



HILLINGDON  
LONDON



# Pensions Board

**Date:** WEDNESDAY, 7 OCTOBER  
2015

**Time:** 5.00 PM

**Venue:** COMMITTEE ROOM 6 -  
CIVIC CENTRE, HIGH  
STREET, UXBRIDGE UB8  
1UW

**Meeting  
Details:** Members of the public and  
Press are welcome to attend  
this meeting.

## **Councillors on the Committee (Employer Representatives)**

David Simmonds (Chairman)  
Alan Chapman (Vice-Chairman)  
John Morse

## **Employee Representatives**

Roger Hackett  
Venetia Rogers  
Andrew Scott

**Published: 29 September 2015**

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<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CIId=356&MIId=2495&Ver=4>

*Putting our residents first*

Lloyd White  
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**The terms of Reference of the Pensions Board is as follows:**

1. The Pensions Board will be chaired by an elected Member of the Council and will meet quarterly in the month following Pensions Committee.
2. Reports to the Board will either reflect decisions taken by Pensions Committee or be reports for noting already seen by Pensions Committee.
3. The role of the Board will be to assist London Borough of Hillingdon Administering Authority as Scheme Manager: to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
4. To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and in such other matters as the LGPS regulations may specify.
5. To secure the effective and efficient governance and administration of the LGPS for the London Borough of Hillingdon Pension Fund.
6. To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest. NB: Being a member of the LGPS is not seen as a conflict of interest.

# Agenda

- 1 Apologies for Absence
- 2 Declarations of Interest and any Conflicts of Interest
- 3 Minutes of meeting held on 30 July 2015 1 - 4
- 4 Exclusion of Press and Public  
  
To confirm the items of business marked Part I will be considered in public and that items marked Part II will be considered in private.
- 5 Training Item - Local Pension Boards - A Technical Knowledge and Skills Framework 5 - 52
- 6 Local Government Pension Scheme - Governance Issues  
  
To be provided with an oral update.
- 7 Issues from the last meeting of the Pension Board
- 8 Discussion on Pension Fund Policies 53 - 78
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- 10 Review of Pension Committee Reports 83 - 90
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## Minutes

### Pensions Board

30 July 2015

Meeting held at Committee Room 4 - Civic Centre,  
High Street, Uxbridge UB8 1UW



HILLINGDON  
LONDON

	<p><b>Board Members Present:</b></p> <p><b>Employer Representatives:</b> Councillors Alan Chapman, John Morse and David Simmonds.</p> <p><b>Employee Representatives:</b> Roger Hackett, Venetia Rogers and Andrew Scott.</p> <p><b>Also Present:</b> Dan Kanaris (AON Hewitt).</p> <p><b>LBH Officers Present:</b> Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed.</p>	
1.	<p><b>APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN</b></p> <p>That Councillor David Simmonds be appointed Chairman and Councillor Alan Chapman be appointed Vice-Chairman of the Board for the 2015/16 Municipal Year.</p>	<p><b>Action By:</b></p>
2.	<p><b>STATUTORY REQUIREMENT ON CONFLICTS OF INTEREST</b></p> <p>The Board was informed that under the Public Service Pensions Act 2013 for the purposes of a member of a Local Pension Board, a "conflict of interest" was defined in section 5(5) of the 2013 Act as a financial or other interest which was likely to prejudice a person's exercise of functions as a member of a Local Pension Board.</p> <p>In relation to membership of the Pension Board this would occur if an individual had another interest which was likely to prejudice the way they carried out their role as a Pension Board Member. The 2013 Act also specified that a conflict did not include a financial or other interest arising merely by virtue of that person being a member of the LGPS and/or Fund (or any connected scheme).</p> <p>The information reported was noted.</p>	
3.	<p><b>DECLARATION OF INTEREST AND ANY CONFLICTS OF INTEREST</b></p> <p>Councillor David Simmonds declared a general Non-Pecuniary Interest as he was a member of the Teachers' Pensions Board. He remained in the meeting during discussion on all items.</p> <p>There were no conflicts of interests reported.</p>	

4.	<p><b>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</b></p> <p>That Agenda Item 11 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.</p>	Action by
5.	<p><b>THE LONDON BOROUGH OF HILLINGDON PENSIONS BOARD TERMS OF REFERENCE</b></p> <p>Consideration was given to a report which provided Members with the Terms of Reference of the Pension Board.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the Terms of Reference of the Pension Board be noted.</b></p>	
6.	<p><b>OVERVIEW OF PENSION BOARD</b></p> <p>Dan Kanaris from AON Hewitt attended the meeting and provided the Board with a presentation on Hillingdon's Pension Board Governance.</p> <p>Members were provided with the background to the establishment of the Board and provided with details on the legislative framework, the structure and Governance of the Local Government Pension Scheme, the Pensions Regulator, Conflicts of Interest, knowledge and understanding for Board Members and the reporting of breaches.</p> <p>Reference was made to the previous decision making structure for Pensions and Members were informed that the purpose of the new Board would be to look at the governance of the Pensions Committee decisions and look at the processes in terms of making those decisions.</p> <p>The Board was informed that Pension Boards must not have conflicts of interest and that it was advisable for a conflict of interest policy to be adopted.</p> <p>Members must be conversant with the regulations of the Pension's Scheme and all policy documents. The importance of Members having the knowledge and understanding of the law relating to pensions was stressed and it was agreed that the training requirements of Members would need consideration in the Board's work programme.</p> <p>Examples were given of how the Board could assist the Administering Authority which included:-</p> <ul style="list-style-type: none"> <li>• Reviewing scheme member/ employer communications,</li> <li>• Checking compliance of scheme employers with their duties under Regulations and legislation,</li> <li>• Reviewing complaints and performance on the administration and governance of the scheme,</li> <li>• Reviewing employer and administering authority discretions,</li> <li>• Providing an input to the development of improving customer services and</li> </ul>	

