

# Local Pension Boards: 1 Year On

- Basics
- CIPFA Survey and Boards Conference 29 June 2016
- The Pensions Regulator
- Scheme Advisory Board
- Training and Work Programmes
- The Future? GAD s13, TV 3/16, KPIs, Pooling etc

# Local Pension Boards: Basics

## Role of LPB

To ASSIST the Administering Authority to:

- Secure compliance with
  - LGPS & other legislation relating to Scheme Governance and administration
  - The requirements of the Pensions Regulator
  
- Ensure the effective & efficient governance & administration of the Scheme

## LPBs: Basics (cont)

How to operate?

“shall have the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions”

Examples?

- Question internal or external administrators KEY!
- Feedback between Member reps and their community
- Feedback between Employer reps and their community
- External experts

## LPBs: Basics (cont)

### Terms of Reference

- Wide? Narrow? Ambitious? Minimalist?
- Key reference document
- Keep under review: is it effective?
- Recommend changes if appropriate
- Be mindful of the process required for any changes to be made
- Link to Work Programme
- Mindful of SAB review

## LPBs: Basics (cont)

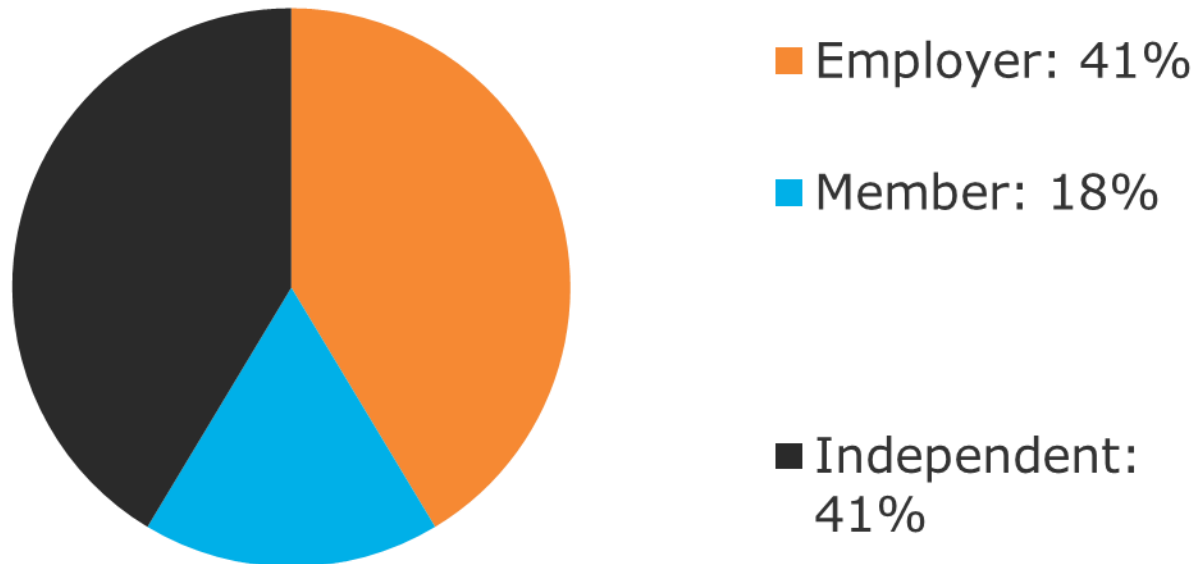
### Remember

- Most Board members are volunteers
- Board members need the capacity to carry out the role
- Personal circumstances may limit capacity

So, whilst continuity is clearly helpful, reach out if a Board member is clearly struggling as non-quorate Boards lose momentum. Keep an eye out for future replacements, and / or re-consider the optimum number of Board members

## CIPFA Survey: Type of Chair

### Chairs of LPBs



## CIPFA Survey: No. of Meetings

### Average Number of Meetings

2015/16	3.0
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2016/17	3.4
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### Range

2015/16	2 > 5
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2016/17	2 > 6
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## CIPFA Survey

Who sets Board  
agenda?

