOR PROCESS

SAVE

SUBMIT

① < SURNAME 2 > < NINO 2 > < PAYROLL REF > < JOB TITLE >

② < NORMAL RETIREMENT >

WHY IS MEMBER
LEAVING? *

< NORMAL RETIREMENT >

DATE
LEAVING *

< DATE ADDED >



MORE DETAIL?

ADD DOCUMENT ⊕

③ < PAY + CONTRIBUTIONS + FINANCIALS >

< CHECKLIST >

< FIND
MEMBER >< REASON
FOR LEAVING >< PAY +
CONTRIBUTIONS >

SAVE

SUBMIT

REPORT LEAVER ① (LINK TO EMPLOYER GUIDE)

<CONTEXT>

① MEMBER: JC464889B <MEMBER NAME> <PAYROLL REF> >

② <NORMAL RETIREMENT> >

③ PAY + CONTRIBUTIONS + FINANCIALS

<CONTEXT FOR NORMAL RETIREMENT>

CARE SCHEME ①	MAIN	50/50
FROM: 01/04/YYYY TO LEAVING	£	£
PREVIOUS YEAR	£	£

EMPLOYEE CONTRIBUTIONS ①	MAIN	50/50
FROM: 01/04/YYYY TO LEAVING	£	£
PREVIOUS YEAR	£	£

NATIONAL INSURANCE INFO	
FROM: 01/04/YYYY	NOT REQUIRED
FROM: 01/04/YYYY-1 - 31/03/YYYY-1	£
FROM: 01/04/YYYY-2 - 31/03/YYYY-2	£

SAVE

SUBMIT

<CHECKLIST>

<FIND MEMBER> ✓

<REASON FOR LEAVING> ✓

<PAY + CONTRIBUTIONS>

iCONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE

SUBMIT

① <SURNAME 2> <NINO 2> <PAYROLL REF> <JOB TITLE>

② <NORMAL RETIREMENT>

③ <PAY + CONTRIBUTIONS + FINANCIALS>

<CHECKLIST>

<FIND MEMBER>



<REASON FOR LEAVING>



<PAY + CONTRIBUTIONS>

<CONTEXT FOR NORMAL RETIREMENT>

CARE SCHEME		MAIN	50/50
FROM: 01/04/YYYY TO LEAVING	*	£	£
PREVIOUS YEAR	*	£	£

EMPLOYEE CONTRIBUTIONS		MAIN	50/50
FROM: 01/04/YYYY TO LEAVING	*	£	£
PREVIOUS YEAR	*	£	£

NATIONAL INSURANCE INFO		
FROM: 01/04/YYYY		NOT REQUIRED
FROM: 01/04/(YYYY-1) - (31/3/YYYY-1)	*	£
FROM: 01/04/(YYYY-2) - (31/3/YYYY-2)	*	£

FINAL PAY	£
-----------	---

SAVE

SUBMIT

< COMPLIANCE STATEMENTS >

☐ < STATEMENT 1 >

☐ < STATEMENT 2 >

CONFIRM

RETURN TO SUBMISSION

< NEXT STEPS > < YOUR REF > < CONTACT NUMBER >

REPORT LEAVER - SAVED FOR LATER

< EXPLAIN REQUIREMENTS OF EMPLOYER
FOR THIS TYPE OF SUBMISSION > .

< REASON FOR SAVING >

< PLEASE CONFIRM REASON FOR SAVING >



CONFIRM

RETURN TO SUBMISSION



REPORT LEAVER - SAVED FOR LATER

<EXPLAIN REQUIREMENTS OF EMPLOYER
FOR THIS TYPE OF SUBMISSION>

<REASON FOR SAVING>

DOCUMENTS MISSING

NEED TO RAISE QUERY

....

....

REPORT LEAVER - SAVED FOR LATER

< EXPLAIN REQUIREMENTS OF EMPLOYER
FOR THIS TYPE OF SUBMISSION > .

< REASON FOR SAVING >

DOCUMENTS MISSING

CONFIRM

RETURN TO SUBMISSION

Electronic Leaver Forms



Reduce
paper forms
scanning
indexing
Improve
efficiency



One Stop
Shop for
Employers



Secure
transmission



Right data at
the right time



Cost
reductions



i-Connect

Thank you

Public Service Pension Employers



Employers Meeting
Shropshire County Pension Fund

Page 9

Neil Wilson

Industry liaison manager

11 October 2018

**The information we provide is for guidance only and
should not be taken as a definitive interpretation of the law.**

DM 6469907 v11 These slides remain the property of The Pensions Regulator and their content should not be altered on reproduction.