	<ul style="list-style-type: none"> <li>• Reviewing effectiveness of processes for the appointment of advisors and suppliers.</li> </ul> <p>Particular reference was made to the requirement to report breaches of the law to the Regulator and the Board was provided with an outline of what should be reported. A policy would be drafted for the next Pensions Committee and this area would be covered in training provided to Members.</p> <p>Discussion took place on insurance indemnity protection for employee members of the Board and the Board asked that the Borough Solicitor's advice be sought on this.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the information presented be noted and officers be asked to report back to the next meeting of the Board on the actions requested.</b></p>	<p><b>Action By:</b></p> <p><b>Nancy LeRoux</b></p> <p><b>Nancy LeRoux</b></p>
<p><b>7.</b></p>	<p><b>DRAFT WORK PROGRAMME</b></p> <p>The Board was provided with a draft work programme which provided suggestions on areas which Members should focus on.</p> <p>It was agreed that for the Board's next meeting an item be added to the work programme on what the arrangements are for Admitted Bodies in terms of how their views were taken into consideration.</p> <p>Subsequent to the meeting it was agreed that a Conflict of Policy be developed which would be submitted to the Board.</p> <p>Discussion took place on the Learning and Development Plan which would need to be put in place and officers were asked to give consideration to this and report back to the next meeting of the Board.</p> <p>Other areas which Members asked to be included in the Work Programme included how complaints were dealt with by the Administering Authority and the development of an Administration Strategy.</p> <p>Reference was made to the Pensions Administration Contract and Members asked that further detail be provided at future meetings on progress being made in relation to efficiency improvements by the contractor, Capita Employee Benefits (CEB).</p> <p>The Board was informed that briefings by specialists would take place at all meetings which would help in the learning and development for Members of the Board and improve the skills and knowledge base.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the draft work programme, with the suggestions made be noted.</b></p>	<p><b>Nancy LeRoux / Ken Chisholm / Khalid Ahmed</b></p>

8.	<p><b>REVIEW OF PENSION COMMITTEE REPORTS</b></p> <p>The Board was provided with the agenda for the last Pensions Committee which took place on 17 June 2015 and noted the reports.</p>	
9.	<p><b>PENSION FUND RISK MANAGER AND CONTROL ISSUES</b></p> <p>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</p> <p>The confidential report provided Members with details of the main risks to the Pension Fund which would enable the Board to monitor and review going forward.</p> <p><b>RESOLVED:</b></p> <ol style="list-style-type: none"> <li><b>1. That the Risk Register in terms of the approach and the specific tasks identified and the measures taken to mitigate those current risks, be noted.</b></li>   <li><b>2. That the recent Internal Audit report which gave substantial assurance on Pension Fund cash management practices be noted.</b></li> </ol>	
	<p>The meeting, which commenced at 7.00pm closed at 8.25pm</p>	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.



# local pension boards

A Technical Knowledge and Skills  
Framework



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# local pension boards

A Technical Knowledge and Skills  
Framework

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# Acknowledgements

This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

Bob Summers (Chairman) – Independent Consultant

Paul Dale – London Borough of Merton

Geoff Dobson – Suffolk County Council

Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

Nicola Mark – Norfolk Pension Fund

Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

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# 1. Purpose, Scope and Status of this Guidance

## PURPOSE

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- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*<sup>1</sup>, as amended by the *Public Service Pensions Act 2013*.

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1. Section 248a of the *Pensions Act 2004* sets out the following:

***Requirement for knowledge and understanding: pension boards of public service pension schemes***

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
  - (a) *the rules of the scheme, and*
  - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
  - (a) *the law relating to pensions, and*
  - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)<sup>2</sup>. The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing<sup>3</sup>. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

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## SCOPE

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- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

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2. [www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf](http://www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf)

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

*'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.*

*Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:*

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.'*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
  - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

## STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
  2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
  3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
  4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
  5. The organisation has designated a named individual<sup>4</sup> to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

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4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

*decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):*

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

*The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'*

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator's *Code of Practice No 14* as set out in paragraph 38 of that Code<sup>5</sup>.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA's *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

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5. Paragraph 38 of the Pensions Regulator's *Code of Practice No 14* states:  
*'Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.'*

# 2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011<sup>6</sup>.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority<sup>7</sup> for each public service pension scheme established under the 2013 Act is required to make

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6. [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207720/hutton\\_final\\_100311.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf)

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager<sup>8</sup> to establish a pension board to assist the scheme manager in relation to the following:

- (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
- (c) such other matters as the scheme regulations may specify.'*

**2.7** Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'*

**2.8** As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS<sup>9</sup>. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

**2.9** A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at [www.lgpsboard.org/index.php/about-the-board/board-guidance](http://www.lgpsboard.org/index.php/about-the-board/board-guidance)

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8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.*

# 3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

## SCOPE OF THE FRAMEWORK

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- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate).*’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

## PENSIONS LEGISLATION

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- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

## PUBLIC SECTOR PENSIONS GOVERNANCE

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- 3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

## PENSIONS ADMINISTRATION

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- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

## PENSIONS ACCOUNTING AND AUDITING STANDARDS

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- 3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.



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## PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

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- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

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## INVESTMENT PERFORMANCE AND RISK MANAGEMENT

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- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

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## FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

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- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

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## ACTUARIAL METHODS, STANDARDS AND PRACTICES

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- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

## THE KNOWLEDGE AND SKILLS FRAMEWORK

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**3.19** In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

# 4. Local Pension Boards: A Technical Knowledge and Skills Framework

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## **Pensions legislation**

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules.

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## **Pensions governance**

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board members.

Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

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<p><b>Pensions administration</b></p>	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> <li>■ member data maintenance and record-keeping processes</li> <li>■ internal dispute resolution</li> <li>■ contributions collection</li> <li>■ scheme communications and materials.</li> </ul> <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider’s investment and fund performance report and the payment schedule for such arrangements.</p>
<p><b>Pensions accounting and auditing standards</b></p>	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
<p><b>Pensions services procurement and relationship management</b></p>	<p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
<p><b>Investment performance and risk management</b></p>	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

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<b>Financial markets and products knowledge</b>	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
<b>Actuarial methods, standards and practices</b>	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

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# 5. Framework Status, Reporting and Compliance

## DEVELOPMENT AND MAINTENANCE

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- 5.1** This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2** As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator’s *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3** The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

## REPORTING AND COMPLIANCE

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- 5.4** Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
- how the knowledge and skills framework has been applied
  - what assessment of training needs has been undertaken
  - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator’s *Code of Practice No 14*<sup>10</sup> and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- ‘Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.’*
- 5.7 The Pension Regulator’s policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)<sup>11</sup>.
- Practitioners should familiarise themselves with this policy statement.

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10. Paragraphs 34 to 36 of the Pensions Regulator’s Code of Practice 14 state that:

*‘A member of the pension board of a public service pension scheme must be conversant with:*

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

*A member of a pension board must have knowledge and understanding of:*

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

*The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.’*

11. [www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf](http://www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf)



# 6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
    - Individual local pension board member knowledge, understanding and skills assessment.
    - Training plan/programme development.
  - **Training**
    - Pre-appointment and induction training.
    - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
    - Ongoing and subject specific training such as regulatory changes and triennial valuations.
    - Annual refresher training and updates.
    - Member requested training.
    - Bespoke and open courses aimed at retention of knowledge and development of best practice.
  - **Support and mentoring**
    - Ongoing local pension board member mentoring, coaching and support.
    - BWebstream document access and storage system.
    - Training and support materials.
  - **Monitoring and reporting**
    - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via [annemarie.allen@barnett-waddingham.co.uk](mailto:annemarie.allen@barnett-waddingham.co.uk) or Nigel Keogh at CIPFA on 01204 592311 or via [nigel.keogh@cipfa.org](mailto:nigel.keogh@cipfa.org) to discuss your requirements in the first instance.