5%

23%

72%

0%

Chair

Officer

Joint

Advisor

Who wrote First  
Annual Report?

19%

48%

31%

2%



## CIPFA Survey: cross observing

Chairs allowed to cross-observe?

Board Chair at C'ttee/Panel: 98%

Does it happen? 82%

C'ttee/Panel Chair at Board: 95%

Does it happen? 30%

## CPN/Barnett Waddingham event for Board Members only 29 June 2016

- Enthusiasm for their role
- Networking
- Frustrations
- Communication lines
- Annual event: 28 June 2017

# The Pensions Regulator

## **Governance and administration survey**

### Purpose

- –To assess how schemes were meeting the legal requirements around governance and administration (G&A) and the standard to which schemes are being run
- –To encourage schemes to self-assess
- –To inform our risk analysis – landscape and scheme level

- Source: the Pensions Regulator 29 June 2016

## The Pensions Regulator (con't)

### **Governance and administration survey (con't)**

- For LGPS, each Fund reported as separate 'scheme'
- Fieldwork ran between 23rd July and 4th September 2015, TPR issued report 10 December 2015
- Assumptions on non-response and progress / compliance
- LGPS: 52% response rate, covering 66% of membership

## The Pensions Regulator (con't)

### **Governance and administration survey (con't)**

#### **Key findings – Processes**

LGPS sections are progressing well in terms of understanding the new requirements and setting up processes

- –High levels of awareness and understanding
- –45/53 had fully established and operational pension boards
- –High levels of reported processes in place against most areas of the Code

- Source: The Pensions Regulator 29 June 2016

## The Pensions Regulator (con't)

### **Governance and administration survey (con't)**

#### **Key findings – Processes**

- Some gaps in processes
- Reporting breaches
- Variability between sections

#### **Need to consider:**

- Efficiency of processes in delivering outcomes
- Process review
  - Source: The Pensions Regulator 29 June 2016

## The Pensions Regulator (con't)

### **Governance and administration survey (con't)**

#### **Conclusions and Expectations**

- Processes should be fit for purpose and deliver good outcomes – there is an opportunity to model best practice in key areas
  
- We expect all schemes to assess themselves against the legal requirements and the code and have a plan of action to address gaps
  - Source: The Pensions Regulator 29 June 2016

## The Pensions Regulator (con't)

### **TPR focus 16/17**

Risk assessment and intelligence gathering

- Focus on:
  - Basic compliance
  - Top 3 risks:
    - Record-keeping
    - Internal controls
    - Poor and ineffective communications

*“We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks”*

Source: The Pensions Regulator 29 June 2016



## The Pensions Regulator (con't)

### **What can pension boards do?**

- Support the scheme manager in dealing with these issues
  - Assess potential risks
  - Proactively challenging to ensure scheme complying with legal requirements
  - Ensure plans are in place
- Knowledge and understanding
  - The role of peer learning
- Robust governance processes including clear roles and responsibilities
  - Source: The Pensions Regulator 29 June 2016

# Scheme Advisory Board (SAB)

## **Purpose**

- The purpose of the Board is to both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.
- Recommendations may be passed to the DCLG or other bodies.
- likely that it will have a liaison role with the [Pensions Regulator](#). Guidance and standards may be formulated for local scheme managers and pension boards.

## Scheme Advisory Board (con't)

- SAB's role with regard to LPBs is advisory
- has issued guidance in this capacity.
- in its advisory role to the Secretary of State, there is a case for monitoring individual funds and highlighting where administering authorities may not be complying with regulations.
- SAB survey seeking confirmation that their LPB had been established and request copies of ToR
- areas of concern over the comprehensiveness of some Terms of Reference
- 7 funds appeared without LPB by 1 April 2015

## Scheme Advisory Board (con't)

How does SAB interact with LPBs?