Agenda

- Our role, responsibilities and powers
- Your role and responsibilities
- Our expectations
- The importance of good data
 - Scheme returns
 - Reporting a breach
- Lessons from casework
- Data related initiatives: GDPR, pensions dashboard
- The need for cyber resilience

Page 92

Introduction

- We regulate the governance and administration of public service pension schemes, which provide pensions for civil servants, the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces
- Our Code of Practice 14 sets out the standards of conduct and practice we expect

Page 93
8 workforces



16.5 million
memberships

24,000
employers

Our roles and responsibilities

- We regulate compliance with the Governance and Administration requirements introduced by the Public Service Pensions Act 2013:
 - we engage mainly with scheme managers and pension boards
 - investment: not the what (compliance with investment regulations) but the how (investment governance) - LGPS only
 - www.tpr.gov.uk/guidance/db-investment.aspx
- To educate and enable:
 - codes, toolkit, news-by-email
 - www.tpr.gov.uk/doc-library/codes.aspx
 - <https://trusteetoolkit.thepensionsregulator.gov.uk/>
 - <https://forms.thepensionsregulator.gov.uk/news-by-email/subscribe>
- To enforce:
 - improvement and third party notices, fines etc



Our regulatory powers

- Appoint a skilled person to assist the pension board
- Civil penalties – up to £5,000 to an individual or £50,000 to a corporate body
- Collect data through the scheme return
- Criminal prosecution
- Improvement notices and third party notices – require specific action to be taken within a certain time
- Information – require any relevant person to produce any relevant document or information
- Inspection – at own premises and/or premises of a third party
- Publish reports about a case (which might include naming those at fault)
- Recover unpaid contributions from employers on behalf of the scheme manager
- Report misappropriation – notify the scheme manager about pension board conflicts or misuse regarding assets
- Skilled person report – require scheme managers to provide a report made by a skilled person nominated by the regulator

Legislative scope: Code of practice 14

Scheme governance:

1. knowledge and understanding required by pension board members
2. conflicts of interest and representation
3. publishing information about schemes

Managing risks:

4. internal controls

Administration:

5. scheme record-keeping
6. maintaining contributions
7. providing information to members

Resolving issues:

8. internal dispute resolution
9. reporting breaches of the law

TPR focus 2018

- Ongoing risk assessment and intelligence gathering
 - www.tpr.gov.uk/docs/public-service-research-2018.pdf
- Key focus areas:
 - record-keeping and data quality

We have changed as a regulator; we are being **clearer** with those we regulate, **quicker** to act where our expectations are not being met - and **tougher** on employers that do not comply with their duties and trustees who do not act in the interests of their members.

2017 survey

- 191 of the 207 public service pension schemes completed the survey (92% covering 98% of all memberships)
 - This compares to a response rate of 90% in 2016, 48% in 2015 and 53% in 2013

Page 98

Scheme type	Interviews	Schemes		Memberships ¹	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	9,978,735	100%
Firefighters	49	50	98%	114,024	97%
Local Government	88	100	88%	6,246,498	94%
Police	43	46	93%	372,312	97%
Total	191	207	92%	16,711,569	98%

Who are we trying to reach

- Employers
- Scheme managers, scheme advisory boards, pension scheme board members (public sector pension schemes)
- Advisers, including actuaries, accountants and pensions lawyers
- Service providers

Page 99

Particular focus on the disengaged and those at risk of non-compliance

Trustees, including chairs and professional trustees

Employer legal responsibilities - England and Wales

Regulation 80 of the LGPS (England and Wales) regulations 2013 states:

- A scheme employer *'must give that authority such other information as it requires for discharging its scheme functions'* and
 - *'Within three months of the end of each scheme year, each scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an **active member** during the scheme year':*
 - the employee's name, gender, date of birth, NI number, unique reference number relating to each employment
 - the dates of active membership
 - pensionable pay received and employee contribution deducted
 - any employer contribution in relation to the employee's pensionable pay
 - any additional employee or employer contributions
- www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r80

Our expectation - employer responsibilities

Two way engagement approach:

- Employers:
 - required to provide information requested
 - have awareness of terms of employer agreements
 - abide by contract terms / obligations under regulations
 - manage HR / payroll systems
 - provide quality data (eg member joiner and leaver forms)
 - report a material breach of law

Scheme managers:

- follow scheme regulations, rules and requirements
- have awareness of terms of employer agreements
- have clear, robust, published processes / deadlines / communications
- designate a scheme contact point
- follow through on non compliance
- understand material breach of law reporting requirements

Local pension boards

Pension boards are responsible for assisting the scheme manager in securing compliance with:

- scheme regulations
 - other governance and administration legislation
 - any requirements of The Pensions Regulator
 - additional matters, if specified by scheme regulations
 - pension boards need to have an equal number of employer representatives and member representatives (they may also have other types of members, such as independent experts).
- For simple guides to pension boards:
 - www.tpr.gov.uk/public-service-schemes/pension-guides.aspx#s18403