# 7. Further Reading and Sources of Guidance

## FROM CIPFA

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*Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds* (2014)

*The Role of the Chief Financial Officer in the Local Government Pension Scheme* (2014)

*Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013)

*Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom* (2012)

*Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme* (2012)

*Managing Risk in the Local Government Pension Scheme* (2012)

*Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012* (2012)

*Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration* (2011)

*CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds* (2011)

*CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom* (2011)

*Narrative Reporting in Public Sector Pension Schemes* (2010)

*Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds* (2009)

*Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations* (2008)

*CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds* (2007)

*CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds* (2006)

## OTHER SOURCES

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*Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes* (The Pensions Regulator, 2015)

*Compliance and Enforcement Policy for Public Service Pension Schemes* (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at [www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)

*Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales* (Shadow Scheme Advisory Board, 2015)

## OTHER TRAINING AND SUPPORT

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The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at [www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)

# Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
<b>Legal requirements</b>		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> <li>■ the rules of the scheme</li> <li>■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.</li> </ul>		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> <li>■ the law relating to pensions</li> <li>■ any other matters which are prescribed in regulations.</li> </ul>		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
<b>Practical guidance</b>		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

**Where do knowledge and understanding responsibilities rest under the Code of Practice No 14? Nature of requirement**

Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)

**Areas of knowledge and understanding required**

	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
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**Degree of knowledge and understanding required**

	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)

**Acquiring, reviewing and updating knowledge and understanding**

Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: <ul style="list-style-type: none"> <li>■ cover the type and degree of knowledge and understanding required</li> <li>■ reflect the legal requirements</li> <li>■ be delivered within an appropriate timescale.</li> </ul>	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)





# Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

## PURPOSE OF ROLE

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To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

## PRINCIPAL RESPONSIBILITIES

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- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

## PERSON SPECIFICATION

Requirement	Essential	Desirable
<b>1. Educational</b>		<p>Appropriate financial experience and training.</p> <p>Knowledge of pension funds and schemes.</p> <p>Demonstrable evidence of knowledge kept up-to-date.</p>
<b>2. Work experience</b>	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
<b>3. Abilities, intelligence and special aptitudes</b>	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
<b>4. Adjustment and social skills</b>	<p>Able to establish good working relationships with board members, councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Able to achieve consensus when conflicting views arise.</p> <p>Able to challenge in a constructive manner.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
<b>5. Motivation</b>	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
<b>6. Equal opportunities</b>	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

# Annex C – LGPS Governance Regulations 2014

## **PART 3**

### **Governance**

#### **Delegation**

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

#### **Local pension boards: establishment**

**106.**—(1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

- (a) *to secure compliance with—*
- (i) *these Regulations,*
  - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme<sup>(a)</sup>, and*
  - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.
- (7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative<sup>(b)</sup>.
- (8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- (9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

**Local pension boards: membership**

- 107.**—(1) Subject to this regulation each administering authority shall determine—
- (a) the membership of the local pension board;
  - (b) the manner in which members of the local pension board may be appointed and removed;
  - (c) the terms of appointment of members of the local pension board.
- (2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—
- (a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and
  - (b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.
- (3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—
- (a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and
  - (b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.
- (4) Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—
- (a) a person to be designated as an employer representative has the capacity to represent employers; and

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

**Local pension boards: conflict of interest**

- 108.**—(1) *Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest<sup>(a)</sup>.*
- (2) *An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*
- (3) *A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).*
- (4) *A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).*

**Local pension boards: guidance**

**109.** *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

*Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*

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(a) *See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.*



# Annex D – Example of Competency Self-assessment Matrix

## Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
<b>1 – Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
<b>2 – Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		



Learning needs analysis		
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements and plan Training requirements Training plan (sources and timing)
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	
Knowledge of the Myrers principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5	
An understanding of how breaches in law are reported.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
<p>1 – no knowledge</p> <p>5 – highly skilled</p>		
<p><b>3 – Pensions administration</b></p>		
<p>An understanding of best practice in pensions administration eg performance and cost measures.</p>	<p>1 2 3 4 5</p>	
<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> <li>■ member data maintenance and record-keeping processes</li> <li>■ internal dispute resolution</li> <li>■ contributions collection</li> <li>■ scheme communication and materials.</li> </ul>	<p>1 2 3 4 5</p>	
<p>Knowledge of how discretionary powers operate.</p>	<p>1 2 3 4 5</p>	
<p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
	1 – no knowledge 5 – highly skilled	Training requirements and plan
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	1 2 3 4 5	
<b>4 – Pensions accounting and auditing standards</b>		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	1 2 3 4 5	
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	1 2 3 4 5	
<p>An understanding of the role played by third party assurance providers.</p>	1 2 3 4 5	
<b>5 – Pensions services procurement and relationship management</b>		
<p>An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.</p>	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
<p>1 – no knowledge 5 – highly skilled</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>	<p>1 2 3 4 5</p>	
<p><b>Page 48</b></p>		
<p><b>6 – Investment performance and risk management</b></p>		
<p>An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p>	<p>1 2 3 4 5</p>	
<p>An awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p>	<p>1 2 3 4 5</p>	
<p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan (sources and timing)
<p>1 – no knowledge 5 – highly skilled</p>		
<p><b>7 – Financial markets and products knowledge</b></p>		
<p>An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role of these asset classes in long-term pension fund investing.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.</p>	<p>1 2 3 4 5</p>	
<p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan
Do I possess...?	Training requirements and plan (sources and timing)
Rate my skills	Training requirements
<p>1 – no knowledge</p> <p>5 – highly skilled</p>	
<p><b>8 – Actuarial methods, standards and practices</b></p>	
<p>A general understanding of the role of the fund actuary.</p>	<p>1 2 3 4 5</p>
<p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p>	<p>1 2 3 4 5</p>
<p>An awareness of the importance of monitoring early and ill health retirement strain costs.</p>	<p>1 2 3 4 5</p>
<p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p>	<p>1 2 3 4 5</p>
<p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p>	<p>1 2 3 4 5</p>
<p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>	<p>1 2 3 4 5</p>





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## Discussion Item - Pension Fund Policies

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### REASON FOR ITEM

Under the Terms of Reference of the Pension Board, one of the key functions of the LPB is to 'secure the effective and efficient governance of the LGPS for the London Borough of Hillingdon'. A key part of that is to ensure that all policy documents are in place and maintained on a regular basis. This discussion item looks at the various policies the Fund should have in place and the Fund's arrangements for their review. The LPB may also wish to consider whether they believe they policies have been developed adequately or whether they should be referred back to pension Committee for further review.

