

## Report to Pensions Board meeting October 2017

### CIPFA Pensions conference 'Pension boards two years on'

#### Recommendations

- a) A copy of the recent TPR survey response should be brought to the board for confirmation of the response.
- b) That all newsletters and information requests from the Scheme Advisory Board be copied to both Board members and members of the Investment Committee.
- c) That a regular report in respect of the Breaches register be made to the Board identifying any potential breaches of law and steps undertaken to rectify them.
- d) A report should be brought to the board with regard to the funds vulnerability to Tier 3 employers and HE/FE collages including the measures put in place to recover pension contributions in the event of the failure of such an employer.
- e) Provision for indemnity insurance should be made for the board members.
- f) That a report be brought to the Board indicating what measures have been put in place to reduce the identified problems in the PWC report in relation to membership of the fund by SAT and MAT.
- g) A report is submitted to the Board on the present established complaints procedures and how the concerns of the Pension Ombudsman in respect of the present process can be addressed.
- h) That the administrative authority be requested to ensure that any fund managers it deals with have signed up to the SAB transparency Code including the Brunel CIV.
- i) That the board meet on a quarterly basis to coincide with the meetings of the Investment Committee

#### 1.0 Introduction

In June, two members of the board, Carl Hearn (Employers) and Andrew Bowman (Scheme Members) attended the CIPFA Pensions conference 'Pension boards two years on'. Here a series of presentations were given by the various parties involved in the regulation and administration of LGPS.

#### 2.0 The Pension Regulator

A survey had been sent out in May 2017 to Pension board members by the Pension Regulator via the Administrating authority to identify any issues with the administration and structure of the boards. As members of the board we were not aware of this survey and would ask why this was not circulated to the board members. If a response was sent who filled this in and a copy of the response should be made available to the board for confirmation.

#### 3.0 Information from Scheme Advisory Board (SAB)

It appears that the SAB regularly circulate information in the form of newsletters etc which should be circulated to Board members and the investment committee for information. This would appear not to have been circulated to members by the administrating authority.

#### 4.0 Risk of Tier 3 Employers to Fund

With the changes as the result of Tier 3 employers being made part of the scheme it is important that any risk identified with these and FE/HE collages should be assessed and identified in the risk register. We are not aware of this being highlighted in the risk register and with the growing admission of non-local government bodies into the fund as closed schemes are concerned on the potential effect on the funds income

## **5.0 Breaches of Law**

The Pensions Regulator (TPR) require that a register of breaches of law be kept and that they are reported to them. As a board we are responsible for the proper running of the scheme and as such this register should be reported to the board so it can make recommendations as to potential improvements in the administering authority; for example a breach of Law can be that Scheme members are not receiving annual benefit statements on time.

## **6.0 Board member indemnity insurance**

The general local authority insurance does not cover pension board members as the Pension Board is not a LG committee. Suitable insurance cover should be arranged to indemnify the board members as they have responsibility in relation to the management and administration of the fund. It may be the case that elected members are insured under separate provision but this does not extend to non-elected members of the board.

## **7.0 Membership of the Scheme by Single Academy (SAT) and Multiple Academy Trusts (MAT)**

A recent report by Price Waterhouse Cooper (PWC) identified potential problems for funds in relation to changes brought about by the formation of SAT and MAT. Concerns were raised about how these would affect funds with multiple trusts spread amongst them. We are not aware of this issue being addressed by the fund as no reports have been made to either the Pension Board or the Investment committee on this issue.

## **8.0 Pension Ombudsman**

The speaker indicated that it was not possible to enforce a direction from the ombudsman but negative publicity can be an effective measure. Any miss-selling of pensions is the responsibility of the Financial Ombudsman.

The most common issues referred to the Ombudsman in respect of LGPS are:

- Ill Health
- Transfers between funds
- Mis-information/misquotes
- Benefits incorrect

It was suggested that the Local government pension schemes should move to one IDRAP rather than two before allowing a scheme member to refer their case to Ombudsman and the board should be made aware of how any change to this process may occur

## **9.0 Cyber security.**

The General Data Protection Regulations come into force in May 2018 and there is a need to document what is being done under these regulations by the administering authority and their agents i.e. Peninsula Pensions.

Cyber risk and the ramifications of the forthcoming legislative changes on Data protection should be on the risks register for the administering authority.

Separate email address for pension Board members should be provided by the authority and the use private email address should be discouraged.

A new privacy notice needs to be circulated to all scheme members. This needs to tell scheme members what information is held by authority before May 2018.

A Privacy impact assessment should be undertaken by the administering authority and copy of this should be made available to the board as it would highlight any potential risks.

Under the new regulations the administering body has 72 hours to report breach and therefore a breach response plan needs to be place. There is a Change of liability form not just the administering authority but anyone handling data such as a payroll run such as a contractor. They have direct legal liability and provision for this should be included in any contract.

## **10.0 Cost transparency.**

10.1 The SAB Transparency Kite mark was discussed as good practice. The question arises as to if the administrative authority should have dealings with fund managers who do not sign up to this as one may be suspicious that they are not being open in their dealings with the fund if they have not signed up. It was also identified that the relevant pools such as Brunel should also sign up to this standard as have several other pools and boards.

## **11.0 Board Structure**

11.1 The Devon board appears to be in the minority in that it only meets at twice a year. Other boards have coordinated their meeting to align with the meetings of the investment committee to enable them to be more reactive to any issues raised for instance changes to pooling and legislation. A change to meeting on a quarterly basis would allow board members time to fully consider the reports before them on a more detailed basis rather than as at present being faced with multiply documents to read and assess relating to decisions made over six months ago. Other boards have used small working parties to investigate issues and report back to them where appropriate.

Other issues discussed related to the need for succession planning for board members, an appraisal of the work of the board and its effectiveness, the need for a communications plan relating to how the board communicates with scheme members and employers and the training and competency of the board and investment committee members.

## **Conclusion**

This was a very useful conference and highlighted both the strengths and weakness of the boards. Various recommendations have been made as a result and these should be acted upon.

Carl Hearn (Employers) and Andrew Bowman (Scheme Members)