Record keeping

- Good record keeping is a key part to the successful running of a scheme and allows schemes to meet their legal obligations
- We know from engagement that standards vary widely, and some schemes do not prioritise this appropriately, so TPR expects:
 - scheme managers to engage with administrators over service and security
 - assess data and put in place a plan to address issues

Guidance on developing an improvement plan:

- www.tpr.gov.uk/docs/improve-data-guide.pdf

Improving your data

- Scheme managers should undertake an **annual** data review and put in place an improvement plan where they identify issues - data improvement is a continuous process, not a one-off exercise
- Our quick guide (www.tpr.gov.uk/docs/improve-data-guide.pdf) can help you design a plan or assess an existing one

Page 104

Poor data integrity has a real impact on members - accurate records are key to ensuring:

- the right members get the right benefits at the right time,
- accurate valuations and calculation of the cost cap
- The data needed to run an efficient and effective scheme should be checked regularly – both ‘common data’ (applicable to all schemes) and ‘conditional data’ (dependent on scheme type, structure and system design) (www.tpr.gov.uk/docs/measure-data-guide.pdf)
- Data should be well managed day to day to ensure it is accurate and complete
- Though administrators may look after records on a day to day basis, scheme managers are still accountable

Record keeping - survey results

Most schemes have conducted a data review in the last year

Last data review
75% in last 12 months
15% longer ago
2% never
8% don't know

Almost two-thirds identified issues in their latest review

Identified issues
62% identified issues
25% no issues identified
3% don't know if issues
10% not reviewed (inc. DK)

In most cases data rectification is in progress but not complete

Data improvement plans
19% data improvement plan
43% no data improvement plan
28% no issues identified (inc. DK)
10% not reviewed (inc. DK)

Many schemes are doing an annual data review, but take up of data improvement plans is low. Decrease in LGPS carrying out a data review and employer data is a bigger concern than for other schemes.

Record keeping - overview

- We consider 90% of employers providing good quality data to be an important threshold
- 62% of all schemes reported that that at least 90% of their employers provided **timely data**

Page 106

And 55% of all schemes reported that at least 90% of their employers provided **accurate and complete data**

What proportion of your scheme's employers provide you with timely, accurate and complete data?

Proportion where at least <u>90%</u> of employers provide:	Schemes	Memberships	Other	Fire & Rescue	Local Govt	Police
Timely data	62%	54%	55%	71%	51%	79%
Accurate/complete data	55%	39%	36%	65%	41%	79%

All respondents (**Base, Don't know, Did not answer question**) - Schemes (191, 9-12%, 2%), Memberships (191, 2- 14%, 0%), Other (11, 0-18%, 0%), Fire (49, 20-22%, 2%), **LG (88, 6-7%, 0%)**, Police (43, 7-9%, 7%)

In LGPS, the proportion of schemes that did **NOT** report that that at least 90% of their employers provided timely data was **53%*** - and **62%*** did **NOT** report 90%+ accurate and complete data (*includes 7% of LGPS schemes that didn't know).

Scheme return requirements 2018

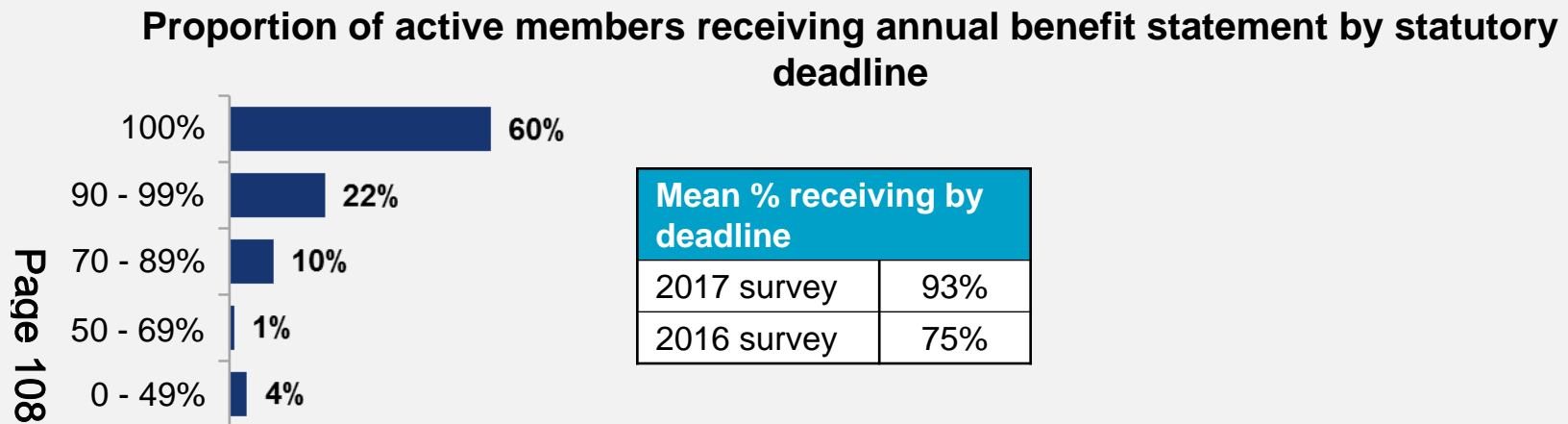
- From 2018 will be asked to report on:
 - when scheme last measured common data
 - common data score
 - when scheme last measured scheme specific (conditional) data
 - scheme specific data score
- This will help us understand and segment the landscape and target interventions / track progress