### POLICY DOCUMENTS

All policy documents, where in place, are on the LBH Pension Fund web pages and the links to each are included below.

**Funding Strategy Statement** - Since 2004, administering authorities have been required to prepare, publish and maintain a Funding Strategy Statement (FSS). The current FSS was approved by Pensions Committee in March 2014. The statement is available at: <http://www.hillingdon.gov.uk/article/6492/Pension-fund>. This will be updated following the next triennial valuation of the Fund.

**Statement of Investment Principles** - The Statement of Investment Principles (SIP) is regularly updated and agreed at Committee. The latest version of the SIP can be accessed at: <http://www.hillingdon.gov.uk/article/6492/Pension-fund>. The format of the SIP has not been subject to a formal review for several years, but this will be done along with the Fund's investment consultants following the next valuation.

**Communication Policy Statement** - The London Borough of Hillingdon Pension Fund's Communication Policy Statement was last approved by Committee in March 2014 and can be found at: <http://www.hillingdon.gov.uk/article/6492/Pension-fund>. This policy will be updated shortly and is attached to this report for comment.

**Governance Policy Statement** - Regulations introduced in December 2005 required Administering Authorities to publish and maintain a Governance Policy Statement. The first statement was approved by Pensions Committee in March 2008. Later amendment regulations then required that by 1 December 2008 a Governance Compliance Statement should be published which required the addition of a Governance Best Practice Compliance Statement. With the addition of the Pension Board, this policy now requires updating and work is just about to start. The current version is attached to these papers for comment.

**Reporting of Breaches Policy** - this is a newly created policy which is due to be approved at Pension Committee on 5 October. The draft policy is attached to this report for information.

**Administration Strategy** - It is becoming increasingly common for Funds to develop an Administration Strategy, to help the management of employers within their Funds. Work is just commencing, with the support of AON Hewitt, to develop such a strategy for the Hillingdon Fund. The aim is to develop the strategy to have approved at pension Committee in December and it will then be brought to Board in January 2016.

**Training Policy** - the LBH Pension Fund does not currently have a formal Training policy either for Pension Committee or for Officers and such a policy would now also need to cover the LPB. As discussed earlier in this agenda a formal Training Policy is being developed and will be taken to Pension Committee for approval as soon as it is developed.

**Conflict of Interest Policy** - many LPBs have developed a Conflict of Interest Policy and indeed this was discussed at the first Hillingdon LPB meeting. Further discussions are ongoing with Democratic Services and the Borough Solicitor on the need for such a policy for the Hillingdon Fund. The outcome of those discussions will be reported back to the next meeting.

**Discretionary Policies** - there are several discretions within the LGPS regulations for which each employer within the Fund must develop a policy on their application. As these are employer discretions they are not approved by Pension Committee, however, the Fund is responsible for ensuring such policies do exist and are maintained. The policies of LBH are published on the web pages for the Fund; however, those of other employers are not currently published there. This is an oversight which will be rectified over the next few months.

## Communication Policy Statement

### THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

**Issued by: Pension Section, Finance Department**

**Authorised by: Pensions Committee March 2014**

Under the terms of regulation 61 of the above regulations, which came into force on 1<sup>st</sup> April 2014, the Council must publish a statement of policy concerning communications with members and Scheme employers.

This Communications Policy Statement concerns communications with scheme members, representatives of members, prospective members and Scheme employers. It details:

- a) the provision of information and publicity about the Scheme
- b) the format, frequency and method of distributing such information or publicity, and
- c) the promotion of the scheme to prospective members and their employing authority

There are a number of stakeholders that have an interest in the affairs of the Fund and these may be summarised as follows:- <b>Stakeholder</b>	<b>Primary Interests</b>
<b>London Borough of Hillingdon as Administering Authority</b>  <b>Capita Employee Benefits as Scheme Administrators</b>	<ul style="list-style-type: none"> <li>• administration of the scheme in accordance with the regulations</li> <li>• cost of scheme</li> <li>• stability of cost of scheme</li> <li>• fiduciary duty to other stakeholders whom it must treat equally</li> <li>• investment strategy</li> </ul>
<b>Scheduled Employers:</b>  Academies within the London Borough of Hillingdon Uxbridge College London Housing Consortium	<ul style="list-style-type: none"> <li>• cost of scheme</li> <li>• stability of cost of scheme</li> <li>• investment strategy</li> <li>• production of FRS17/IAS19 Reports</li> </ul>
<b>Admission Employer Bodies:</b>  Hillingdon & Ealing Citizens Advice Heathrow Travel Care MITIE FM Stag Security Genuine Dining Greenwich Leisure	<ul style="list-style-type: none"> <li>• affordability of scheme</li> <li>• stability of cost of scheme</li> <li>• investment strategy</li> <li>• production of FRS17/IAS Reports</li> </ul>

<p><b>Active Members:</b></p> <p>London Borough of Hillingdon Pension Fund Scheduled and Admitted bodies, who have elected to join the scheme</p>	<ul style="list-style-type: none"> <li>• solvency of scheme</li> <li>• ability to pay pensions at distant future date</li> <li>• implications of rising costs for benefits and contributions</li> </ul>
<p>All literature and communications sent to Scheme members will be branded with the Capita Employee Benefit Logo</p>	
<p><b>Deferred Members</b></p>	<ul style="list-style-type: none"> <li>• solvency of scheme</li> <li>• ability to pay pensions at distant future date</li> </ul>
<p><b>Pensioners</b></p>	<ul style="list-style-type: none"> <li>• ability to pay pensions now</li> <li>• security of pensions liability</li> </ul>
<p><b>Prospective Members</b></p>	<ul style="list-style-type: none"> <li>• benefits</li> <li>• solvency of scheme</li> <li>• ability to pay pensions at distant future date</li> </ul>
<p><b>Local Taxpayers</b></p>	<ul style="list-style-type: none"> <li>• rising impact on Council Tax and services</li> <li>• returns on scheme [as a cost mitigating factor]</li> <li>• funding level (i.e. unfunded liabilities)</li> </ul>
<p><b>Government</b></p>	<ul style="list-style-type: none"> <li>• stability of cost of scheme</li> <li>• avoidance of political issues arising</li> <li>• good governance</li> <li>• consistency of administration</li> <li>• funding level (i.e. unfunded liabilities)</li> </ul>

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, Communities & Local Government, Department of Works and Pensions, Pensions Advisory Service, Solicitors, actuaries and other pension providers.