- Aims to provide single information source for all LGPS stakeholders on general health of LGPS and specific health of each LGPS fund relative to others  
LPGS funds
- Helps demonstrate that LGPS funds are meeting statutory duties e.g. publishing names, roles and responsibilities of Board members
- Prepares training & guidance (event for LPB Chairs)

## Training

- Expect a survey!
- Heavy or light touch?
- Personal TNA? Group or individual or combination?
- Who is monitoring?
- TPR Toolkit: options: on line/documentation
- CIPFA guidance
- Target dates for completion, but.....
- On-going updates
- Joint with Committee/Panel?/other LPBs?
- Timeliness relative to agenda and events: key!

# Work Programme

Topics that follow the cycle, e.g.

- Board annual report
- Annual accounts and FP Report
- Triennial Valuations

Issuing of Annual Benefit Statements (seeking assurances, employer liaison, communications strategy)

Topics with External Deadlines e.g.

- GMP reconciliation (seeking assurances)

## Work Programme (con't)

### Priorities of TPR

- Monitor annual programme
- Ongoing Review of COP 14

### Priorities of SAB

- KPI's
- New Chair > fresh impetus > more visible in future?

### Priorities of own Committee or Panel

- Invite Committee to ask Board for detailed scrutiny of certain activities (e.g. recorded breaches) & report back

## Work Programme (con't)

### Risk Register

- Agree role relative to Committee
- Standing item?
- Focus on specific risk category, e.g. employer risk and deep dive? Strategy to support Scheme Manager is risks result from inadequacies at employers, including the Administering Authority!
- Or focus on all Category Red first
- Or focus on one component from each broad area,
- BUT guided by scale of impact rather completeness for completeness sake



## Work Programme (con't)

### Scheme Documents

- Review for completeness
- Still current?
- Familiarise

Q? Following the opinion of James Goudie QC, are you clear on whether your LPB members are fully covered by insurance, either by the insurance policy of the Authority or by an additional policy. Standing item until resolved and minuted!

## Work Programme (con't)

### New Regulations

- training and awareness

### On going Training

- Standing item?

## The Future?

- Triennial Valuation March 2016, mindful of...
- GAD Section 13: actuarial assumptions: outliers?
- SAB: KPIs
- Guaranteed Minimum Pension: ongoing
- Reporting & Monitoring Breaches: ongoing
- Compliance with CoP 14: ongoing
- Investment Issues: transactions costs, governance re pooling
- Mindful of TPR's Priorities
- Mindful of the focus of SAB

## The Future? (con't)

- Key Person Risk: outcomes of local elections? Also officers leaving? Scope to be pro-active?
- Adequacy of resources to perform statutory functions to standards expected by Regulators
- So, need flexibility in work programmes
- Distinguish between priority (detailed discussion) and non-priority (awareness) items on each LPB agenda, and focus time accordingly

## The Future? (con't)

- Key Person Risk: local elections? officers leaving?  
can we be pro-active?
- Adequacy of resources to perform statutory  
functions to standards expected by Regulators
- Many others, such as Changes to Regulations
- Other suggestions ? ? ?
- Where will oversight of LPB's ultimately rest???

## Conclusions

From Board's perspective

- Review
- Challenge and be pro-active
- Recommend
- Focus on risk including reputational risk & resources
- Focus primarily on Admin & Governance
- Monitor SAB/TPR
- Offer support to help Committee/Panel
- Network /seek good practice
- But respect the decision-making boundaries

## Conclusions

From Perspective of Board Secretary, PF Manager, Committee or Panel?

- Help or hindrance?
- Delivering value?
- Degree of “spoonfeeding”?
- Scale of Initiatives taken by Board?
- Number of meetings: about right/too many/too few?
  - In terms of usefulness
  - Relative to other demands and time constraint
- “When establishing my LPB and ToR, in hindsight, what I would do differently would be.....”

# Finally

- Did we mention Brexit?