Common data = data used to identify members (eg DOB, NINO, name)

Scheme specific data = other data needed to run the scheme:

- in public service schemes this includes data required by the regulations, data needed for valuation, compliance with scheme regulations etc
- This change for public service schemes may require systems and process changes (www.tpr.gov.uk/docs/measure-data-guide.pdf)
- For more information on the scheme return www.tpr.gov.uk/public-service-schemes/reporting-duties.aspx

Member communications - survey



- Significant improvements over the last year
- 60% of schemes reported that all members received their ABS on time (up from 43% in 2016)
- The mean was 93% (up from 75% in 2016)

In LGPS 45% of schemes reported that 100% of members received their ABS by the statutory deadline

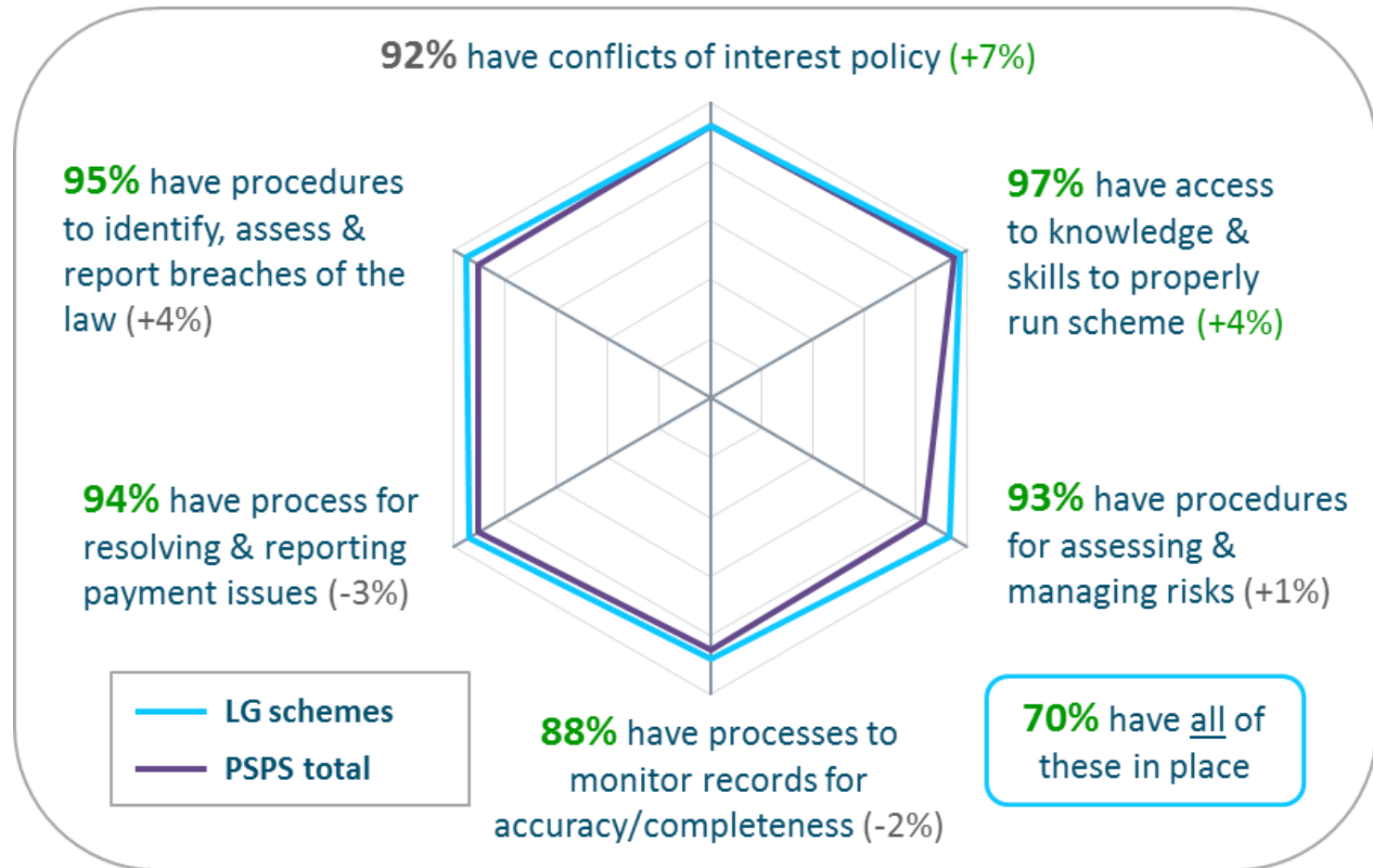
Reporting breaches of law

- Legal duty to report a breach of the law that is likely of material significance to TPR for:
 - scheme manager
 - pension board member
 - professional advisers
 - employers
 - administrators and others providing advice to the manager
 - Reporters to determine if a breach has occurred based on reasonable cause and not a mere suspicion
 - TPR provides example scenarios and RAG system for assessing scale of materiality by way of:
 - cause
 - effect
 - reaction
 - wider implications
- www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf

Page 109

Key processes

Page 110



30% LGPS do not have all 6 key processes in place

Breaches of law reports - Teachers' Pension Scheme

- 2 breach of law reports were received in 2016 from an administrator
- 43 employers were failing to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline
- The administrator had made multiple contacts with each employer
- Our engagement:
 - we engaged with the non-compliant employers
 - the engagement identified a lack of knowledge and understanding by employers on EOYC submissions
 - all but one employer is now compliant
 - the scheme manager removed the final employer from the scheme (the employer has now gone insolvent)
- For more detail:
 - www.tpr.gov.uk/docs/regulatory-intervention-section-89-teachers.pdf

Key lessons

- Scheme managers have a legal obligation to maintain certain data
