

CUMBRIA PENSIONS COMMITTEE

Meeting date: 16th March 2021

From: Julie Crellin, Director of Finance (S151 Officer)

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME – FUND POLICY DOCUMENT ANNUAL REVIEW

1.0 EXECUTIVE SUMMARY

- 1.1** *It is a regulatory requirement that Fund Policy documents are kept up to date. In addition to updates when required throughout the year, it is good practice for the Pensions Committee to formally review all aspects of management and governance of the Cumbria Local Government Pension Scheme (LGPS) at least annually. This report incorporates all changes to existing policies (last published in December 2020) to reflect current circumstances and regulation changes in 2020/21.*
- 1.2** *During the year there was one substantive change to a policy in the Fund Policy Document prior to this general review:*
- 1.2.1** *The Admission and Termination Policy was amended to reflect changes associated with exit credits payable to employers leaving the LGPS. Pensions Committee approved these changes in June 2020 and, following consultation with employers, the revised policy was adopted in August 2020*
- 1.3** *Subsequent to this a number of further changes have been identified as appropriate and are proposed for approval. These include:*
- 1.3.1** *Administration Strategy & Communications Policy (Section 3) – In response to the Pension Regulator’s (tPR) cohort review of the LGPS further details have been added about the Fund’s approach to the handling of complaints.*
- 1.3.2** *Investment Strategy Statement (Section 4) – This has been updated to include details of the new Target Investment Strategy proposed for approval by Pensions Committee at item 20 of this agenda, together with more information on the activities of the Fund in respect of Responsible Investment (if the Strategy is not approved as part of item 20, a revised Investment strategy and policy would be*

brought back to Pensions Committee for consideration in June 2021); and

- 1.3.3** *Training Policy & Plan (Section 9) – This has been updated to ensure continued compliance with tPR’s expectations for Member and officer training and its requirements in relation to acquiring and maintaining an appropriate degree of knowledge and understanding. The training plan has been updated to incorporate areas highlighted following the completion of the annual training needs assessment questionnaires.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1** *The Fund must maintain and publish Fund Policies. Robust governance arrangements help to ensure good management of the Fund and help contribute to investment performance. Investment performance will have a direct impact on the funding level of the Fund and therefore the employers’ contribution rates. This will in turn impact on the Fund employers’ revenue budgets.*
- 2.2** *Each policy will be subject to an individual equality impact assessment as it is considered. There are no additional equality implications arising out of the recommendations of this report.*

3.0 RECOMMENDATIONS

It is recommended that Members;

- 3.1** *Approve the changes to the Administration Strategy and Communications Policy;*
- 3.2** *Approve the changes to the Investment Strategy Statement, subject to the approval of the Fund’s Target Investment Strategy at item 20 of this agenda;*
- 3.3** *Approve the updated Training Policy and 2021/22 Training Plan; and*
- 3.4** *Note and approve the other minor amendments made throughout the Fund Policy Document.*

4.0 BACKGROUND

- 4.1** Management and governance of the Cumbria LGPS consists of two main elements –
- managing the investments of the Fund, and
 - administration i.e. dealing with Fund members and participating employers.

- 4.2 Implementation of the Public Service Pensions Act 2013 in April 2015 provided a number of challenges for LGPS Funds including establishing Local Pension Boards, dealing with the new Scheme Advisory Board and adhering to the Code of Practice issued by the Pensions Regulator.
- 4.3 The Regulator issued a code of practice no. 14 – Governance and Administration of Public Service Pension Schemes (the public service code) in April 2015. The code provides scheme managers (the local administering authority) and pension board members with a summary of their key governance and administration duties, standards of conduct and practice expected in relation to those duties.
- 4.4 The code contains practical guidance in four core areas of fund governance and administration: governing your fund, managing risks, administration and resolving issues. This guidance has been considered when undertaking the annual review of the Fund Policies to ensure they comply with the code and meet the standards expected by the Regulator.

Changes to Policy Documents:

- 4.5 The Fund Policy document provides an up to date repository of the Fund's policies and as such it is updated when required throughout the year. During 2020/21, one update was approved by Pensions Committee in June, and as such the amended Admission and Termination Policy has already been published:
- 4.6 In addition to ongoing review throughout the year, in accordance with best practice the Fund Policy document is also subject to a formal annual review. This report summarises the outcome of this formal annual review process. The proposed amended Fund Policy document is set out at Appendix 1 and a summary of proposed amendments is set out in paragraphs 4.8 to 4.29 below.
- 4.6.1 In the main, the proposed changes to the document are set out as highlighted text. However, due to the scale of changes to the following policies, the amendments (which are summarised in paragraphs 4.10 and 4.27 below) have not been highlighted to allow for a full review:
- Administration Strategy & Communication Policy,
 - Investment Strategy Statement, and
 - Training Policy and Plan.
- 4.6.2 Where the changes are of a routine, minor or correctional nature, the changes have not been highlighted, for example:
- to reflect the change to the financial year, and
 - to correct spelling, grammar or punctuation etc.
- 4.7 This report seeks agreement for these changes. Where a section of the document has not been amended (other than for routine or minor changes as described at 4.6.2 above), this has been stated in the list below.

- 4.8 **Introduction:** There have been no amendments made to this policy.
- 4.9 **Governance Policy Statement:** The amendments made are to clarify the wording around the delegations of the Section 151 officer and details relating to the management of conflicts of interest.
- 4.10 **Administration Strategy & Communications Policy:** In response to the Pension Regulator's (tPR's) cohort review of the LGPS, changes have been made to add further details about the Fund's approach to complaints.
- 4.11 The amendments made include a definition of a complaint together with details of the Fund's complaint's process and details of other sources of information that scheme members may find helpful.
- 4.12 The complete updated Administration Strategy & Communications Policy has been included in the Fund Policy Document without any highlighting to allow for a full review
- 4.13 **Investment Strategy Statement (ISS):** Some substantial changes have been made to include details of the new Target Investment Strategy being proposed to Members for approval at item 20 of today's agenda.
- 4.14 Full details of the new Target Investment Strategy are available at item 20 of today's agenda and are reflected in this policy for approval subject to the subsequent approval of that item's recommendations.
- 4.15 In addition, updates have been made throughout the policy to clarify our approach to Responsible investment and the Stewardship of assets, including signalling the Fund's intention produce a report based on the updated UK Stewardship Code (2020). The revised code sets high expectations on those investing pension fund monies. As such, Officers are working closely with Border to Coast and Partner Funds to develop a consistent approach with a view to becoming a signatory of the new Code later in 2021.
- 4.16 The complete updated Investment Strategy Statement has been included in the Fund Policy Document without any highlighting to allow for a full review.
- 4.17 **Cash Investment Policy:** The amendments made are minor to update the values of the cash holding limit figures as at December 2020.
- 4.18 **Funding Strategy Statement (FSS):** There have been no amendments made to this policy other than to update it to include the new Target Investment Strategy being proposed to Members for approval at item 20 of today's agenda.
- 4.19 **Admissions & Termination Policy:** The strategy was previously reviewed in June 2020 and, following consultation with employers, the revised policy was adopted in August 2020 and consequently there are no proposed amendments to this policy.

- 4.20 **Discretions Policy:** There have been no amendments made to this policy, however this policy is in the process of being reviewed by Eversheds as detailed during their presentation at the previous agenda item to both ensure compliance with current LGPS Regulations and to improve the readability and presentation of the discretions available to assist in the management of the Fund.
- 4.21 Following today's training session, officers will review the draft wording provided by Eversheds for this section of the Fund Policy Document with the aim of bringing a rewritten policy to the June 2021 Pensions Committee.
- 4.22 **Training Policy and Plan:** The Policy has been reviewed to ensure continued compliance with tPR's expectations for Member and officer training and its requirements in relation to acquiring and maintaining an appropriate degree of knowledge and understanding. The Policy has also been updated to acknowledge the link to the requirement for Members of the Pensions Committee as a collective and Members of the Pension Board individually to be able to demonstrate their expertise, experience and knowledge, such that they are capable of making investment decisions and understanding the nature of all of the risks involved.
- 4.23 In December 2020 the training needs assessment questionnaire was sent to all Member and substitutes Members of the Pensions Committee and the Members of the Local Pension Board. The completed responses have been collated and assessed and the training plan has been updated to reflect training needs identified by the evaluation questionnaires and with reference to the aims and objectives of the 2021/22 Business Plan (see Item 13 on today's agenda).
- 4.24 The main areas of focus identified as having a need for additional training in the coming year by either the Committee or the Board are shown below.

