

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

Wiltshire Pension Fund

4th December 2013

Pensions Current Issues

Bob Summers
Chair CIPFA Pensions Panel & Network

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

CIPFA Pensions Panel Role

- Develop / promote / maintain best practise
- Respond to consultations
- Ensure positive relationships

the people
in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

CIPFA Pensions Panel Focus

- Accounting / auditing
- Reporting / disclosure
- Scheme / fund management
- Governance
- Regulatory environment

the people in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

CIPFA Pensions Panel Best Practice / Guidance

- Example Accounts / Disclosure (2013)
- Preparation of the Annual Report (2012)
- LGPS Taxation (2011)
- Buying Time (2011)
- Stock Lending (2011)
- Knowledge / Skills Code of Practice (2013)
- Knowledge / Skills Framework (2010)
- Narrative Reporting (2010)
- Delivering Good Governance (2009)

the people in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

CIPFA Pensions Panel Best Practice / Guidance (continued)

- CFO Guidance on Valuations (2008)
- Risk and Reward (2007)
- FOI (2006)
- Shareholder Responsibilities (1999)
- Investment Decision Making / Disclosure (2012)
- Funding Strategy Statements (2012)
- Managing Risk (2012)
- Pensions TIS (2013)

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

CIPFA Pensions Network Role / Delivery

- Promotion Practitioner Best Practice
- Identifying / Contributing Best Practice
- Pensions Panel link
- Workshops / Conferences / Newsletters / Networking

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Public Sector Pensions Act 2013

- S 3 (5) – Treasury consent
- S 5 - Pensions Board / Conflict of Interest
- S 7 - Scheme Advisory Board
- S 9 - Revaluation – Treasury role
- S 11 - Valuations - Treasury role
- S12 - Cost Cap
- Schedule 4 (para 4) - Appointment Skilled Persons
- (para 14) – Regulator Code of Practice
- (para 19) – Regulator KS for Pensions Boards

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

tPR Code of Practice for Public Sector Pension Schemes

- Requirement of Public Services Pensions Act 2013
- Application to funded / unfunded schemes
- Governance / Standards Sub-Committee Role

the people
in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

tPR Code of Practice tPR Statutory Objectives

- Protect benefits of pension scheme members
- Reduce risk of calls on Pension Protection Fund
- Promote / improve understanding of the good administration of work-based pension schemes
- Maximise compliance with the duties and safeguards of the Pensions Act 2008

the people in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

tPR Code of Practice Content

- Pension Board Knowledge / Understanding
- Conflicts of Interest
- Pension Board information
- Internal controls
- Administration
- Resolving issues

the people in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

**tPR Code of Practice
Pension Board Knowledge /
Understanding Requirements**

- Conversant with scheme rules and any document recording policy
- Knowledge / Understanding of pension law and any other prescribed matters
- Knowledge / Understanding to enable proper exercise of Pension Board functions

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

**Public Sector Pensions Act
2013 - Pension Boards**

Act allows for regulations to provide for same committee to do both jobs (Clause 5(7)). First glance it may seem that same committee option is administratively expedient however:

- The roles are very different and may require different resources, for example, investment skills in one role and audit skills in the other,
- A single committee constitution may not be able to effectively encompass the decision making requirement of the scheme manager role and the 'assistance' role of the pensions board
- The cross scrutiny functions will prove difficult to apply and demonstrate within one committee
- Clause 5(4)(c) requires regulations to provide that the pension board should have equal numbers of employer and member representatives. Combining the two roles would include applying that requirement to the committee responsible for both roles.

the people
in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy

LGPS Governance Consultation
Pensions Panel Response

- Pension Board
 - Avoid over prescription / maximum local flexibility
 - Establish April 2015
 - Not supportive of extending remit
 - S115 officer position
 - Local discretion to determine Board information
 - Funds determine membership levels
 - Separate from statutory committee
 - Annual report
- Scheme Advisory Board
 - compulsory levy needed

the people in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy

Scheme Advisory Board

Shadow board set up to test the new national arrangements and inform the process of creating the statutory board in regulation. The shadow board was created by a working group representing a wide range of LGPS stakeholders.