- Employers provide most of the data needed
- Both employers and scheme managers must ensure they are meeting their legal obligations to the scheme:
 - employers must ensure they understand their obligations to the scheme
 - scheme managers must have robust processes to ensure accurate data is provided on time
- TPR can, and has, intervened where these actions don't resolve the issues:
 - a range of powers at our disposal, including the issuing of an improvement notice and / or third party compliance notice and associated fines

Public service pension scheme fined £1000

- We issued a £1,000 fine against the London Borough of Barnet scheme manager for failing to submit its 2016 scheme return:
 - we issued a scheme return notice to the scheme manager on 9 July 2016, requesting the scheme return be submitted by 12 August
 - the return was not received and further communications from TPR not replied to
 - so the matter was referred to TPR's Determinations Panel on 24 February 2017
 - the penalty notice was issued to the scheme manager on 13 April and paid on 9 June

Key lessons

- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability.
- It is the legal responsibility of trustees and managers to submit a scheme return by the specified deadline:
 - failure to submit may signal further governance and administration problems within the scheme
 - good scheme governance is a key factor to achieving positive outcomes for members
- The £1,000 fine against the scheme manager took into account:
 - size of scheme (23,000 members)
 - governance and administration being a priority for TPR



Failure to provide the scheme return by the deadline can lead to fines of up to

£5,000

per individual and

£50,000

in other cases

What does this mean in practice

- Make sure there are appropriate internal controls:
 - service level agreements are set up, even with in-house administrators
 - there are processes to receive, check and review data
 - and processes around the Data Protection Act and data breaches
 - more guidance coming from us
- Data to be reviewed:
 - annually and on triggering events (new administrator)
 - common / scheme specific data
 - the review is robust
- Robust data improvement plans:
 - new guidance coming from TPR