1. **WEB SITES:** [www.hillingdon.gov.uk/central/pensions/index.php](http://www.hillingdon.gov.uk/central/pensions/index.php)
2. : [www.mylgspension.co.uk](http://www.mylgspension.co.uk)

The **web site** of the London Borough of Hillingdon Pension Fund is the main vehicle for publishing information in relation to the fund. All information relating to the Local Government Pension Scheme and to the Hillingdon Fund is available on the web site. As this site is part of Hillingdon Council's public web site it is available to all our stakeholders. Hard copies of any of the documents will be made available to any member, prospective member or employer on request.

The web site is split into the following sections to make it easier to find the required information.

#### **Fund Information:**

- Annual Report and Accounts
- Statement of Investment Principles
- Funding Strategy Statement
- Copies of all pension Fund Policies
- Details of Pension Committee meetings, reports and minutes
- Performance information of the funds investments

#### **Member Information:**

- Joining Information
- Details of the Benefits available
- Scheme booklets
- Regulations
- Information on relevant topics – eg increasing contributions,
- Copies of all relevant forms
- Some frequently asked questions

#### **Latest News**

- This section highlights all the latest information available about the scheme

#### **Communications:**

- Newsletters
- Circulars
- Regulation Updates

#### **Useful Links:**

There are links to other related web sites – for example DWP, HMRC, The Pensions Regulator.

Capita Employee Benefits (CEB) also maintain a website providing general information regarding the LGPS. This website is for the use of the London Boroughs participation in the CEB London Framework. Work is in progress to allow individual Scheme members access to their own pension record via this website. Development of this access is planned for mid 2014.

## **2. OTHER METHODS OF COMMUNICATION**

The next section details the means by which CEB communicate directly with our key stakeholders and the frequency of such communications. Where information is sent to members it is posted to their home address.

### **Scheme Employers**

- Main contact with scheme employers is through operational contact.
- Currently, CEB write directly to all scheme employers to keep them informed of any changes. As the web site is developed, there will be more frequent use made of email and notifications of postings on the web site.
- CEB aim to commence an annual consultative meeting with employers, both as an information forum and as a means of direct consultation with our Scheme employers.

### **Active Members**

- CEB send annual benefits statements to our members following the end of the financial year, and plan to send these statements by August each year.
- The Pensions Fund Annual Report will be available on request.
- Each time there is a regulations change, which affects members benefits, updates are made to both web sites.
- Updates to the web site are notified via 'Horizon', and CEB will also inform Scheme employers.

### **Pensioner Members**

- CEB are planning on allowing pensioner members access to their pension records via the web site. This will also maintain a record of each monthly pension payment for information. This enhancement is due to be in place by the end of 2014. A message is contained on pensioners March payslip to inform them of any annual percentage increase to pensions.

- The Pensions Fund Annual Report will be available on request.

### **Deferred Members**

- CEB send annual benefits statements to our deferred members following the end of the financial year. These statements will be sent by the end of June each year.
- The Pensions Fund Annual Report will be available on request.

### **Prospective Members**

A summarised version of the scheme and details of the available web sites are sent to all new members of staff along with an application form.

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## Governance Policy Statement

### **THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (NO. 2) REGULATIONS 2005**

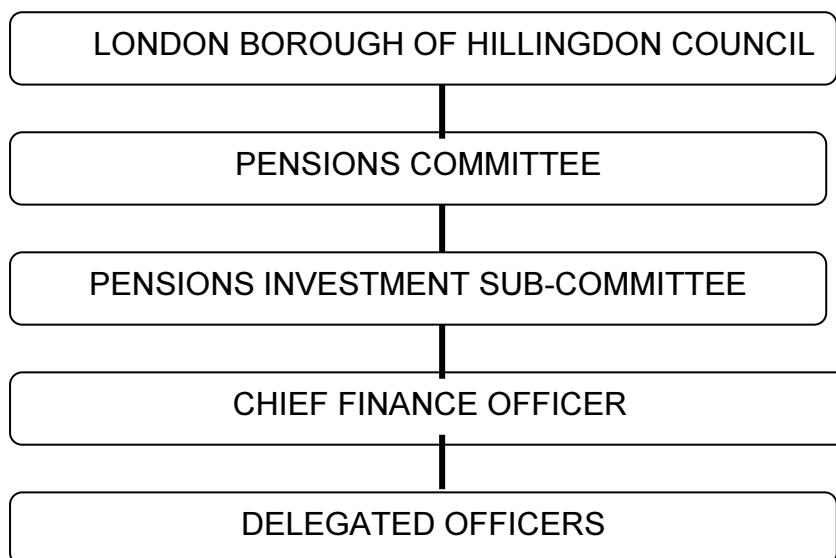
**Issued by: Pension Section, Finance and Property Department**

**Authorised by: Pensions Committee September 2012**

Under the terms of the above regulations, which came into force on 14<sup>th</sup> December 2005, the Council must publish a Governance Policy Statement not later the 1<sup>st</sup> April 2006, Statement revised September 2012.

## **CONSTITUTION**

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered as shown in the diagram below.



The Constitution allows for the appointment of a Pensions Committee and a Pensions Investment Sub-Committee, which have the following Terms of Reference:

## **PENSIONS COMMITTEE**

### **Membership**

Councillor membership of the Committee will be politically balanced and have voting rights. Other members of the Committee do not have voting rights and will include 2 Trade Union members and 2 Non-Trade Union Scheme Members (1 Non-active Member and 1 active Member)

### **Terms of Reference**

1. To review and approve all aspects of investment policy relating to the Pensions Fund, including authorisation or prohibition of particular investment activities.
2. To review the Statement of Investment Principles and amend it when necessary.
3. To agree benchmarks and performance targets for the investment of the Fund's assets and review periodically.
4. To keep the performance of the investment managers under regular review and extend or terminate their contracts as required. To appoint new managers when necessary.
5. To agree policy guidelines for the exercise of voting rights attached to the Fund's shares.
6. To review the appointment of specialist advisors and service providers and make new appointments as necessary.
7. To consider the overall implications of the Council's policies for employment and benefits issues and their impact on the Pension Fund and agree any strategic changes.
8. To authorise the admission of other bodies to the Fund.
9. To approve the appointment of persons to hear appeals under the Internal Dispute Resolution Procedure.
10. To consider issues concerning the administration of the Fund, including approving responses to consultation papers.
11. To consider and decide whether to approve proposals for discretionary enhanced early retirement packages for officers.

## PENSIONS INVESTMENT SUB-COMMITTEE

### Introduction

To discharge the functions of the Pensions Committee aimed at improving market governance across the Pension Fund and the operational effectiveness of Investment Strategy.

### Membership

Membership of the Sub-Committee will consist of 3 Councillors from the Pensions Committee, politically balanced. The quorum for attendance will be 2 Councillors. In addition, the Independent Adviser and Investment Consultant would normally attend meetings along with relevant officers.

### Terms of Reference

1. To maintain a business plan for its activity and evaluates progress against this plan.
2. To monitor financial risks, including all investment risks relative to liabilities, within the Pension Committee's risk framework, and reports any issues or breaches to the Pension Committee.
3. To keep asset allocation under review within range guidelines set by the Pension Committee. Within these range guidelines, the Sub-Committee has delegated authority to:
  - Increase or decrease the allocation to equities, bonds or property
  - Increase or decrease the amounts / proportions of assets in manager mandates
  - Increase or decrease the level of currency hedging in place
  - Select investments for, or dispose of existing investments in, the "opportunity fund" (10% of assets), using the feeder fund.
4. To consider the framework for the allocation of new money among managers. Similarly, in the event that assets need to be realised, the Sub-Committee also considers this matter.
5. To formally review annually the mandates of the managers, and their adherence to their expected investment process and style. This ensures that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale.
6. To consider the need for any changes to the investment managers' mandates (e.g. in relation to continuing appropriateness of benchmarks and operating guidelines).

7. To consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) and makes recommendations to the Pension Committee.
8. In the event of a proposed change of managers, to evaluate the credentials of potential managers. To make recommendations to the Pension Committee in respect of any change of managers.
9. To monitor the investment advice from their investment consultant and investment adviser at least annually. To also review their own decision making process at the same time.
10. To be responsible for maintenance of the Fund's Statement of investment Principles (SIP)
11. To carry out any additional tasks delegated to it by the Pension Committee.

The Sub-Committee keeps asset allocation within guidelines set by the Pension Committee. Within these guidelines, the Sub-Committee has delegated authority to

- Increase or decrease the allocation to equities, bonds or property
- Increase or decrease the amounts / proportions of assets in manager mandates
- Increase or decrease the level of currency hedging in place

### **Dates and Place of Meetings**

The Council shall fix the day of the meetings of the Pensions Committee and the ordinary meetings for the Pensions Committee shall be at Hillingdon Civic Centre, but they may arrange to meet elsewhere when they think fit. The Chair may cancel meetings. The Pensions Committee meets every quarter and the dates are arranged annually in advance. The Chairman of the Committee may call a special meeting if required.

### **Access to Agenda, Reports and Minutes of Meetings**

The Council will give at least seven clear working days notice of any meeting by posting details of the meeting at the Hillingdon Civic Centre and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report. There may on occasions be items, which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts. The Council will make available copies of the minutes of the meeting and records of decisions taken. Minutes of meetings and records of decisions are available for inspection on the Council's website.

## **FUNDING STRATEGY STATEMENT**

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach the funding of its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement was formally approved by the Pensions Committee on 12<sup>th</sup> March 2008. The Funding Strategy Statement (FSS) is published and has been issued to interested parties. The FSS is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding liabilities of the Pension Fund and copies are available from the Financial Planning Section, Central Services Directorate or on the Council's website.

The department for Community and Local Government (CLG) has stated that the purpose of the FSS is:

- to establish a clear and transparent fund-specific strategy, which will identify how employers' pension liabilities are best, met going forward.
- To support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent longer-term view of funding those liabilities.

It is in this context that the FSS has been compiled and sets out in detail the Fund's approach to meeting its individual funding requirements. The FSS is reviewed in detail at least every three years, with the next full review due to be completed by 31st March 2014.

## **STATEMENT OF INVESTMENT PRINCIPLES**

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1998 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension fund. The Local Government Pensions Scheme (Management and Investment of Funds) (Amendment) Regulations 2002 require pension fund administering authorities to state the extent to which they comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom. Under Regulation 9A (3A) of the LGPS (Management and Investment of Funds) Regulations 1998 the Council is required to state the extent to which it complies with the ten principles of investment practice issued by the Government in October 2001 in response to the recommendations of the Review of Institutional Investment in the UK undertaken by Paul Myners. Compliance with these principles is set out in detail in the Appendix to the Statement of Investment Principles (SOIP) and the Fund is fully compliant with 5 out of the 10 principles. Work is in progress with the intention of being compliant with the remaining 5 and the reasons for not being fully compliant are set out in the SOIP. The SOIP was formally reviewed by the Pensions Committee and approved

for publication in September 2007 and is reviewed annually or when significant changes occur that require incorporation in the document.

## **SCHEME OF DELEGATION**

Where Council functions are not specifically reserved to the Pensions Committee in relation to the Pension Fund, the functions are deemed to be delegated to the relevant Chief Officers, or the Chief Finance Officer in the case of the Pension Fund. The Chief Finance Officer is responsible for the establishment of a scheme of delegation for their department which includes the Pension Fund function. The scheme of delegation specifies the function, names the post which may carry out that delegated decision and the limits if any on the delegation. The limits on delegation may include the obligation to consult record and/or refer back to the Chief Executive or Chief Finance Officer in certain circumstances. The Central Services Directorate has a scheme of delegation which sets out the delegated powers to individual officers within the directorate. In relation to the Pension Fund the management is delegated to the Chief Finance Officer and the Financial Planning Manager. The scheme of delegation is reviewed approximately every six months by the Council.

## **STANDING ORDERS**

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for this. In Hillingdon the responsible officer is the Chief Finance Officer under the terms of Standing Order 76. Guidance on general financial procedures outline the regulatory framework for financial administration within the Council setting out the duties of the Chief Finance Officer and Chief Officers and identifying the financial decisions which require Executive or Council approval. The Chief Finance Officer Services is responsible for ensuring that the Council's financial affairs are administered in a proper manner, in accordance with all statutory obligations, and in compliance with all professional codes of practice. In particular he is responsible for making arrangements for the investment of Council monies, the security of any stock or share certificate or similar documents and the realisation of any investments.

# London Borough of Hillingdon Pension Fund

## Procedure for Reporting Breaches of the Law

### Introduction

This document sets out the procedures to be followed by certain persons involved with the London Borough of Hillingdon Pension Fund, the Local Government Pension Scheme managed and administered by the London Borough of Hillingdon, in relation to reporting breaches of the law to the Pensions Regulator.

The London Borough of Hillingdon, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Deputy Director Strategic Finance.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- § all members of the Pensions Committee and the Local Pension Board
- § all officers involved in the management of the Pension Fund including members of the London Borough of Hillingdon Strategic Finance Service and the Corporate Director of Finance
- § any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- § officers of employers participating in the London Borough of Hillingdon Pension Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

### Requirements

#### *Pensions Act 2004*

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- § 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 an occupational or personal pension scheme
- § the employer in relation to an occupational pension scheme
- § a professional adviser in relation to such a scheme
- § a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

### *The Pension Regulator's Code of Practice*

Practical guidance in relation to this legal requirement is provided in The Pension Regulator's Code of Practice including in the following areas:

- § implementing adequate procedures
- § judging whether a breach must be reported
- § submitting a report to The Pensions Regulator
- § whistleblowing protection and confidentiality.

### *Application to the London Borough of Hillingdon Pension Fund*

The London Borough of Hillingdon has developed this procedure which reflects the guidance contained in The Pension Regulator's Code of Practice in relation to the London Borough of Hillingdon Pension Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pensions Committee members, Pension Board members and key officers involved with the management of the London Borough of Hillingdon Pension Fund on a regular basis. Further training can be provided on request to the Deputy Director Strategic Finance.

## **London Borough of Hillingdon Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the London Borough of Hillingdon Pension Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

### *1. Clarification of the law*

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- § Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- § Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)
- § Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):



- § [www.legislation.gov.uk/ukxi/2013/2734/contents/made](http://www.legislation.gov.uk/ukxi/2013/2734/contents/made)
- § Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- § Local Government Pension Scheme Regulations (various):  
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)  
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- § The Pensions Regulator's Code of Practice:  
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>  
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Deputy Director Strategic Finance, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

## 2. *Clarification when a breach is suspected*

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Deputy Director Strategic Finance at the London Borough of Hillingdon, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

## 3. *Determining whether the breach is likely to be of material significance*

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- § cause of the breach (what made it happen)
- § effect of the breach (the consequence(s) of the breach)
- § reaction to the breach
- § wider implications of the breach.

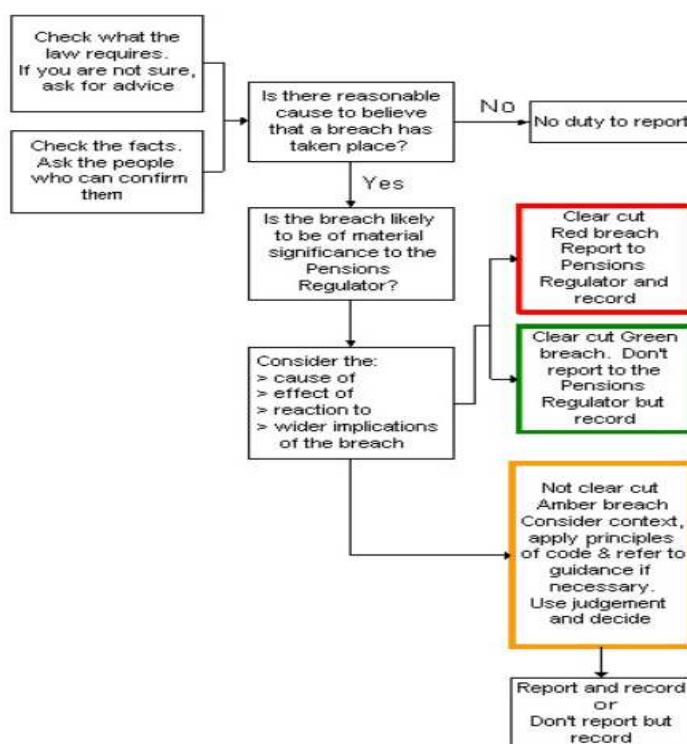
Individuals may also request the most recent breaches report from the Deputy Director Strategic Finance, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.

Decision-tree: deciding whether to report



#### 4. Referral to a level of seniority for a decision to be made on whether to report

The London Borough of Hillingdon has designated an officer (the Deputy Director Strategic Finance) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Deputy Director Strategic Finance at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Deputy Director Strategic Finance is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Deputy Director Strategic Finance if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

## *5. Dealing with complex cases*

The Deputy Director Strategic Finance may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by the London Borough of Hillingdon, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

## *6. Timescales for reporting*

The Pensions Act and The Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

## *7. Early identification of very serious breaches*

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

## *8. Recording all breaches even if they are not reported*

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The London Borough of Hillingdon will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Deputy Director Strategic Finance. Records of unreported breaches should also be provided to the Deputy Director Strategic Finance as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pensions Committee meeting, and this will also be shared with the Pension Board.

## **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at [www.tpr.gov.uk/exchange](http://www.tpr.gov.uk/exchange), or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- § full scheme name (London Borough of Hillingdon Pension Fund)
- § description of breach(es)
- § any relevant dates
- § name, position and contact details
- § role in connection to the scheme
- § employer name or name of scheme manager (the latter is the London Borough of Hillingdon).

If possible, reporters should also indicate:

- § the reason why the breach is thought to be of material significance to The Pensions Regulator
- § scheme address (provided at the end of this procedures document)
- § scheme manager contact details (provided at the end of this procedures document)
- § pension scheme registry number (PSR – 10149119)
- § whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

## **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

## **Reporting to Pensions Committee**

A report will be presented to the Pensions Committee on a quarterly basis setting out:

- § all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- § in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- § any future actions for the prevention of the breach in question being repeated
- § new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

## **Review**

This Reporting Breaches Procedure was originally developed in September 2015. It will be kept under review and updated as considered appropriate by the Deputy Director Strategic Finance. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

## **Further Information**

If you require further information about reporting breaches or this procedure, please contact:

Nancy le Roux  
London Borough of Hillingdon  
Deputy Director Strategic Finance  
Civic Centre 4N/01  
High Street  
Uxbridge  
Middlesex  
UB8 1UW

E-mail - [nleroux@hillington.gov.uk](mailto:nleroux@hillington.gov.uk)  
Telephone - 01895 250353

Further information on the London Borough of Hillingdon Pension Fund can be found as shown below:

Telephone: 0208 3397059; 0208 3397050; 0208 3397068

Email: [hillington.pensions@capita.co.uk](mailto:hillington.pensions@capita.co.uk)

London Borough of Hillingdon Website: [www.hillingdon.gov.uk](http://www.hillingdon.gov.uk) or [www.capita.co.uk](http://www.capita.co.uk)

## **Appendix A – Determining whether a breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- § cause of the breach (what made it happen)
- § effect of the breach (the consequence(s) of the breach)
- § reaction to the breach
- § wider implications of the breach

### *The cause of the breach*

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- § Acting, or failing to act, in deliberate contravention of the law.
- § Dishonesty.
- § Incomplete or inaccurate advice.
- § Poor administration, i.e. failure to implement adequate administration procedures.
- § Poor governance.
- § Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- § whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- § whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

### *The effect of the breach*

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- § Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- § Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- § Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- § Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- § Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- § Misappropriation of assets, resulting in scheme assets not being safeguarded
- § Other breaches which result in the scheme being poorly governed, managed or administered

#### *The reaction to the breach*

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

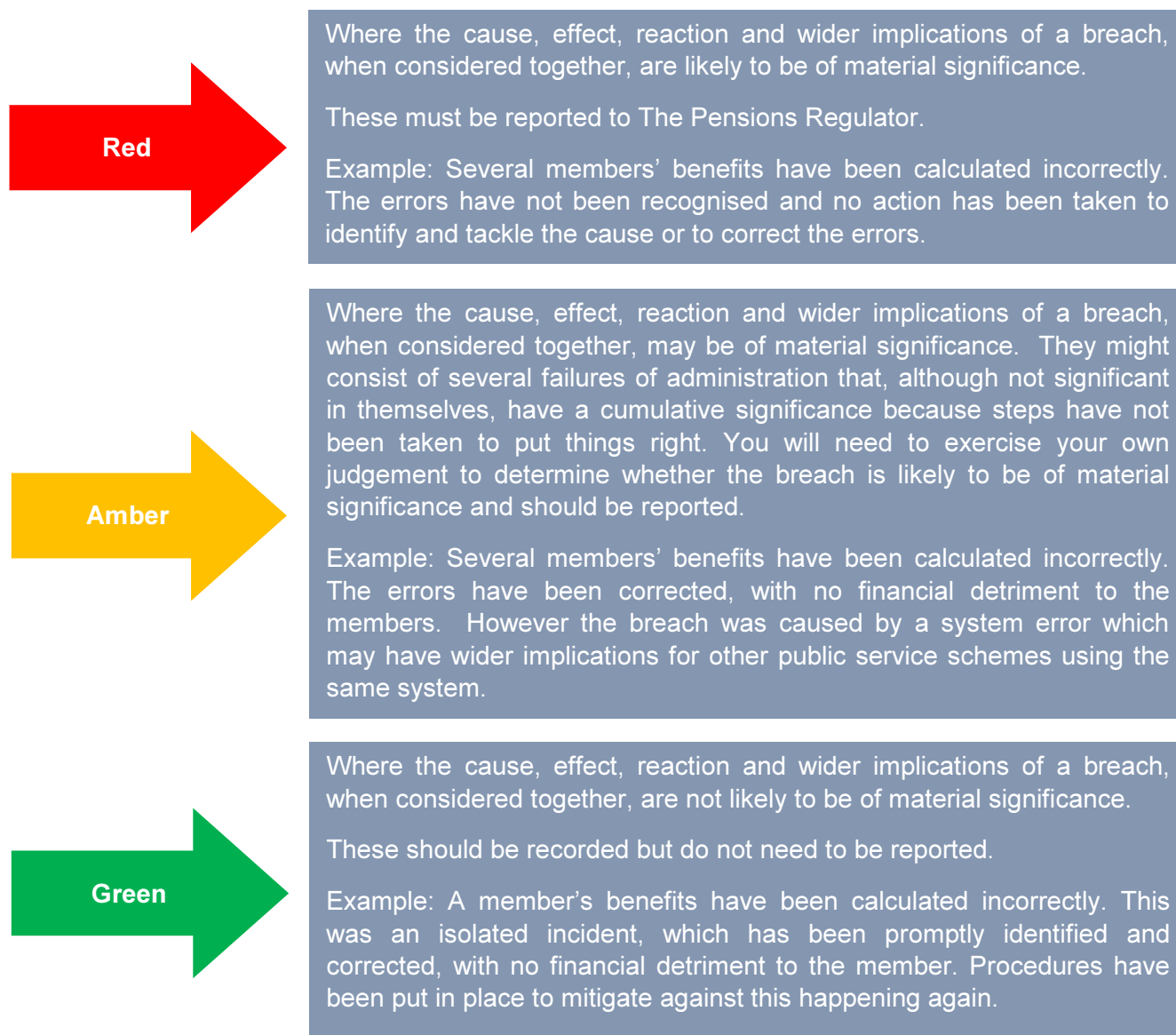
- § do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- § are not pursuing corrective action to a proper conclusion, or
- § fail to notify affected scheme members where it would have been appropriate to do so.

#### *The wider implications of the breach*

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## **Appendix B - Traffic light framework for deciding whether or not to report**

The London Borough of Hillingdon recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is



illustrated below:

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)





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# Agenda Item 9

## DRAFT WORK PROGRAMME 2015/16

**Contact Officer:** Khalid Ahmed  
**Telephone:** 01895 250833

## REASON FOR ITEM

This report is to enable the Pension Board to review meeting dates and forward plans.

## OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for meetings
2. To make suggestions for future working practices and/or reviews.

## INFORMATION

**All meetings to start at 7.00pm**

<b>Meetings</b>	<b>Room</b>
<b>30 July 2015</b>	<b>CR 4</b>
<b>07 October 2015</b>	<b>CR 6</b>
<b>12 January 2016</b>	<b>CR 5</b>
<b>05 April 2016</b>	<b>TBC</b>
<b>Date in July 2016 tbc</b>	<b>tbc</b>

**PENSION BOARD**

**2015/16 DRAFT Work Programme**

<b>Meeting Date</b>	<b>Item</b>	<b>Officer/member</b>
<b>30 July 2015</b>	<b>Adoption of Terms of Reference / Conflicts of Interest</b>	
	<b>Role of Pensions Board &amp; Statutory Requirements</b>	
	<ul style="list-style-type: none"> <li>• <b>Training &amp; Development</b></li> </ul>	
	<ul style="list-style-type: none"> <li>• <b>Reporting of Breaches procedure</b></li> </ul>	
	<b>Review of Pension Committee Papers</b>	
	<b>Risk Management Report Part II</b>	
	<b>Pension Board Work Programme</b>	<b>Democratic Services Manager</b>

<b>7 October 2015</b>	<b>Training &amp; Development Item</b>	
	<b>Review of Pension Fund Policies</b>	
	<b>Review of Pension Committee Papers</b>	
	<b>Risk Management Report – PART II</b>	
	<b>Pension Board Work Programme</b>	<b>Democratic Services Manager</b>

<b>12 January 2016</b>	<b>Training &amp; Development Item</b>	
	<b><i>Review of Member Communications including Annual Benefit Statements</i></b>	
	<b>Review of Pension Committee Papers</b>	
	<b>Risk Management Report – PART II</b>	
	<b>Pension Board Work Programme</b>	<b>Democratic Services Manager</b>

<b>5 April 2016</b>	<b>Training &amp; Development Item</b>	
	<b>Review of Pension Committee Papers</b>	
	<b>Risk Management Report Part II</b>	
	<b>Pension Board Work Programme</b>	<b>Democratic Services Manager</b>

<b>Date to be confirmed in July 2016</b>	<b>Training &amp; Development Item</b>	
	<i><b>Draft Annual Report and Accounts</b></i>	
	<b>Review of Pension Committee Papers</b>	
	<b>Risk Management Report Part II</b>	
	<b>Pension Board Work Programme</b>	<b>Democratic Services Manager</b>

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