The board membership consists of:

- Chair** – nominated and appointed by the working group
- Employers** – nominated by funds, appointed by LGA and WLGA
- Members** – nominated and appointed by TU's (UNISON, GMB, Unite)
- Advisors** – Actuarial (ACA), Legal (APL) Finance (ALAT), Practitioners (Funds), Professional (CIPFA)
- Observers** – DCLG, tPR, NAPF

The board leads on the **Call for Evidence** and the **Scheme Annual Report** with other matters handled by sub-committees who report back to the board.

the people in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

Scheme Advisory Board Sub - Committees

Shadow board has a range of sub-committees with membership drawn from across all stakeholders in varying proportions. The sub committees are:

- Administration and Communication** – tasked with looking at ill Health retirement and Annual Benefit Statements
- Governance and Standards** – assisting IFR in developing code of practice, collating all existing codes and guidance and assisting funds with new local governance requirements
- Investment and Engagement** – looking at 'fiduciary duty' and revisions to investment regulations
- Value for Money and Collaboration** – Collating all current and planned shared service and joint procurement initiatives
- Cost management and Contributions** – Setting out the scheme level cost management process – ensuring employee contribution yield is 6.5%

the people in public finance

* Only to be obtained in accordance with the regulations, or after taking advice.

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

Investment Regulations / The Limits (Before Partnership Limit Increase)

Investments	Maximum permitted under regulations *
Any single sub-underwriting contract	5%
Contributions to any single partnership	5%
All contributions to partnerships	15%
All deposits with any local authority or similar, and all loans to anyone (any combination of such deposits and loans is also subject to the 10% limit, though there is an exception for government loans in paragraph 12, Part 2 of Schedule 1)	10%
All investments in unlisted securities of companies	15%
Any single holding	10%
All deposits with any single bank, institution or person (other than the National Savings and Investments bank)	10%
All sub-underwriting contracts	15%
All investments in units subject to the trusts of unit trust schemes and all investments in open ended investment companies and any combination of unit trust units and open ended investment company investments where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body	35%
Any single insurance contract	35%
All securities transferred by the authority under stock lending arrangements	35%

the people in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

Investment Regulations Consultation 2013

- Barrier to Infrastructure Investment ?
- New Asset Class (15%) or Partnership Increase (30%)
- Definition
- CIPFA Pension Panel Response

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy

cipfa.org.uk

Investment Regulations & Pensions Panel Responses

- Review in 2008 - Prudential regime needed
- Response to 2011 DCLG Consultation
 - Simplify / clarify
 - Streamline
 - Delete investment definition / add derivative powers
- Further 2011 comment
 - replace with Occupational Pensions Scheme (Investment) Regulations
- Support for partnership limit increase in 2013 but fundamental reform needed
- Impetus from structural reform options?

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Investment Management Expenses

- Reported or netted off in asset values
- Media / political / Shadow Board focus
- Hymans sponsored research / 15 LGPS Funds
- Investment Costs 63 bps but disclosure 32 bps

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Investment Management Expenses Accounting

- IFRS does not require disclosure
- Technical issues on amending Local Authority
Accounting Code of Practise
- Statutory Basis for accounting ?
- Exemplar Accounts / disclosure

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Investment Management expenses Needed

- Consistent reporting data / comparable between reporting periods
- Consistent reporting data / inter-fund comparisons
- Sound underpin to develop performance metrics
- Transparency

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

CIPFA CFO Knowledge / Skills Statement

- Status / Statement of Professional Practice
- Application / Administering Body CFO + all other local authority CFOs
- Structure
 - leadership team membership
 - involvement in all material decisions
 - promote / deliver good financial management
 - lead / direct finance function fit for purpose
 - professionally qualified / experienced

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Call For Evidence Responses

- 133 responses including 69 funds
- Around 50% referred to data from existing studies / datasets
 - Around 25% presented analysis / statistics of their own
 - Around 25% appeared to not have supporting evidence

the people
in public finance

CIPFA The Chartered Institute of
Public Finance & Accountancy cipfa.org.uk

Cabinet Office / DCLG Consultancy

- Three potential collaborative models
 - CIV at England / Wales level, local asset allocation
 - 5/10 CIV's / local asset allocation
 - 5/10 merged funds / decision making at merged fund level
- To be examined
 - barriers to implementation
 - implementation costs and on-going costs
 - implementation programme
 - NPV assessment over 10 years

the people
in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

LGPS Structural Reform

- Context
- Shadow Board Role
- Consultation 2014
- Pensions Panel Position

the people in public finance

CIPFA The Chartered Institute of Public Finance & Accountancy cipfa.org.uk

Pensions Panel / Network

Thank You

the people in public finance