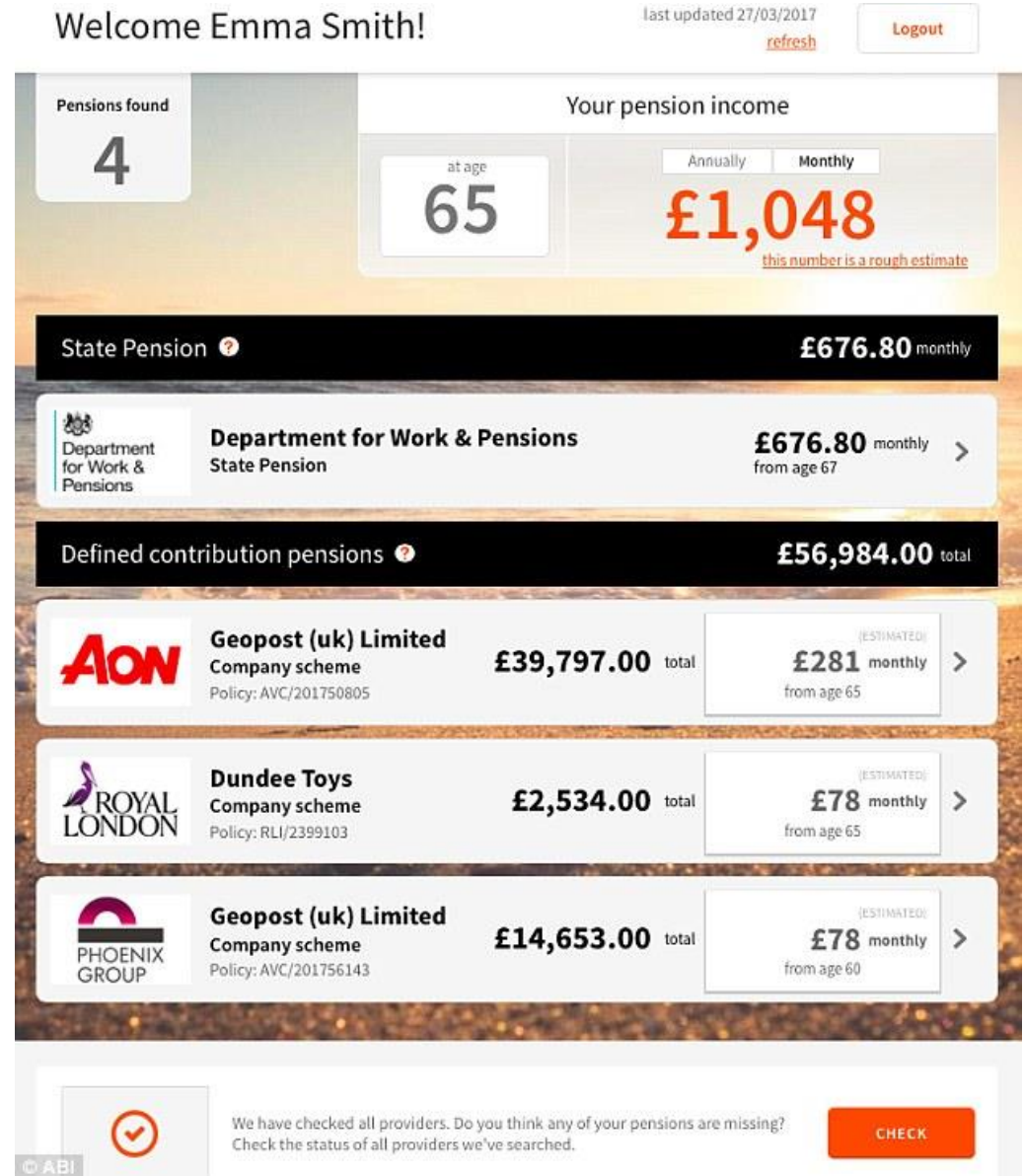
What are the challenges facing pension schemes

- Member engagement:
 - online access
- Enhanced requirements:
 - increased reporting requirements
 - pensions dashboard (might become a legal requirement to provide member benefit data)
 - cyber security



Pensions dashboard

- Put forward in Budget 2016
- Prototype dashboard delivered by the ABI - <https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/>
- DWP now leading on feasibility study
Whether scheme participation will be voluntary or mandatory is to be confirmed



Cyber resilience in pensions schemes

- Pension schemes are potentially valuable targets for fraudsters as they hold large amounts of personal information
- Scheme managers are responsible for putting in place controls to ensure the security of data and assets
- TPR CEO has said that cyber security should be on risk registers
- Not just an administrator problem – (eg what controls are around the data shared with the scheme actuary, legal advisors and pension board)
- Not just about cyber ‘defence’ but cyber resilience:
 - look at systems, processes and people (access and training) to reduce the risk
 - prepare for when things go wrong – how to recover data, how to report internally and externally (members, ICO, TPR)

Mitigation against cyber threats

- Most cyber attacks exploit basic weaknesses in software and IT systems
- Our guidance to trustees and scheme managers on principles for building cyber resilience:

www.tpr.gov.uk/guidance/cyber-security-principles-for-pension-schemes.aspx

- Government estimates that 80% of breaches could be prevented by following these 10 steps from the National Cyber Security Centre (part of GCHQ):

www.ncsc.gov.uk/guidance/10-steps-executive-summary

Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against the most common threats found on the internet. It shows you how to fix basic weaknesses and get a good level of cyber security in place.

www.cyberaware.gov.uk/cyberessentials

Summary

- Our key focus areas are record-keeping and data quality
- Employers must provide accurate and timely data for record keeping
- Data quality to be continuously reviewed:
 - the reviews are sufficiently comprehensive
 - and robust data improvement plans are in place and progressed