Training Topic
The Cost Transparency agenda, including the availability of accurate information and related reporting requirements which seeks to produce comprehensive and transparent cost information for risk analysis.
The UK Stewardship Code (2020), which is a substantial revision to the 2012 edition setting high expectations on those investing pension fund monies to create long term value; and lead to sustainable benefits for the economy, the environment and society.
Scheme Advisory Board's 'Good Governance Review'; consider the outcomes and its implications for the Cumbria Fund.
Fiduciary Duty, including how this applies to Members of the Pensions Committee and the Pension Board.
The McCloud age discrimination case; consider the implications of the resolution for the LGPS and specifically for the Cumbria Fund.
LGPS Regulations in respect of the new flexibilities for Employers; raise awareness and consider the options for within the Cumbria Fund.

- 4.25 As a number of the topics identified by the Committee were also highlighted by members of the Local Pension Board, joint training sessions will be offered to all Members.
- 4.26 The summary above is not an exhaustive list; in addition to the topics noted above training sessions will be arranged as required on any emerging issues which arise throughout the year. These may include updates to the governance of the LGPS arising from the implications from the Government's Pensions Bill and any others legislative or regulatory amendments that may arise.
- 4.27 The complete updated Training Policy and Plan has been included in the Fund Policy Document without any highlighting to allow for a full review.
- 4.28 **Policy and Procedure for Reporting Breaches of the Law:** There have been no amendments made to this policy.
- 4.29 **Internal Control & Risk Management Policy:** There have been no amendments made to this policy other than to include the most up to date example of the risk register, presented to Members at item 12 of today's agenda.

5.0 OPTIONS

- 5.1 Members of the Pension Committee may decide to:
- 5.1.1 Accept the proposed amendments to the Fund Policies,
- 5.1.2 Ask Officers for further information, or
- 5.1.3 Consider and propose further amendments to the document.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 6.1 Achieving value for money should be and is an objective considered for the Cumbria LGPS as part of all policy reviews. Clearer, less bureaucratic policies and procedures aid in reducing administration costs. Additionally, adherence to regulatory and legislative requirements avoids potential expensive investigatory procedures and fines.

7.0 LEGAL IMPLICATIONS

- 7.1 The Administering Authority (i.e. the County Council) has various regulatory responsibilities to maintain and review policies in relation to its investment strategy and administration of the pension fund. It is the responsibility of the Pensions Committee to consider and determine proposed changes to pensions policies.
- 7.2 Under Part 2H of the Constitution 2.2 (f) provides that the Committee annually review (as a minimum) and approve any amendments to the

statutory policy statements as required by Local Government Pension Scheme Regulations.

- 7.3 Under Part 2H of the Constitution 2.2 (g) provides that the Committee should annually review the Investment Strategy Statement and oversee the performance of all investment managers in the delivery of the Investment Strategy.
- 7.4 Under Part 2H of the Constitution 2.2 (i) provides that the Committee should produce and maintain an Administration and Communications Policy for the Pension Scheme for the admission of employing bodies as contributors to the Scheme; that fulfils all communication and consultation requirements with employers of the Scheme.
- 7.5 Under Part 2H of the Constitution 2.2 (k) provides that it is a function of Pensions Committee to approve and annually review the Pension Fund's training policy to ensure those charged with the management of the Fund (members and officers of the County Council) are appropriately experienced and qualified.

8.0 CONCLUSION

- 8.1 Effective and up to date Fund Policies demonstrate the good governance of the Fund and helps members, employers, the administration providers (LPPA) and the Administration Authority work together to fulfil their joint responsibilities in administering the Fund.

Julie Crellin
Director of Finance (S151 Officer)

16th March 2021

APPENDICES

Appendix 1: Fund Policy Document March 2021

Electoral Division(s): All

Executive Decision

	No
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Key Decision

	No
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If a Key Decision, is the proposal published in the current Forward Plan?

		N/A
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Is the decision exempt from call-in on grounds of urgency?

	No
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If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?

		N/A
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Has this matter been considered by Overview and Scrutiny?

	No
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If so, give details below.

Has an environmental or sustainability impact assessment been undertaken?

	No	
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Has an equality impact assessment been undertaken?

	No	
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N.B. If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and necessary approvals have been obtained.

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

No previous relevant decisions

REPORT AUTHOR

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