Good governance and administration - make sure there are appropriate controls:

- service level agreements are set up, even with in-house administrators
 - report breaches of the law when appropriate
- Additional scheme return requirements this year
- Scheme managers are responsible for having controls for cyber resilience
- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability

Useful tools, checklists and guidance - (i)

- **Annual benefits statement -**
www.tpr.gov.uk/docs/public-service-annual-benefit-statements-guide.pdf
www.tpr.gov.uk/docs/public-service-annual-benefits-statement-checklist.pdf
www.tpr.gov.uk/docs/PS-guide-key-information-to-provide-to-members.pdf
- **Data measuring guidance -** www.tpr.gov.uk/docs/measure-data-guide.pdf
- **GDPR guidance - Information Commissioner's Office (ICO) -**
<https://ico.org.uk/for-organisations/guidance-index/>
- **Improvement plan guidance -** www.tpr.gov.uk/docs/improve-data-guide.pdf
- **Internal controls checklist -** www.tpr.gov.uk/docs/public-service-internal-controls-checklist.pdf

Useful tools, checklists and guidance - (ii)

- **Public service - scheme self assessment toolkit -**
www.tpr.gov.uk/public-service-schemes/assess-your-scheme.aspx
- **Public service - personal self assessment tool -**
<https://education.thepensionsregulator.gov.uk/login/index.php>
- **Reporting a breach -**
www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf
- **Risk register example -**
www.tpr.gov.uk/docs/public-service-example-risk-register.pdf
- **Scheme return -**
www.tpr.gov.uk/public-service-schemes/reporting-duties.aspx
- **Trustee Toolkit -** <https://trusteetoolkit.thepensionsregulator.gov.uk/>

Useful links

- **Our website** - www.tpr.gov.uk/
- **Codes** - www.tpr.gov.uk/doc-library/codes.aspx
- **Code of practice 14 - Governance and administration of public service pension schemes** - www.tpr.gov.uk/public-service-schemes/code-of-practice.aspx
- **Governance** - www.tpr.gov.uk/21c-trustee
- **Latest research** - www.tpr.gov.uk/public-service-schemes/research-and-analysis.aspx
- **NAO report** - www.tpr.gov.uk/docs/vfm-review.pdf
- **Pension scams** - www.tpr.gov.uk/pension-scams.aspx
- **Public service area** - www.tpr.gov.uk/public-service-schemes.aspx
- **TPR Future** - www.tpr.gov.uk/about-us/protecting-workplace-pensions.aspx

Thank you

We are here to help!

Request a guest speaker:

<https://secure.thepensionsregulator.gov.uk/speaker-request.aspx>

Contact us at:

www.tpr.gov.uk/contact-us.aspx

Subscribe to our news by email:

<https://forms.thepensionsregulator.gov.uk/subscribe.aspx>



The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

Additional slides



What you can do to combat cyber attacks

Reducing The Impact

Most cyber attacks are composed of four stages: **Survey, Delivery, Breach and Affect**. The following **security controls**, applied at each stage of an attack, can reduce your organisation's exposure to a successful cyber attack.

Survey



User Education

Train all users to consider what they include in publicly available documents and web content. Users should also be aware of the risks from discussing work-related topics on social media, and the potential of being targeted by phishing attacks.

Delivery



Network Perimeter Defences

Can block insecure or unnecessary services, or only allow permitted websites to be accessed.



Malware Protection

Can block malicious emails and prevent malware being downloaded from websites.



Password Policy

Can prevent users from selecting easily guessed passwords and locks accounts after a low number of failed attempts.



Secure Configuration

Restrict system functionality to the minimum needed for business operation, systematically apply to every device that is used to conduct business.

Breach



Patch Management

Apply patches at the earliest possibility to limit exposure to known software vulnerabilities.



Monitoring

Monitor and analyse all network activity to identify any malicious or unusual activity.



Malware Protection

Malware protection within the internet gateway can detect malicious code in an important item.



Secure Configuration

Remove unnecessary software and default user accounts. Ensure default passwords are changed, and that automatic features that could activate malware are turned off.



User Access

Well maintained user access controls can restrict the applications, privileges and data that users can access.



User Training

User training is extremely valuable in reducing the likelihood of successful social engineering attacks.



Device Controls

Devices within the internal gateway should be used to prevent unauthorised access to critical services or inherently insecure services that may still be required internally.

Affect



Controls For The Affect Stage

Once an attacker has achieved full access, it's much harder to detect their actions and eradicate their presence. This is where a more in-depth, holistic approach to cyber security can help.

10 Steps To Cyber Security outlines many of the features of a complete cyber risk management regime.

Who might be attacking you?

Cyber Criminals interested in making money through fraud or from the sale of valuable information.

Industrial competitors and foreign intelligence services interested in gaining an economic advantage for their companies or countries.

Hackers who find interfering with computer systems an enjoyable challenge.

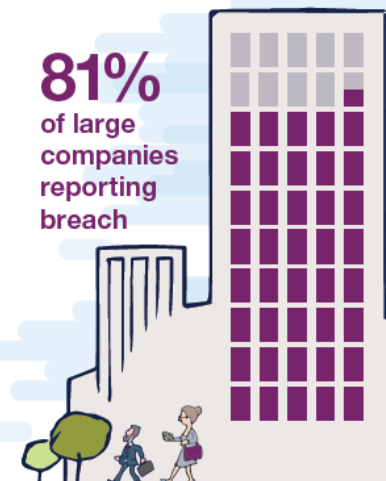
Hacktivists who wish to attack companies for political or ideological motives.

Employees, or those who have legitimate access, either by accidental or deliberate misuse.

£600K-£1.15m
Average cost of security breach



81%
of large companies reporting breach



10 Steps to Cyber Security

Defining and communicating your Board's Information Risk Regime is central to your organisation's overall cyber security strategy. The National Cyber Security Centre recommends you review this regime – together with the nine associated security areas described below, in order to protect your business against the majority of cyber attacks.



Network Security

Protect your networks from attack. Defend the network perimeter, filter out unauthorised access and malicious content. Monitor and test security controls.



User education and awareness

Produce user security policies covering acceptable and secure use of your systems. Include in staff training. Maintain awareness of cyber risks.



Malware prevention

Produce relevant policies and establish anti-malware defences across your organisation.



Removable media controls

Produce a policy to control all access to removable media. Limit media types and use. Scan all media for malware before importing onto the corporate system.



Secure configuration

Apply security patches and ensure the secure configuration of all systems is maintained. Create a system inventory and define a baseline build for all devices.



Managing user privileges



Establish effective management processes and limit the number of privileged accounts. Limit user privileges and monitor user activity. Control access to activity and audit logs.



Incident management

Establish an incident response and disaster recovery capability. Test your incident management plans. Provide specialist training. Report criminal incidents to law enforcement.



Monitoring

Establish a monitoring strategy and produce supporting policies. Continuously monitor all systems and networks. Analyse logs for unusual activity that could indicate an attack.



Home and mobile working

Develop a mobile working policy and train staff to adhere to it. Apply the secure baseline and build to all devices. Protect data both in transit and at rest.

This page is intentionally left blank



Committee and date

Pensions Board

16 November 2018

9.30am

Item

Public

Breaches of LGPS Regulations

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 Breaches of LGPS regulations affecting 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. Recording and reporting of breaches

4.1 Section 70 of the Pensions Act 2004 imposes a requirement on the following persons to report a breach of law:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;

- 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 2018/2019 financial year so far, most of breaches have been the result of, contributions and/or data not being submitted on time.
- 4.4** For the 2018/2019 year, so far, nine employers have been reported as being in breach for not supplying a discretions policy. One of these breaches has been resolved. Of the remaining eight employers, four have been engaging with the pensions team to resolve this issue. The other four employers have not been responding and are due to receive a formal letter confirming an employers responsibilities under the regulations.
- 4.5** So far in 2018/2019, one employer has appeared on the breaches log with a total of six or more breaches. This employer has been written to and the Fund will work with them to improve practises.
- 4.6** A small number of employers have accrued four beaches this year and will be closely monitored over the coming months and will be written to if six or more breaches are accrued.
- 4.7** It was reported on 13 April 2018 that twelve employers accrued six or more breaches over the 2017/2018 financial year. Of these twelve employers, two have ceased their employer status in the fund, and a third has merged with another employer. Five further employers have improved their performance significantly and are currently not causing concern. Although, will be monitored to ensure this improvement continues.
- 4.8** The remaining four employers, all of whom are schools belonging to the same Academy Trust with separate employer status, continue to appear on the breaches spreadsheet. Progress with this group of employers has been slow, but the frequency of their breaches is decreasing, and the Fund continues to offer support to improve performance. A previous issue with late data submission has now largely been resolved. However, each school has been recorded for a breach arising from not submitting pension contributions on behalf of a six employees across the schools since November 2016. Each school is being written to to address this issue.

- 4.9** 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 7 - Pensions Board Meeting 13 April 2018 Update on Breaches of LGPS Regulations

Item 22 - Pensions Committee Meeting 27 July 2019 Record of Breaches Report (Exempt paper)

Item 16 - Pensions Committee Meeting 21 September 2018 Record of Breaches Report (Exempt paper)

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

NA

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank