



PENSIONS BOARD

Tuesday, 26th January, 2016

at 3.00 pm

Room 52, Hackney Service Centre, 1 Hillman
Street, E8 1DY

Members: Samantha Lloyd (Chair)
Richard Dearing
Matthew Waterfall
Hamza Yusef

Gifty Edila
Corporate Director
Legal, HR and Regulatory Services

Contact: Natalie Williams
Governance Services Officer
Tel: 020 8356 8407
Email: Natalie.Williams@hackney.gov.uk

The press and public are welcome to attend this meeting

AGENDA

Tuesday, 26th January, 2016

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ACCESS AND INFORMATION

Location

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If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to **all** Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Corporate Director of Legal, HR and Regulatory Services;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

You will have a disclosable pecuniary interest in a matter if it:

- relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;
- relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or
- affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

2. If you have a disclosable pecuniary interest in an item on the agenda you must:

- Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).
- You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.
- If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

3. Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

- i. It relates to an external body that you have been appointed to as a Member or in another capacity; or
- ii. It relates to an organisation or individual which you have actively engaged in supporting.

4. If you have other non-pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Gifty Edila, Corporate Director of Legal, HR and Regulatory Services, on 020 8356 3265 or email Gifty.Edila@hackney.gov.uk



FS 566728



MINUTES OF A MEETING OF THE PENSIONS BOARD

TUESDAY, 28TH JULY, 2015

Board Members Present: Samantha Lloyd (Chair) Richard Dearing (Vice-Chair), Matthew Waterfall, Hamza Yusef

Officers in Attendance: Rachel Cowburn (Project Accountant), Jill Davys (Head of Financial Services), Michael Honeysett (AD Financial Management)

Also in Attendance: Daniel Kanaris (AON), Jonathan Malins-Smith (Co-opted Member of the Pensions Committee)

1 APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

1 DECLARATIONS OF INTEREST - Members to declare as appropriate

2.1 Samantha Lloyd, Chair of the Pensions Board declared an interest as a member of the governing body Mossbourne Federation, member of the Finance Committee Mossbourne Federation, Hackney Homes board member and a deferred Local Government Pension Scheme member. It was also noted that her sister is contracting for Equiniti.

2.2 Richard Dearing, declared an interest as Director of Central Services Mossbourne Federation, member of the governing body Mossbourne Federation, member of the Finance Committee Mossbourne Federation, and an active Local Government Pension Scheme member.

2.3 Matthew Waterfall, declared an interest as a Unison Representative and Local Government Pension Scheme member.

2.4 Hamza Yusef declared an interest as a Local Government Pension Scheme member, a member of the Board of Trustees East End Community Foundation, member of the governing body Millfields School, Chair of the HR, Finance and Premises Committee Millfields School.

2.5 It was noted that Matthew Waterfall and Hamza Yusef are both London Borough of Hackney employees.

3 TERMS OF REFERENCE

- 3.1 The Chair welcomed the report and sought to make a clear distinction between the role of the Pensions Committee and the Pensions Board. It was highlighted that the Pensions Board is not responsible for making decisions regarding the management of the Fund, which is an obligation reserved for the Pensions Committee. It does however have a broad remit to review the decision making process of the Pensions Committee in matters of scheme administration and governance. In accordance with the regulations (Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, it was noted that the Board may make reports or recommendations to the Pensions Committee.
- 3.2 There then followed a brief discussion about the role of the Pensions Board during which Jill Davys, Head of Financial Services reiterated that the Board's role was to ensure good governance in the administration and management of the pension fund. In accordance with regulation, Board Members were advised that they are obliged to ensure they are able to comply with the responsibilities associated with the role and maintain an appropriate level of knowledge and understanding, by reading paperwork and attending training. Daniel Kanaris (AON Hewitt) emphasised that the role of the Board was to ensure that decisions made by the Pensions Committee follow due process and consideration.
- 3.3 In reference to paragraph f, page 8 of the Terms of Reference, with the agreement of all present, Richard Dearing was appointed as Vice Chair of the Pensions Board.
- 3.4 In reference to paragraph 6 Remuneration and Expenses on page 10 of the agenda pack, Greg Lane, Head of Governance Services clarified that the allowance levels paid to Board Members was a decision reserved for Full Council as listed in the scheme. The decision made by Council recommends that Pension Board Members be paid the same amount as Independent Members.
- 3.5 **RESOLVED:** That the Terms of Reference of the Pensions Board as set out at Appendix 1 be noted.

4 CONFLICTS OF INTEREST POLICY

- 4.1 Jill Davys introduced the report as set out. It was explained that in order to ensure compliance with Regulation (The Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2015 as amended) and The Pension Regulator Code of Practice, Pension Board Members (and Pension Committee Members) have been asked to complete declarations of interest forms. Examples of possible conflicts of interests were sited on pages 24-30 of the agenda pack.
- 4.2 Daniel Kanaris clarified that being a member of the pension scheme is not officially a conflict of interest. The expectation was that identifying conflicts would not be too onerous a task as the Board was noted to have an advisory role.

- 4.3 In ensuring transparency, the Chair advised that Board Members should declare all potential interests and if in doubt seek guidance from Jill Davys or from Governance Services.
- 4.4 **RESOLVED:** That the Conflicts of Interest Policy be noted and that a declarations of interest form in respect of the position as Members of the Pensions Board be completed by all Board Members.

5 TRAINING POLICY

- 5.1 Jill Davys introduced the report as set out. It was noted that there was a substantial amount of information relating to legislation and the pension fund itself. There are expanding requirements for Pension Committee Members, Pension Board Members and officers to have an appropriate level of knowledge and skill. Pension Board Members are requested to undertake training which will be recorded. Members will be asked to complete a self-assessment form to assist in identifying any gaps in knowledge.
- 5.2 Daniel Kanaris explained that it is the responsibility of each Board Member to ensure that they have the appropriate knowledge requirement to fulfil the role. Assurances were given that whilst Board Members were not expected to be experts, the expectation is that they would develop a working knowledge of each area.
- 5.3 A brief discussion on training ensued, during which Jill Davys informed Board Members that training is held for Pension Committee Members approximately 30 minutes prior to committee meetings. The expectation is that Pension Board Members will also attend. Jill Davys agreed to circulate a list of Pension Committee and other relevant dates (**ACTION: JILL DAVYS**).
- 5.4 In response to a question from the Chair relating to other Pension Boards, it was reported that a one day training session will be organised at the AON offices possibly with a Pensions Board from another local authority. This was welcomed by the Board.
- 5.5 In response to a question from the Chair relating to skills audit, Jill Davys drew Board Members' attention to page 45, paragraph 6.7 where a link to the public sector education tool kit on The Pensions Regulator site was provided. It was noted that the tool kit was generic for all public sector boards and not specific to the Local Government Pension Scheme, however it was seen as a useful starting point for board members. The Board was asked to avail themselves of this training module. It was suggested that the areas which board members identify to have the least knowledge be collated so that training can be targeted and specifically focussed on areas where training is most required.
- 5.6 **RESOLVED:** That the Training Policy for the London Borough of Hackney Pension Fund, as it relates to the Pension Board be formally adopted.

That the need for each Pension Board Member, Pensions Committee Member and senior officer to adhere to the Training Policy and maintain the required level of knowledge and skills be noted

6 REPORTING BREACHES PROCEDURE

- 6.1 Jill Davys introduced the report as set out. Board Members were informed that the role of the Pensions Regulator has been extended to the public sector, including the Local Government Pension Scheme. It is the legal duty of anyone involved in the scheme (barring scheme members) to report breaches.
- 6.2 During a discussion on reporting breaches, it was highlighted that if a suspected breach is identified it is preferable for Board Members to take a joint decision on whether or not to report to the Pensions Regulator. If there is disagreement amongst Board Members, the individual member is obliged to report the breach, however every effort should be made to arrive at a joint decision on whether or not a breach has occurred.
- 6.3 It was explained that only breaches of material significance and/or where there has been a systemic failure should be reported. It was recommended that Board Members consider the:
- a) cause of
 - b) effect of
 - c) reaction to, and the;
 - d) wider implications of breach
- 6.4 In reference to the traffic light system on page 77 of the agenda pack, Board Members noted the appropriate action to take relative to the breach that has occurred.
- 6.5 Jill Davys advised Members that quarterly reports would be prepared for the Pensions Committee which would include monitoring information and details of reported, recorded and suspected breaches.
- 6.6 **RESOLVED:** That the Reporting Breaches Procedure (attached at Appendix 2) as it relates to the Pensions Board be adopted.

7 ANNUAL REPORT OF THE PENSION COMMITTEE 2014-15

- 7.1 Jill Davys introduced the report, which provided an overview of the work undertaken by the Pensions Sub Committee during the previous municipal year 2014/15. It was noted that the report will be considered by Full Council on 25th November 2015.
- 7.2 **RESOLVED:** That the content of the report be noted.

8 THE PENSIONS REGULATOR CODE OF COMPLIANCE

- 8.1 Jill Davys introduced the report as set out. It was noted that The Pensions Regulator now has responsibility for public service pension schemes. There is a requirement to put in place codes of practice in relation to the management of the schemes to ensure compliance. The Pensions Regulator and Scheme Advisory Board Checklist attached at appendix 2 sets out areas where the

Administering Authority (LBH) and the Pension Fund are able to demonstrate compliance with the code.

- 8.2 In reference to the colour codes, Jill Davys explained that the colour grey, related to the areas that were not relevant as the Pension Board was not yet able to fulfil being a newly established body. In response to a question relating to the red area on page 143 of the agenda pack, Jill Davys further explained that this symbolised non-compliance. The issue in question, related specifically to employers who did not provide sufficient information to monitor contributions and the lack of a formal process by which to assess payment failures and record and report failures to the Pensions Regulator. It was noted that third party administrators, Equiniti are used to pursue employers who do not provide sufficient information. The Board was informed that the checklist would be presented to the Pension Board annually for review, however it was agreed that an updated version would be brought to the next meeting of Pension Board in January 2016 (**ACTION: JILL DAVYS**)
- 8.3 Daniel Kanaris reported that Hackney Pension Fund was actually ahead of many funds in terms of its production of documents relating to compliance, however the main issue to be addressed was associated with the formalisation of processes.
- 8.4 In response to a question from Matthew Waterfall relating to G7 page 143 of the agenda pack, Jill Davys explained that the employers listed had not submitted year end paperwork as there were issues with the payroll provider. The new pension scheme has made it more difficult for employers to process information. It was reported that issues with the payroll provider are not specific to Hackney Pension Fund but extend to other administering authorities also. It is hoped that annual benefits statements will be issued at the end of August 2015 and Pensions Savings Statements by 5th October 2015. In response to a question from the board, it was stated that providing there are no changes to the scheme, the same problems were not expected to reoccur next year.
- 8.5 **RESOLVED:** That the contents of the Code of Practice and the measures in place to comply with requirements under the Code be noted. The Board also noted where further work is required and is being undertaken

9 PENSION COMMITTEE REPORTS FROM 24 JUNE 2015

- 9.1 Jill Davys introduced the report which provided links to Committee Papers and subsequent decisions taken by the Pensions Committee at its meeting on 25th June 2015.
- 9.2 **RESOLVED:** That the report be noted.

10 PENSION BOARD WORK PLAN 2015/16

- 10.1 Jill Davys introduced the report which provided an indicative work plan for the Pension Board for 2015-16

- 10.2 In reference to paragraph 3.2 on page 116 of the agenda pack, the Chair stated that it would be useful to have a thematic approach to reviews that are viewed from a landscape perspective and generated by the Board. It was noted that it would be of particular interest to have information on what other Pension Boards are doing and the areas of work they are undertaking.
- 10.3 Daniel Kanaris confirmed that AON would report on the work programmes of other Pension Boards however, this would be most useful in approximately one year's time once the boards are fully established. **(ACTION: AON/JILL DAVYS)**. Daniel Kanaris advised that the role of the National Scheme Advisory Board was twofold, firstly to consider items passed from the Department of Communities and Local Government and in a liaison role with the Pensions Regulator, report to local scheme managers and Pension Boards in matters relating to guidance and standards.
- 10.4 **RESOLVED:** That the indicative work plan for the Board for 2015-16 be agreed.

11 ANY OTHER BUSINESS

- 11.1 There was no other business for consideration.
- 11.2 The Chair suggested that an overview and feedback of training be considered at each meeting under 'matters arising'. Following a brief discussion, it was agreed by the Board to undertake a more formal approach and to consider all issues of training under a standing item entitled 'The Pension Regulator – Code Of Compliance'. **(ACTION: JILL DAVYS)**.

Duration of the meeting: 3.00 - 4.00PM

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Training Policy and CIPFA Guidance Pensions Board - 26th January 2016	Classification PUBLIC	Enclosures Two
	Ward(s) affected ALL	AGENDA ITEM NO. 4

1. INTRODUCTION

- 1.1 At a national level, there are requirements for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level of knowledge and skills. These are being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Pensions Regulator (TPR) and legislation and CIPFA has now published A Technical Knowledge and Skills Framework for local Pension Boards.

- 1.2 This report seeks the Pensions Board to agree the updated Training Policy which now includes the new CIPFA guidance for local Pension Boards, for the London Borough of Hackney Pension Fund, which will apply to all Pensions Committee, Pension Board and senior officers responsible for managing the Fund. Members of the Pensions Board are asked to attend the training sessions provided to Pensions Committee and also a wider programme of training.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to:**
 - **Formally adopt the updated Training Policy for the London Borough of Hackney Pension Fund, as it relates to the Pensions Board**
 - **Note the need for each Pension Board Member, Pensions Committee Member and senior officer to adhere to the Training Policy and maintain the required level of knowledge and skills**

3. RELATED DECISIONS

- Pensions Committee 24th June 2015 and Pensions Board 28th July 2015 – Approval and adoption of Training Policy
- Training reports and plans at previous Pensions Committee meetings

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training in all aspects of the Pension Fund and understanding the factors that will impact on the Fund mean that those charged with governance will be able to undertake

effective decision making, including having an understanding of the financial impact of such decisions.

- 4.2 Having a formally approved and having a transparent training policy in place will ensure those persons charged with governance and management of the Pension Fund understand what is expected of them as well as meeting with good practice. Any costs associated with delivering this Policy are immaterial in the context of the Pension Fund as many of the training sessions are provided free of charge or the costs are minimal. Any such costs are recharged to the Pension Fund.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous. For example, as quasi trustees of the Pension Fund, they would owe a fiduciary duty to fund members and participating employers, which imposes the highest standard of care in equity and law. The responsibilities are exercised in a legal framework that is both complex and changing.

- 5.2 The CIPFA Code of Practice on Knowledge and Skills Framework for local Pension Boards, the Public Service Pensions Act 2013 and The Pension Regulator's Code of Practice for Public Service Pension Schemes require those charged with governance of the Pension Fund to have a level of knowledge and skills appropriate to their roles. Training is required to enable those charged with the management of the Fund to continue to carry out their responsibilities in the best interests of fund members and employers. This updated Training Policy and CIPFA Guidance are contributory factors which demonstrate the Pensions Committee and Pensions Board's desire to meet its obligations including the legal responsibilities in managing the Fund.

- 5.3 Delivery of this updated policy will require a time commitment for training events from Pensions Committee members, Pension Board members and senior officers. It will also result in potentially increased workloads for senior officers in the Pension Fund management team.

- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 In recent years much greater focus has been placed on the need for administering authorities to embrace the requirement for a high level of knowledge and skills in the management of LGPS Funds and it has issued a Codes of Practice and Framework which can be adopted. The Pensions Committee has been a keen supporter of ensuring that training forms part of the Committee's role and typically receives training sessions at each Committee meeting in advance of the main business meeting. Indeed the training undertaken by the Committee and officers was recognised by an award in 2015 from the LGC for Knowledge and Skills.

- 6.2 In accordance with the Public Service Pensions Act 2013 (PSPA) for each administering authority in the LGPS to introduce a Pension Board to assist the Scheme Manager, in this case the London Borough of Hackney All Board members

are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.

- 6.3 It remains possible that this legal requirement will be extended in future to cover LGPS Pension Fund Committee members. These requirements are also expanded on as part of The Pension Regulator's Public Sector Code of Practice along with the CIPFA Technical Knowledge and Skills Framework for local Pension Boards. The Training Policy outlines how this level of knowledge will be achieved and maintained and has been updated since the original policy was agreed by the Pensions Board at its meeting in July to reflect the additional CIPFA Guidance.

London Borough of Hackney Pension Fund Training Policy

- 6.4 The updated Training Policy details the training strategy for members of the Pensions Board, Pensions Committee and senior officers responsible for the management of the Fund. The updated Training Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It will aid existing and future Pensions Committee Members, Pension Board Members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The updated training policy is set out in Appendix 1 to this report.
- 6.5 The Pensions Board are now being asked to formally adopt the updated Training Policy of the London Borough of Hackney Pension Fund and to note the need for them individually and as a Board to undertake training in order to ensure that they are able to meet the requirements of being fully trained members of the Pensions Board.
- 6.6 As a reminder Pension Board Members can find more information about their role as Board Members on the Pensions Regulator's (TPR) website, please see link to relevant area: <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>. TPR states that: 'The law requires you to have knowledge and understanding of relevant pensions' law, and to have a working knowledge of your scheme regulations and documentation. Your responsibilities begin from the day you first take up your post, so you should start to familiarise yourself with the scheme documents and regulations as soon as possible. Finding time to gain this knowledge may be a challenge, but you will need to do so in order to meet the legal requirement and carry out your role.' In addition the Pensions Board are asked to log onto TPR's public sector education toolkit <https://education.thepensionsregulator.gov.uk/login/index.php> and to avail themselves of this training module and to aim to complete over time all the areas covered by the toolkit and to keep records of the successful completion of the toolkit sections. Board Members are also asked to notify the Head of Financial Services to enable an ongoing individual training record to be maintained, which will also be covered in an annual report of the Pensions Board to demonstrate compliance with the Regulations and TPR Code of Practice.
- 6.7 As noted earlier, CIPFA has now also issued the Technical Knowledge and Skills Framework for local Pension Boards and this is attached as appendix two to this report. This sets out the purpose, scope and status of the guidance along with the policy and legislative background. Referencing Key Skills required is broken down in to the following sections:
- Pensions Legislation

- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Pensions Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices

6.8 Pension Board Members, Pensions Committee Members and senior officers will continue to be provided with ongoing opportunities to attend training events to assist them in adhering to the policy.

Ian Williams
Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

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

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1. Purpose, Scope and Status of this Guidance

PURPOSE

- 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*¹, as amended by the *Public Service Pensions Act 2013*.

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)². 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 auditing³. 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).

SCOPE

- 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.

2. 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 individual⁴ 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*

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 Code⁵.
- 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.

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 2011⁶.
- 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 authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. 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 manager⁸ 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 LGPS⁹. 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

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

- 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

- 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

- 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

- 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

- 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.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 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.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 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.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 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).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 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

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

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.

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.

Pensions administration	<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"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. <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>
Pensions accounting and auditing standards	<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>
Pensions services procurement and relationship management	<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>
Investment performance and risk management	<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>

Financial markets and products knowledge	<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>
Actuarial methods, standards and practices	<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>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 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

- 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*¹⁰ 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)¹¹.
- Practitioners should familiarise themselves with this policy statement.

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

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 or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

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

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

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

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

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	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> ■ the law relating to pensions ■ any other matters which are prescribed in regulations. 		
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
Practical guidance		
	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"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	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

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

- 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
1. Educational		<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>
2. Work experience	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
3. Abilities, intelligence and special aptitudes	<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>
4. Adjustment and social skills	<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>
5. Motivation	<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>	
6. Equal opportunities	<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^(a), 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^(b).
- (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 Pension Act 2012 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^(a).*
- (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

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

Learning needs analysis	Training requirements and plan		
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
<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>	<p>1 – no knowledge 5 – highly skilled</p> <p>1 2 3 4 5</p>		
4 – Pensions accounting and auditing standards			
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	<p>1 2 3 4 5</p>		
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	<p>1 2 3 4 5</p>		
<p>An understanding of the role played by third party assurance providers.</p>	<p>1 2 3 4 5</p>		
5 – Pensions services procurement and relationship management			
<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>	<p>1 2 3 4 5</p>		

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>9004 – Investment performance and risk management</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</p> <p>5 – highly skilled</p>		
<p>7 – Financial markets and products knowledge</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...?	Rate my skills	Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	



Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

www.cipfa.org

CIPFA registered with the Charity Commissioners of England and Wales No 231060

London Borough of Hackney

Pension Fund



Training Policy



TRAINING POLICY

Introduction

This is the Training Policy of the London Borough of Hackney Pension Fund in relation to the Local Government Pension Scheme (LGPS), which is managed and administered by Hackney Council. The Policy details the training strategy for members of the Pensions Committee and Pension Board, and senior officers responsible for the management of the Fund.

The Training Policy is established to aid Pensions Committee and Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that the London Borough of Hackney Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Hackney Council has delegated responsibility for the implementation of this Training Policy to the Corporate Director of Finance and Resources.

Aims and Objectives

Hackney Council recognises the significance of its role as Administering Authority to the London Borough of Hackney Pension Fund on behalf of its stakeholders which include:

- around 20,000 current and former members of the Fund, and their dependants
- over 20 employers within the Hackney Council area or with close links to Hackney Council
- the local taxpayers within the London Borough of Hackney.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

This Policy has been put in place to assist the Fund in achieving these objectives and all Pensions Committee Members, Pension Board members and senior officers

to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Hackney Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

as well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

To whom this Policy Applies

This Training Policy applies to all Members of the Pensions Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers in the Hackney Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Less senior officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and his/her team.

Personnel of the third party administrator that provides the day to day administration of the London Borough of Hackney Pension Fund are also expected to be able to meet the objectives of this Policy, as are all other advisers to the Fund.

Officers of employers participating in the London Borough of Hackney Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Hackney Council will provide appropriate training for them. This is considered separately in the London Borough of Hackney Pension Fund Administration Strategy.

CIPFA and TPR Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector within a knowledge and skills framework. The Framework details the knowledge and skills required by those responsible for pension scheme financial management and decision making.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills frameworks in place. This Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which includes all those covered in the existing Committee and non-executives framework):

- Pensions legislation
- Public sector pensions governance
- Pension accounting and auditing standards
- Pensions administration
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pensions Act 2004 and The Pension Regulator's Code of Practice

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- 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.

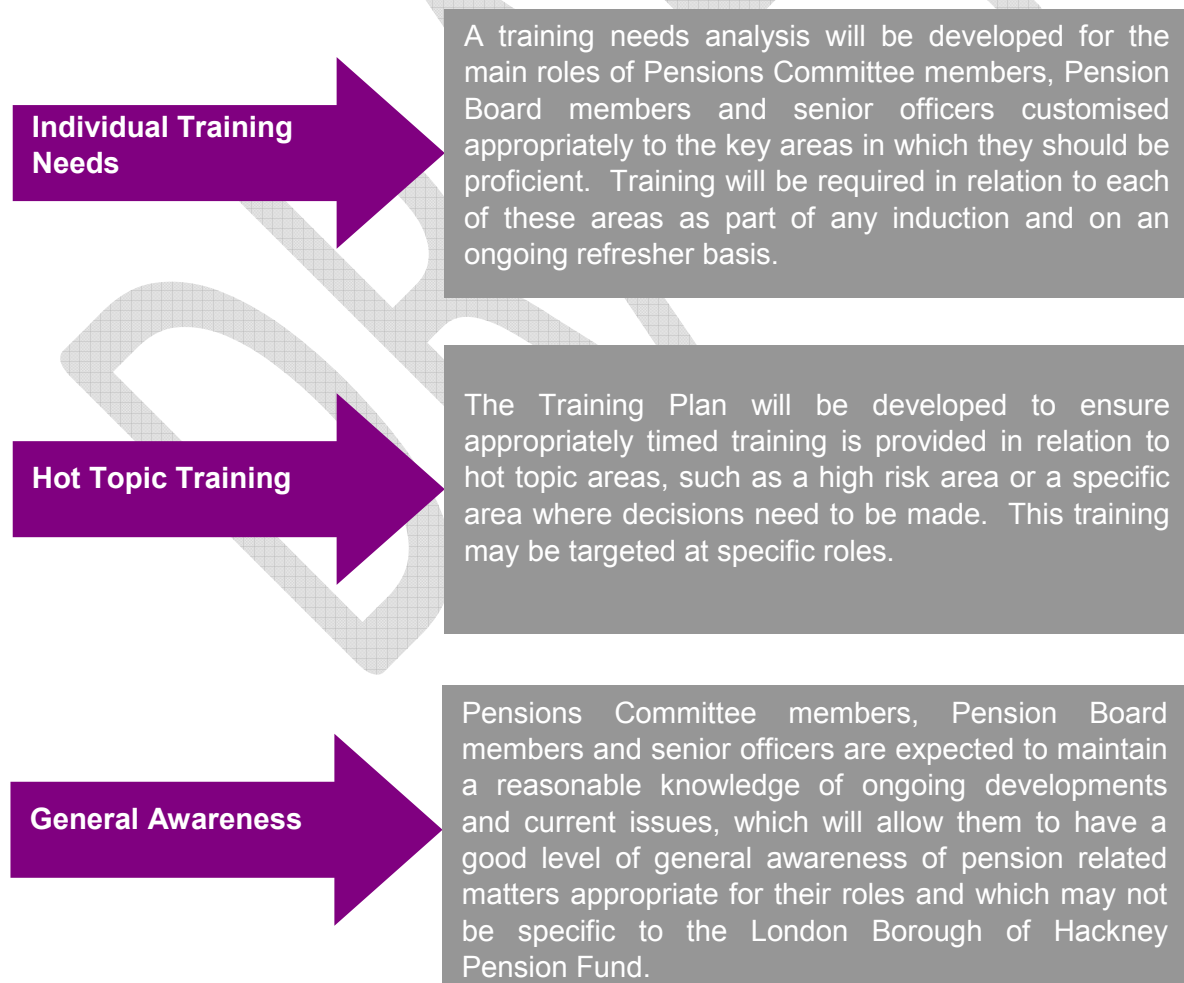
These requirements are incorporated and expanded on within the TPR Code of Practice which came into force on 1 April 2015. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

Application to the London Borough of Hackney Pension Fund

Hackney Council recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly it fully supports the use of the CIPFA Knowledge and Skills Frameworks, and TPR's Code of Practice. Hackney Council adopts the principles contained in these publications in relation to the London Borough of Hackney Pension Fund, and this Training Policy highlights how the Council will strive to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting.

The London Borough of Hackney Pension Fund Training Plan

Hackney Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pensions Committee members, Pension Board members and senior officers, and that training is a key element of this process. Hackney Council will develop a rolling Training Plan based on the following key elements:



Each of these training requirements will be focussed on the role of the individual i.e. a Pensions Committee member, a Pension Board member or the specific role of the officer.

The Pensions Committee agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee, the Board and officers to both enhance existing knowledge and skills and to develop new areas of understanding. This ensures that training is accessible to all Committee and Board members and key officers involved in the management of the Pension Fund.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pensions Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the London Borough of Hackney Pension Fund's investment managers and advisors
- Links to on-line training
- Access to the London Borough of Hackney Pension Fund website where useful London Borough of Hackney Pension Fund specific material is available

In addition London Borough of Hackney Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pensions Committee, the Pension Board or the London Borough of Hackney Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Hackney Pension Fund:

- The members' guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
 - The Funding Strategy Statement
 - The Governance Policy and Compliance Statement
 - The Statement of Investment Principles including the London Borough of Hackney Pension Fund's statement of compliance with the LGPS Myners Principles
 - The Communications Policy

- The Administration Strategy
- The administering authority's Discretionary Policies
- This Training Policy

In addition, an individual training plan will be developed to assist each Pensions Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

Monitoring Knowledge and Skills

In order to identify whether Pensions Committee members, Pension Board members and senior officers are meeting the objectives of this policy we will:

- 1) Compare and report on attendance at training based on the following:
 - Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
 - Hot Topic Training – attendance by at least 80% of the required Pensions Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pensions Committee members, Pension Board members or senior officers depending on the subject matter.
 - General Awareness – each Pensions Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
 - Induction training – ensuring areas of identified individual training are completed within six months.

- 2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pensions Committee members, Pension Board members and senior officers.

Key Risks

The key risks to the delivery of this Policy are outlined below:

- Changes in Pensions Committee and/or Pension Board membership and/or senior officers' potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Pensions Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being to an acceptable standard.

The Pensions Committee members, with the assistance of London Borough of Hackney senior officers and Pension Board members, will monitor these and other key risks and consider how to respond to them.

Reporting

A report will be presented to the Pensions Committee on an annual basis setting out:

- The training provided / attended in the previous year at an individual level
- Attendance at Pensions Committee and Pension Board meetings
- The results of the measurements identified above.

This information will also be included in the London Borough of Hackney Pension Fund's Annual Report and Accounts.

At each Pensions Committee meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

Costs

All training costs related to this Training Policy are met directly by the London Borough of Hackney Pension Fund.

Approval, Review and Consultation

This Training Policy was originally approved at the London Borough of Hackney Pensions Committee meeting on 14 January 2015 and amendments to incorporate the requirements of the CIPFA Local Pension Boards Framework were approved on 28th January 2016. This Training Policy has also been formally adopted by the London Borough of Hackney Pension Board at its first meeting. It will be formally reviewed and updated at least every year or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

Jill Davys
Head of Financial Services
London Borough of Hackney Pension Fund
Hackney Council
Keltan House
89-115 Mare Street
London
E8 4RU
E-mail jill.davys@hackney.gov.uk
Telephone 020 8356 2646

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

Telephone: 020 8356 2745
Fax: 020 8356 3035
Email: pensions@hackney.gov.uk (Governance)
hackney.pensions@equiniti.com (Administration)
Pension Fund Website: <http://hackney.xpmemberservices.com>
Hackney Council Website: www.hackney.gov.uk (Minutes, Agendas, etc)

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
REVIEW OF PENSIONS COMMITTEE PAPERS – JULY 2015 to JANUARY 2016	Classification PUBLIC	Enclosures Three
	Ward(s) affected ALL	AGENDA ITEM NO. 5
Pensions Board - 26th January 2016		

1. INTRODUCTION

- 1.1 The purpose of this report is for the Pensions Board to consider the work undertaken by Pensions Committee at its meetings in the period from September 2015 to January 2016 and to note items that are relevant to the work of the Pensions Board.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Committees (21st September 2015, 18th November 2015 and 13th January 2016)

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. Consideration of the Pensions Committee agenda's and being able to understand the remit of the Committee and its work is therefore key to the understanding of the Pension Board.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. In order to demonstrate the Board is meeting its broad terms of reference it will need to consider the ongoing work of the Pensions Committee to ensure that the powers and responsibilities delegated to it by the Administering Authority are being met. There reviewing the work of the Pensions Committee on a regular basis will form part of the ongoing work of the Pensions Board.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Whilst not a decision making body for the Pension Fund, the Board does have a broad remit to review the decision-making process of the Pensions Committee and in particular, matters relating to scheme administration and governance. Members will have received copies of the Pensions Committee meetings held on the 21st September 2015, 18th November 2015 and 13th January 2016. A link to the Committee papers is provided here: <http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0>
- 6.2 Over the period September 2015 to January 2016, Pensions Committee have considered 23 reports covering a wide range of issues including investments, pensions administration, accounts, government consultations and actuarial matters. Members of the Board have been provided with copies of the agenda and associated reports for the Pensions Committee meetings.
- 6.3 Where Pensions Committee work has specific relevance to the Pensions Board and where the subject matter is such that it would be helpful to expand further for the Board to fulfil the role, these have become dedicated papers for the Board agenda. In other areas, it is worth highlighting either reports or elements of Committee reports that are of particular relevance to the Board.
- 6.4 The quarterly monitoring report provides both the Pensions Committee and the Board with an update on the key facts pertaining to the Pension Fund with updates provided on funding, investment performance, budget monitoring, corporate governance and engagement, pensions administration and reporting of breaches either to the Committee or where appropriate to the Pensions Regulator. Key to the role of the Board is ensuring that the Fund is being administered in accordance with the regulations and the quarterly report helps demonstrate that the Committee is taking all aspects of their role in managing the Pension Fund in to account and not just investment related issues. Of particular relevance to this Board is the quarterly reporting on administration performance and also the reporting of breaches sections. Board Members will probably have noted that on this occasion the reporting of breaches has included a reference to the fact that the Pension Fund has now reported itself to the Pensions Regulator for failing to meet its statutory duty to provide all active members of the Fund with an annual benefit statement by 31st August 2015. Whilst the majority of annual benefit statements were issued slightly after the statutory deadline, unfortunately this has not been uncommon amongst LGPS for the year ended 31st March 2015. There have been significant

issues with trying to ensure that the data relating to scheme member pay is accurate across most funds in the LGPS leading to delays for the majority of funds in issuing statements. The Fund had considered whether it was appropriate to report a breach earlier, but as the majority of statements for active scheme members (5,095) were issued by the end of September and the Local Government Association were advising the Pensions Regulator of the issues, it was not felt necessary to make a formal breach report at that time. Subsequently the administrators have continue to work with employers to try to resolve queries with the outstanding 1,400 annual benefit statements, the majority of which have now been progressed to a point where they will be issued by the end of January and there are only 100 where outstanding queries remain. These are continuing to be investigated by both the third party administrators and also the pensions section based at the Council. However, given the ongoing delays to issuing the outstanding benefit statements, the Fund has now reported a formal breach to the Pensions Regulator (TPR). A copy of TPR's response to the LGA is attached for information regarding the general problems caused by the introduction of the new LGPS 2014 Scheme.

- 6.5 At the Pensions Committee in September, the Committee were provided with a broad ranging Pensions Update paper which covered in brief a number of key pension issues which were likely to impact on the Fund over the coming months: Pooling of investments; Scheme Advisory Board work on separation of pension funds; public sector exit payments regulations; HM Treasury consultations on the tax treatment of pensions; changes to state pensions and national insurance contributions; and requirements for undertaking reconciliation of guaranteed minimum pensions. Whilst recognising that all of these issues could impact the management of the pension fund, with reference to the work of the Pensions Board, probably one of the key items from this report are the forthcoming changes to state pensions which affect current employees contributing to the pension scheme and the relevant key points have been drawn out from that report and are attached as an appendix to this report alongside the communications which have been sent to scheme members. The other main issue from the report of particular interest to the Board is that of the GMP reconciliation and this is the subject of another report to be presented to the Board on this meeting's agenda.
- 6.6 Also at the Pensions Committee meeting in September, the Committee were presented with an updated Pensions Admissions Policy which covers the admission of new employers into the Pension Fund. This will typically arise when groups of employees transfer to new employers either as a result of an outsourcing and will typically be to private sector companies or when existing authority schools convert to academy status. The background to the regulations and the Fund's approach to admitting new bodies and how these will be managed within the Fund are set out in full within the Policy. A link to the policy document can be found here: <http://mginternet.hackney.gov.uk/documents/s45020/10.%20A1%20CDM-16396281-v1-Policy%20on%20Admissions%20Bulk%20Transfers%20Sept%202015.pdf>
- 6.7 From the November 2015 meeting, the areas of particular note for the Pensions Board relate to the forthcoming actuarial valuation where training was provided along with some of the preliminary work which the Fund is undertaking leading up to the valuation to be carried out as at 31st March 2016.

6.8 Key items from the meeting on the 13th January were the Pension Fund Risk Register, the updated TPR Code of Compliance (to be covered under another report to the Board), Pensions Administration Audits (the subject of a further paper to the Board) and the Communications Policy. As two of the papers will be covered in further depth by follow up reports to the Board, it is not proposed to cover those here. In respect of the Pensions Risk Register, it is important that the Board understands that these are the high level risks which the Fund faces and includes matters which directly impact on the work of the Board in terms of assisting the Administering Authority in ensuring compliance with the regulations. It is therefore worth covering again briefly in this report the high level risks that the Fund faces and Board Members are recommended to review the full risk register <http://mginternet.hackney.gov.uk/documents/s46930/7%201%20PF%20Risk%20RegisterJanuary%202016.pdf> :

1. Increasing longevity – People living longer and therefore drawing pension benefits for longer than was anticipated at the time the Scheme was set up. This is impacting on the costs of managing the Scheme and whilst this is clearly a risk the Fund is unable to control, by monitoring the longevity profile of the Fund, it is able to anticipate and plan for future cost increases. Increasing longevity is one of the factors which is being addressed to a certain extent in the 2014 Scheme by a linking the Scheme retirement age to rise in line with the State Pension Age. However, this risk remains high as this will only cover scheme members who have not yet reached retirement age and does not affect those whose pensions are already in payment, although it is recognised that over time this risk may gradually decrease as steps are put in place at a national level to offset some of this risk.
2. Asset/Liability Mismatch – Assets could fail to keep pace with a growth in the liabilities of the Pension Fund resulting in additional costs for employers participating in the Fund. Whilst the period since the last valuation in 2013 has seen strong asset growth, the liabilities have grown at an even faster pace. At the time of writing the funding position is not that different to the 2013 valuation, but the monetary gap between assets and liabilities has widened. This was discussed at the November Strategy meeting of the Pensions Committee and as can be seen from the latest quarterly monitoring, the increase in liabilities over assets is £98m or an estimated deficit of £1,591m as the Fund enters the 2016 valuation.
3. Investment Performance – Poor performance from either the Fund's investment managers or from the asset classes the Fund invests could result in investment returns below expectations. Performance monitoring should assist in providing warning signals to take action where necessary to terminate a manager or exit an asset class. A number of the Fund's managers continue to have relatively weak performance in 2015 with a number underperforming their benchmarks and global markets remained volatile.
4. Poor membership data – It had been hoped that this risk might have seen a reduction from the high risk category as employers and administrators bedded down the 2014 Scheme, however, problems of receiving accurate and timely membership data from employers continues to pose the Fund with issues. Whilst the Fund was able to issue a high proportion of Annual Benefit Statements (ABS's), there remain over 1,000 still to be issued. The

Committee will note that also included on the Agenda are Audit reports undertaken by the Fund's benefits Advisers, AON which indicate that there are still issues with obtaining information from some employers. Accurate membership information is not only vital for individual members to be assured that they are receiving their correct benefits, and this has intensified with the new CARE (career average revalued earnings) Scheme, but it is also essential for the correct calculation of the liabilities by the Fund actuary at the valuation. In addition the Fund, like all others in the public sector faces additional scrutiny over the quality of the data by the Pensions Regulator (TPR) and is at risk of fines for poor quality and being required to take special measures.

5. Regulatory – This risk continues to be rated highly as there seems to be little slowdown in the pace of regulatory change either within pensions or more specifically for the LGPS, witness the Pooling Guidance and Investment Regulations Consultation which are the subject of other Agenda items. Regulatory change is just one aspect of this risk with the other being ensuring compliance with existing regulations and as noted in one of the other high risks, poor membership data, this can also start to impact on day to day operations and put the Fund at risk of fines from TPR.
6. Failure to manage costs – Consideration has been given as to whether this risk should be reduced, given that there is a clear government agenda to ensure that Pension Funds are able to manage costs and to deliver savings in particular from pooling of investments. Whilst the work underway at the London CIV has demonstrated that there is significant potential to reduce investment costs, it remains at early stages and with all LGPS funds facing major changes and the need to transition investment there remain risks as this process gets underway as with any transition. In addition it is clear that the 2014 CARE Scheme has led to additional costs in the short term given the additional complexities of administering the Scheme and having to effectively administer 3 schemes concurrently (1/80th final salary, 1/60th final salary and 1/49th CARE). Further the governance burden has continued to increase, whilst recognising that this will lead to improvements, there are costs with the additional requirements of TPR and Pensions Board. In addition, the requirement to undertake GMP reconciliations could cause costs to increase in the short term due to both the cost of administering the reconciliation exercise and potential to amend pension amounts.
7. Pension Funding Risk – This remains a risk for the Fund over the medium/longer term given the need to close the funding gap. Whilst the funding position improved at the 2013 valuation and the latest funding update would indicate a deterioration as we move towards the 2016 valuation, although clearly a lot could change between now and the end of March. The recent preliminary work undertaken by the Fund Actuary and Investment Consultant would indicate however, that at this time the Fund remains in a reasonable position to achieve its long term goal of closing the funding gap and reaching a fully funded position within the timescales set out in its Funding Strategy Statement.
8. Investment Pooling – This has been introduced as a new high risk for the 2015 Register, whilst merger and concerns about enforced passive investment were highlighted under regulatory risk previously, Investment Pooling is now being forced on LGPS funds and given some of the risks around this, it was felt worthy of being identified as its own separate risk. As

noted earlier, funds in London have already made considerable progress towards working collaboratively in pooling investments, but this has always been seen very much as being on a voluntary basis and that those who wanted to participate could do so and up to any level they wanted to. The Pooling Criteria issued by government makes it clear that voluntary participation is not an option. Whilst London has made progress, there remains a long way to go, to get the appropriate range of managers appointed to the CIV and for funds to then transition assets across and as noted earlier this could lead to a short term increase in costs. In addition it is not clear whether over longer term this will deliver the scale of fee savings (although these have not been formally identified) which the government is looking to see delivered and whether scale will bring the benefits to all funds as is hoped.

- 6.9 This report seeks to draw out the key issues for the Board to review and consider from the work of the Pensions Committee over the last 3 meetings that have taken place since the last meeting of the Pensions Board. Whilst some of the items are picked up in more detail for the Pensions Board, it is important for them to have a broad understanding of all aspect of the work undertaken by Committee in order to help them in their role as assisting the Administering Authority in ensuring compliance.

Ian Williams
Corporate Director of Finance & Resources

Report originating officer: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

The Pensions Regulator

9 October 2015

Dear Jeff,

Thank you for outlining the issues faced by Local Government Pension Scheme (LGPS) funds for England and Wales in meeting the legislative deadline for providing annual benefit information statements to members.

The Pensions Regulator recognises the significance of the public service pension reforms, including the requirement to redesign benefits and new requirements about governance and administration.

We are aware that LGPS Funds, like all public service schemes, face a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements while maintaining and integrating their legacy systems.

However, as you are aware, all public service schemes must be governed and administered in accordance with the requirements of the law. We therefore expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members. It is vital that members are provided with information on their pension benefits so that they have a clear understanding of their financial position and can make informed decisions.

Where a legal duty relevant to the administration of the scheme has not been, or is not being complied with, certain people (including scheme managers, pension board members and those involved with administering the Funds) are under a duty to report breaches of the law to us if they consider that the breach is likely to be of material significance to us.

Some LGPS Funds have already contacted us to report a breach of the requirement to issue benefit information statements in accordance with the deadline stipulated in the Public Service Pensions Act 2013 (31 August 2015). Where the cause of the breach is explained as being due to significant data and IT system issues faced by Funds and Fund employers, we are minded to advise those Funds that we expect them to issue the statements as soon as possible and by the 30 November 2015 at the latest. As a matter of best practice, we also expect LGPS funds to take steps to inform affected members of the delay and when they can expect to receive their benefit statement.

Where these Funds are unable to meet this timeframe, they will need to provide us with further information, including their plan of action for remedying the breach. Plans will be considered on a case by case basis and we will consider what action to take if satisfactory plans are not in place.

Napier House
Trafalgar Place
Brighton
BN1 4DW

Customer support: 0845 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pensions Regulator

However, where the breach arises for other reasons, or in conjunction with other issues, we will consider whether a different response is appropriate in accordance with our Compliance and Enforcement Policy.

Where other Funds are in breach of the requirement and have not yet considered whether or not the breach must be reported to us, scheme managers, pension board members and those involved with administering the Funds will need to consider whether they must do so, whether or not they anticipate that benefit information statements will be issued by 30 November 2015.

Our Public Service Code of practice provides guidance on judging whether a breach needs to be reported, and if so, how to report a breach of law, and our compliance and enforcement strategy outlines our approach in response to any breach that is reported to us or of which we otherwise become aware.

If LGPS Funds decide that they need to report to us, they should explain the reasons for the breach occurring and their plan to remedy it, including the timeframe, which we will take into account in determining our response.

We would welcome the opportunity to engage with you further in relation to public service pensions schemes and to better understand how LGPS funds are addressing issues they face in complying with the legal requirements. Please do not hesitate to contact me if you wish to arrange.

Yours Sincerely
Joey

Joey Patel
Policy Lead
Public Service Pensions Regulation Team

PENSIONS UPDATE EXTRACT:

5. Changes to State Pensions – National Insurance (NI) Changes 2016

From 6 April 2016 the government will introduce a new flat rate basic state pension which will replace the current multi-tier arrangement for new pensioners. Currently the basic state pension is supplemented by either the Additional State Pension (ASP) paid for by NI contributions or by occupational 'contracted out' pension schemes such as the Local Government Pension Scheme (LGPS). In return for the employer providing an occupational pension scheme in place of the whole or part of the ASP, both employers and employees currently receive a rebate on their NI contributions. The result of the introduction of the new state pension means there is no requirement for an alternative to ASP so 'contracted out' status ceases and the NI rebate stops.

Consequently, the NI rebate will no longer apply and both employers and employees will see an increase in their NI contributions, for employers this is in the region of 3.4% between certain thresholds and 1.4% for employees. For the Council as an employer it is estimated that this will add 2-3% to the current pay bill or around £2.5m to £2.7m and will also result in employees in the LGPS seeing a decrease in their salary from April 2016. Across the LGPS as a whole it is estimated that the additional cost to employers could be in the region of £700m.

To ensure that employers and employees are aware of the forthcoming changes, Q&A leaflets provided by the Local Government Association (LGA), have been sent to employers and employees. A copy of the one being sent to scheme members alongside the annual newsletter and annual benefits statements is attached as an appendix to this paper for information for the Committee.

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Q&A for LGPS members The New State Pension and National Insurance Changes

A new single tier, flat rate State Pension is being introduced for people who reach State Pension age on or after 6 April 2016. The new State Pension should help people better understand what they will get so that they can plan for their retirement. It will replace the existing basic and additional State Pension.

As a member of the LGPS you are currently 'contracted out' of the additional State Pension and therefore receive a rebate on your National Insurance (NI) contributions¹. This means that most members of the LGPS are currently paying a lower amount of National Insurance contributions. From 5 April 2016 you will no longer receive this National Insurance rebate which means you will start to pay a higher amount of National Insurance contributions.

It is important that as a member of the LGPS you understand that if you are eligible for the new State Pension you might not receive the full amount. This is because you have paid a lower amount of National Insurance in previous years.

You will, of course, continue to be entitled to your LGPS benefits. These will continue to be a very important part of your income in retirement, providing an excellent range of benefits including benefits for your loved ones.

This document has been produced to help LGPS members understand what the changes to the State Pension will mean for them.

[Q1 - Why is the State Pension changing?](#)

[Q2 – Who will receive the new State Pension?](#)

[Q3 – Why will I have to pay more in National Insurance contributions?](#)

[Q4 – How much more in National Insurance contributions will I have to pay?](#)

[Q5 – Will the benefits provided by the LGPS change because of this?](#)

[Q6 – I cannot afford to pay the extra National Insurance contributions. What can I do?](#)

[Q7 – Will I qualify for the full amount of the new State Pension?](#)

[Q8 – Will the new State Pension provide sufficient income in retirement?](#)

[Q9 - Where do I find out more information?](#)

¹ Provided you are under State Pension Age, have earnings over £12 p.w. / £486 p.m. (2015/16 figures) and you are not paying the Married Woman's / Widow's Reduced Rate of National Insurance contributions.

Q1 - Why is the State Pension changing?

A1. The Government's aim is to introduce a simpler, fairer system where people have a clearer idea about what pension the state will provide, making it easier to plan their retirement savings.

Q2 – Who will receive the new State Pension?

A2. You will be able to claim the new State Pension if you're:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

and, normally, have at least 10 years qualifying years on your National Insurance record. If you reach State Pension age before 6 April 2016 you'll get your State Pension under the current scheme instead. If you do not know what your State Pension age is you can use the State Pension age calculator to find out.

Q3 – Why will I have to pay more in National Insurance contributions?

A3. The current State Pension is made up of two parts: the basic State Pension and the additional State Pension (the additional State Pension is sometimes called State Second Pension or SERPS). The LGPS is contracted-out of the additional State Pension. This means that during your membership of the LGPS you have been receiving a rebate on your National Insurance contributions and have not been building up additional State Pension. You have been building up pension benefits in the LGPS instead.

From 6 April 2016 the new State Pension will replace the existing basic and additional State Pensions with a single tier, flat rate State Pension. This will end contracting-out of the additional State Pension and so the rebate on scheme members' National Insurance contributions will cease.

Q4 – How much more in National Insurance contributions will I have to pay?

A4. The current National Insurance rebate is 1.4% of pay between certain thresholds. From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance. Below are some examples showing how much extra National Insurance contributions will be payable from 6 April 2016¹.

Earnings	National Insurance payable currently	National Insurance payable from 6 April 2016	Difference
£15,000 per year (£1,250 per month)	£58.66 per month	£69.36 per month	£10.70 per month
£27,000 per year (£2,250 per month)	£164.66 per month	£189.36 per month	£24.70 per month
£45,000 per year (£3,750 per month)	£307.65 per month	£347.56 per month	£39.91 per month

¹ The examples assume the individual is over 21 years, are based on the current NI thresholds (2015/16) and have been calculated using the calculator <http://niscalculator.hmrc.gov.uk/Class1NICs1.aspx>

To find out how much more in National Insurance contributions you will be paying from 6 April 2016 you can use the contributions calculator <http://lgps2014.org/contcalc/>. This calculates the National Insurance rebate you are currently receiving; from 6 April 2016 this rebate will no longer be applicable.

Q5 – Will the benefits provided by the LGPS change because of this?

A5. There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

Q6 – I cannot afford to pay the extra National Insurance contributions. What can I do?

A6. The new State Pension will only provide a very basic level of income in retirement meaning that the LGPS will remain an important part of your retirement planning. Remember that you will continue to get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax.

You have flexibility to pay less pension contributions, with the option to pay half your normal contributions in return for building up half your normal pension (although you still retain full life cover and ill health cover). This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme, building up valuable pension benefits, during times of financial hardship.

The 50/50 section is designed to be a short-term option and your employer is required to re-enrol you back into the main section of the scheme every three years. This will be carried out in line with your employer's automatic re-enrolment date.

A 50/50 option form is available from your employer. Further information about the 50/50 section is available at <http://lgps2014.org/>

Q7 – Will I qualify for the full amount of the new State Pension?

A7. The new State Pension will be based on your National Insurance contributions record and a new minimum qualifying period will be introduced. People with no National Insurance contributions record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension.

If you have paid into the LGPS between 6 April 1978 and 5 April 2016 and attain State Pension age on or after 6 April 2016 the amount of new State Pension you receive will be reduced, in respect of this period, to reflect the fact that you and your employer have paid a lower rate of National Insurance (due to the LGPS being contracted-out of the current additional State Pension). If this applies to you, you are unlikely to receive the full amount of the new State Pension, however, this will depend on your individual National Insurance record and how many qualifying years you have after April 2016.

The Government has confirmed the full amount of new State Pension will be no less than £151.25 a week. The actual amount will be set in autumn 2015.

For further information about the calculation of the new State Pension and for a definition of a qualifying year please refer to <https://www.gov.uk/new-state-pension/overview>

Q8 – Will the new State Pension provide sufficient income in retirement?

A8. The State Pension is intended to be only a part of your retirement income and will provide a very basic standard of living in retirement. It is important that you plan for your retirement, taking into account that:

- people are generally living longer so you're likely to spend more time in retirement
- you may want to retire before your State Pension age
- if you were a member of the LGPS prior to 6 April 2016 you may not qualify for the full amount of the new State Pension (see answer 7)

The LGPS will continue to be an important part of your retirement planning. For information about the benefits provided by the LGPS please visit: <http://www.lgps2014.org/> with respect of the LGPS in England or Wales, or <http://scotlgps2015.org/> with respect of the LGPS in Scotland.

Q9 – Where do I find out more information?

A9. More information about the new State Pension can be found at www.gov.uk/yourstatepension

If you are over age 55 you can request an estimate of the State Pension you will receive under the new system here www.gov.uk/state-pension-statement

A video about the new State Pension can be viewed here - www.youtube.com/user/PensionTube



REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Training – Pensions Administration Pensions Board - 26th January 2016	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 6

1. INTRODUCTION

- 1.1 CIPFA has now published a Technical Knowledge and Skills Framework for local Pension Boards and one of the areas of focus is Pension Administration. Given that the Board is considering a report at this meeting which covers an audit of the administration of the third party provider and employers, this training session has been developed to help the Board understand both the administration functions and their role in assisting the Administering Authority in ensuring compliance against the Regulations.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Board 26th January 2016 – Amended Training Policy and CIPFA Guidance
- Pensions Committee 13th January 2016 and Pensions Board 26th January 2016 – Pension Administration Audits

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training in all aspects of the Pension Fund and understanding the factors that will impact on the Fund mean that those charged with governance will be able to undertake effective decision making, including having an understanding of the financial impact of such decisions.

- 4.2 The Pension Fund as at the 31st March 2015 had 25 employers and over 21,500 pension scheme members and was valued at £1.175bn. The costs of administering the scheme amounted to £638k for the last financial year excluding governance and investment management costs. This equates to £29.56 per member per annum. Ensuring that the function is administered correctly and efficiently are crucial to ensuring that the Fund is meeting its statutory responsibilities as well as ensuring that scheme member benefits are calculated accurately.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous and the Board needs to ensure that it has training in order to fulfil its statutory responsibilities. The training being provided to the Pensions Board on the administration of the Pension Fund is in accordance with both the regulations and best practice for local Pension Boards.
- 5.2 The CIPFA Code of Practice on Knowledge and Skills Framework for local Pension Boards, the Public Service Pensions Act 2013, the Pensions Act 2004 and The Pension Regulator's Code of Practice for Public Service Pension Schemes require those charged with governance of the Pension Fund to have a level of knowledge and skills appropriate to their roles. Training is required to enable those charged with the management and oversight of the Fund to continue to carry out their responsibilities in the best interests of fund members and employers.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 In accordance with the Public Service Pensions Act 2013 (PSPA) All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 6.2 In recent years CIPFA has placed much greater focus on the need for administering authorities to embrace the requirement for a high level of knowledge and skills in the management of LGPS Funds. During 2015 CIPFA issued a Technical Knowledge and Skills Framework for local Pensions Boards. The guidance is intended to complement the Pensions Regulator's Code of Practice. Within the guidance, one of the areas within the scope of the Framework is a requirement to have the knowledge and skills in relation to pension administration. In particular the Guidance notes the following points:
- 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.*
- 6.3 The training to be provided to the Board at the meeting will cover key aspects of the administration of the Pension Fund, including both the regulatory background and how the administration function is undertaken by the London Borough of Hackney Pension Fund.
- 6.4 The Pensions Committee has been a keen supporter of ensuring that training forms part of the Committee's role and receives a training session at each Committee

meeting in advance of the main business meeting. Indeed the training undertaken by the Committee and officers was recognised by an award in 2015 from the LGC for Knowledge and Skills.

Ian Williams

Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Pension Administration Audits Pensions Board - 26th January 2016	Classification PUBLIC	Enclosures EXEMPT - Three
	Ward(s) affected ALL	AGENDA ITEM NO. 7

1. INTRODUCTION

- 1.1 This report provides the Pensions Board with the results of pension administration audits undertaken on behalf of the Fund by its benefits advisers, AON.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report.**

3. RELATED DECISIONS

- Pensions Committee 13th January 2016 – Pension Administration Audit Reports
- Pensions Sub-Committee 17th January 2013 – Approval of contract extension for 3 years with Equiniti
- Pensions Sub-Committee 9th December 2008 – Award of third party administration contract to Equiniti

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The introduction of the new LGPS 2014 Scheme brought additional complexities to the administration of the LGPS and given the risks of such wholesale changes it was appropriate to ask external advisers to undertake an audit on behalf of the Fund's third party administrators and also employers who provide data to the Pension Fund. Whilst the costs of such audits are not inconsequential, the financial and reputational risks, if there are significant systemic errors far exceed any cost of audit.
- 4.2 Aside from the financial risks where incorrect data is held in the pension system and results in incorrect pension payments, the data is also used to calculate the liabilities of the Pension Fund and therefore inaccurate data could impact on either an under or over statement of the liabilities leading to additional costs for employers. In addition there are a range of potential costs that could arise from holding incorrect data, not least of which is fines from the Pensions Regulator. The focus on holding accurate data has intensified over recent years and it is important for the Fund to review the quality of the data and how it is being processed particularly following a time of considerable change brought about by the Scheme changes in 2014.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board role is to assist the Administering Authority with compliance against the Regulations and as such it is appropriate for the Board to consider the contents of this Report and appendices as the audit will provide the Board with an overview of the level of compliance in terms of the administration of the Pension Fund.
- 5.2 Under the Public Service Pensions Act 2013 by sections 5 (1) and (2) the role of the Pension Board is to assist Hackney Council as Scheme Manager of the London Borough of Hackney Pension Fund:
- to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the Scheme, and any requirements imposed in relation to the LGPS by the Pensions Regulator
 - to ensure the effective and efficient governance and administration of the London Borough of Hackney Pension Fund"
- 5.3 Further, the Local Government Pension Scheme Regulations (2013) make clear that 'An administering authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations' (Regulation 53(2)). In addition Regulation 69 sets out the payments that employers are required to make to the Fund and the information that is required to accompany such payment (Regulation 69 (3)).
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The introduction of the LGPS 2014 Scheme brought new complexities into managing the Scheme whilst having to maintain scheme member records on an

historical basis in addition to the new career average basis for any members active on 1st April 2014. As Members may recall, the regulations were only finalised just shortly before the introduction of the Scheme itself leaving funds, their administrators and employers with little time to make all the necessary amendments to systems, processes and procedures. With the Scheme having been in place for approximately a year, giving time to resolve initial teething problems, it seemed an appropriate time to undertake an audit of the administration arrangements.

- 6.2 The Fund's Benefit Consultants, AON were asked to carry out an audit, initially on the third party administrators, Equiniti and then to review the quality of data being supplied to the Pension Fund. The results of the audit work are attached in the appendices to this report, exempt as they contain both confidential and potentially commercially sensitive information.
- 6.3 In brief the audit of the administration highlighted a number of positive aspects along with some areas for improvement. Equiniti have co-operated with both AON and officers of the Council during the audit process and have at all times responded positively to recommendations. There has been a clear willingness to deliver to a high standard in undertaking administration on behalf of the Hackney Pension Fund.
- 6.4 The audit of employer data quality shows that whilst there are some employers who have adapted to the new Scheme and are supplying data of good quality, there remain a number who struggle to meet deadlines and quality for the period under review. Officers have not had the opportunity to discuss findings with individual employers at the time of writing, but anticipate doing so over the coming weeks. In addition the Fund will be holding an Employer Forum and will cover the issue of data quality with all employers in attendance. Officers have been and will continue to work with employers to provide support and training.
- 6.5 Whilst the Board will have seen the contents of the report sent to Pensions Committee on the audit, given the role that the Board has in assisting the Scheme Manager, i.e. the London Borough of Hackney in ensuring compliance and given the contents of the exempt appendices, it is appropriate for the Board to consider this report separately to the Pensions Committee.
- 6.6 The Pension Fund third party administrators, Equiniti, have also been asked to attend the Board meeting to respond to any additional questions that the Board may wish to raise either in relation to the audit of their functions or indeed any questions in relation to the receipt of data that employers provide them with to fulfil their administration contract. The Fund's benefits consultants, AON, who carried out the audit on behalf of the Pension Fund will also be in attendance at the meeting.
- 6.7 At the Pensions Committee meeting, the Chair of the Committee has requested that an update be provided to future Committees on any progress in addressing the issues raised in particular in reference to the employer audit and specifically as this relates to the Council's own payroll. Officers will provide the Board with any updates regarding actions to be taken in relation to the employer audit, if there is anything further to report back at the meeting.

Ian Williams
Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

Exempt Appendices: Yes

That it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.

Specifically, publicity in respect of these items would be likely to lead to the disclosure of information relating to the financial or business affairs of a particular person (including the authority holding that information) and in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

If members of the public were present during consideration of this report, exempt information would be disclosed in under Paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended): “information relating to the financial or business affairs of any particular person (including the authority holding the information)”. In considering whether to exclude the public during the consideration of the exempt information in order that it is not disclosed, the Board should have regard to whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is for the Board to determine whether it is likely that exempt information would be disclosed and whether it is necessary to make a resolution to exclude the public from the meeting. The public does not have to be excluded in cases where exempt information would be disclosed. Any resolution to exclude the public must identify whether it applies to the whole or only part of the meeting and must state the description of the exempt information giving rise to exclusion of the public.

Appendices

1. LGPS 2014 – Administration and Employer Audit Summary
2. Audit of LGPS 2014 Administration

3. Audit of Employer Data Quality

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

The Pensions Regulator Code of Practice Compliance Checklist and TPR Survey

Pensions Committee - 26th January 2016

Classification
PUBLIC

Ward(s) affected

ALL

Enclosures

Two

AGENDA ITEM NO.

8

1. INTRODUCTION

- 1.1 From 1st April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1st April and all schemes must now consider whether they comply with the Code.
- 1.2 This report covers an updated Compliance Checklist for the London Borough of Hackney Pension Fund.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to:**
 - **Note the updated Code of Compliance Checklist and where further work is required and being undertaken.**
 - **Note TPR survey**

3. RELATED DECISIONS

- 3.1 Pensions Committee 13th January 2016 – Pension Fund Risk Register for noting
- 3.2 Pensions Committee 13th January 2016 and Pensions Board 26th January 2016 – Pension Administration Audits for noting
- 3.3 Council 25th February 2015 – Approval of Establishment of Pensions Board
- 3.4 Pensions Committee 31st March 2015 – Conflicts of Interest Policy and TPR Code of Compliance Checklist
- 3.5 Pensions Committee 24th June 2015 – Risk Management and Internal Controls Policy; Reporting Breaches Procedure

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 In recent years there has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of local Pension Boards and focus on increased training are just two areas which we have seen. TPR's greater legal powers of oversight extend this further and the Code of Practice is a useful means to understand what good practice looks like in these areas.

- 4.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund. Any costs associated with delivering the requirements of this Code and the related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund.
- 4.3 The Pensions Regulator's Policy on compliance and enforcement sets out his powers and the consequences of not meeting the requirements under the Code which could have financial consequences and could in extreme cases lead to financial penalties.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous. For example, as quasi-trustees of the Pension Fund, they would owe a fiduciary duty to fund members and participating employers, which imposes the highest standard of care in equity and law. Further, the Pensions Board has a legal duty to assist the Scheme Manager in ensuring compliance against the regulations. The responsibilities are exercised in a legal framework that is both complex and changing.
- 5.2 The extended powers of TPR and his Code of Practice for Public Service Pension Schemes require a high standard of governance in the management of the Fund and it is appropriate that a procedure is put in place to ensure we adhere to these requirements. The compliance checklist that is being developed will assist in this regard and allow us to monitor the requirements on an ongoing basis.
- 5.3 Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Pension Fund. In addition, where scheme managers or pension boards fail to address poor standards and non-compliance with the law, TPR will consider undertaking further investigations and taking regulatory action, including enforcement action.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 TPR finalised its 14th Code of Practice in January 2015 following a consultation with interested parties on the original draft and the Regulator's new powers under the Public Services Pensions Act 2013 (the 2013 Act).
- 6.2 Although following the code itself is not a regulatory requirement, should TPR identify a situation where the legal requirements are being breached, he will use the code as a core reference document when deciding appropriate action.
- 6.3 The matters covered by Code 14 are:
- knowledge and understanding for members of pension boards;
 - conflicts of interest;

- publication of information about pension boards, governance and administration;
- internal controls;
- record-keeping;
- late payment of employer and employee contributions;
- information about member benefits and disclosure of information to members;
- internal dispute resolution, and
- reporting breaches of the law.

- 6.4 Given the legal powers that have now been placed on TPR and the increasing focus on the governance of public service pension schemes, it is appropriate to consider whether the management of the London Borough of Hackney Pension Fund meets the overriding legal requirements and the recommended ways of working outlined in TPR's Code of Practice. The Committee and Board were provided with an initial Compliance Checklist in June showing where the Fund was able to demonstrate Compliance with the Code. At that time there were a considerable number of areas which were awaiting the establishment and first meeting of the Pensions Board, which took place on 16th July 2016.
- 6.5 The full updated checklist is attached for review by the Pensions Board. As can be seen in most areas, the Fund is able to demonstrate high levels of compliance with the Code and these are highlighted in green. This has improved significantly from the initial Compliance Checklist provided to Committee at its June meeting. There remain a few areas which are showing as amber meaning that there remains some further work to do to reach compliance. There are 2 areas where the Fund is failing to meet the requirements of the Code, both of which relate to the issue of data.
- 6.6 The first red area is one previously highlighted regarding a formal escalation procedure for late payments of contributions and if and when these need to be formally reported as breaches to the Regulator. These are currently being reported to the Pensions Committee as part of its regular quarterly monitoring. However, as noted previously a formal escalation procedure will be included in the updated Pensions Administration Strategy Statement which is due to be reviewed by Pensions Committee at its March meeting and will be reviewed by the Pensions Board as part of their role for ensuring compliance.
- 6.7 The second red area relates to the issuance of Annual Benefits Statements to active scheme members. It has previously been reported to Pensions Committee that the Fund along with a large number of other LGPS funds missed the deadline for issuing ABS's by the 31st August 2015, due to the introduction of the new LGPS 2014 CARE Scheme, which has led to some issues with collating the correct data. The Fund was able, as previously reported, to issue the majority of statements to scheme members by the end of September 2015. There remain around 1,400 which are being issued in January, although there are currently around 100 where there is no data in order to issue ABSs. Officers of the Fund are working with the pension administrators to try to resolve the queries in respect of the last 100 so that these may also be issued in due course. The Fund has been unable to obtain accurate data in particular payroll data for a large section of the membership, which would enable the Statements to be issued with any real accuracy. Work has been ongoing to try to clear as many queries as possible, but it has to be recognised that some statements will inevitably be issued which could contain some inaccuracies, although it is hoped that issues will be resolved in time for the next ABS issuance. The issue has been highlighted in the quarterly report on breaches and a letter now

been sent to TPR. Whilst not denigrating the importance of this to individual scheme members, this is not an issue which has been confined to the London Borough of Hackney Pension Fund and we are aware that other Fund have also reported themselves to TPR.

- 6.8 Whilst there are a number of areas in the Code which are showing as amber at this stage, particularly in the area of Knowledge & Skills of the Pensions Board, this is not unsurprising given the newness of the Board and also the requirement to assess their progress in developing the requisite knowledge.
- 6.9 Over the summer, TPR issued a survey to all public sector pension funds to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.
- 6.10 Around 48% of all public sector schemes responded to the survey with a slightly higher proportion of LGPS responding at 52%. Officers can confirm that the London Borough of Hackney Pension Fund participated in the survey. A summary of the outcome of the survey and the full survey results are attached as appendices to this report.
- 6.11 The survey considered 10 areas and reflected the key tools and processes considered to be benchmarks for good practice, as set out in the 'practical guidance' sections of TPR code:
- Action – Activity undertaken to ensure compliance with the new requirements
 - Knowledge and understanding required by pension board members
 - Conflicts of interest and representation
 - Publishing information about schemes
 - Internal controls
 - Scheme record-keeping
 - Maintaining contributions
 - Providing information to members
 - Internal dispute resolution
 - Reporting breaches of the law
- 6.12 As the updated Code of Compliance attached as appendix one shows, the London Borough of Hackney Pension Fund was in most instances able to provide positive responses to TPR's survey.
- 6.13 Key results from the survey showed that 90% of respondents had a Pension Board in place, but only 28% had a plan in place to ensure compliance against the regulations. Only 44% have reviewed their scheme against the practical guidance and standards set out in TPR Code of Practice. Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations and only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year. While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.

- 6.14 TPR has expressed concern that failure by 52% of schemes to respond means that they may not in fact be compliant. In addition TPR has indicated that they will be launching a self-assessment tool in 2016 and that they expect schemes to use these tools to help them identify any problems and take swift action to make improvements. They have stressed that they expect all schemes to respond to requests for information.
- 6.15 In spring 2016, TPR has indicated that he will check how schemes are doing and that they expect them to have made significant progress. Further ahead, TPR plans to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.
- 6.16 Whilst early days in terms of the new role for TPR in public sector pension schemes, it is clear that there will be ongoing additional requirements for funds to ensure they are monitoring and putting policies in place to ensure compliance with TPR requirements and that this is likely to place additional pressure on resources to respond.

Ian Williams

Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

List of appendices:

Appendix 1 – The Pensions Regulator’s Code of Practice – Updated Compliance Checklist

Appendix 2 – TPR Public Sector Pensions Survey Summary of results

Appendix 3 – TPR Public Sector Pensions – Public Service Governance and Administration Research

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Date of Completion: 03/01/2016

Contents

Introduction

Summary Results Dashboard

A - Reporting Duties

B - Knowledge and Understanding

C - Conflicts of interest

D - Publishing information about schemes

E - Managing risk and internal controls

F - Maintaining accurate member data

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H - Providing information to members and others

I - Internal Dispute Resolution

J - Reporting breaches of the law

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Introduction

This document outlines how Hackney Council complies with the Pensions Regulator's (TPR) Code of Practice No 14 Governance and administration of public service pension schemes ('the TPR Code') in relation to the management of the London Borough of Hackney Pension Fund which is part of the Local Government Pension Scheme (LGPS). It will be updated regularly by officers of the Fund and reported annually to the Pensions Committee and Pension Board (generally in June/July each year).

This document highlights all the key elements of the TPR Code and then evidences whether Hackney Council meets these areas of best practice. As part of this evidence it shows when the element was last checked and whether, at that point, it was considered fully, partially or not compliant. Where they are partially or not compliant, it also highlights whether the Council have identified actions to be carried out to improve their current practices. Where an element is not yet active, the commentary will generally still highlight where advanced progress is being made.

Those reading this document should be mindful that the TPR Code applies equally to all public service pension schemes and therefore it is generic in nature. There may be a number of elements that are more specifically stipulated within LGPS legislation and it is not the purpose of this compliance checklist to consider that level of detail.

Further, Hackney Council may also incorporate key elements of national guidance from the LGPS Scheme Advisory Board into this compliance checklist. This version contains the checklists included as part of the Shadow Scheme Advisory Boards "Guidance on the creation and operation of Local Pension Boards in England and Wales".

Key

Frequency of review and last review date: Where a process, policy or practice is officially reviewed at a set interval, the actual interval will be shown as well as the last interval date. However, in many circumstances processes and procedures are ongoing and part of the day – to - day operation of the Fund. In these circumstances, an annual check will be carried out to ensure that the ongoing process meets the TPR Code expectations and therefore the date shown will be the date that annual check was carried out and the frequency will be shown as "ongoing (annual check)".

Completed:	Compliant:	Where responsibility relates to employers:
Fully completed	Fully compliant	Employers - Fully compliant
In progress	Partially compliant	Employers - Partially compliant
Not started	Non-compliant	Employers - Non-compliant
Not yet relevant	Not yet relevant	Not yet relevant

Definitions:

<i>PSPA13</i>	Public Service Pensions Act 2013
<i>LGPS</i>	Local Government Pension Scheme
<i>TPR</i>	The Pensions Regulator
<i>TPR Code</i>	The Pensions Regulator's Code of Practice No 14 Governance and administration of public service pension schemes
<i>Scheme Manager</i>	For the London Borough of Hackney Pension Fund, this is Hackney Council.
<i>Administering Authority</i>	The LGPS specific term for Scheme Manager. For the London Borough of Hackney Pension Fund, this is Hackney Council.
<i>IDRP</i>	Internal Dispute Resolution Procedure
<i>SAB</i>	The national LGPS Scheme Advisory Board
<i>PC</i>	Pensions Committee
<i>PB</i>	Pension Board

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	Not yet relevant	Not yet relevant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	Fully completed	Fully compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	In progress	Partially compliant
B9	Fully completed	Fully compliant
B10	In progress	Partially compliant
B11	In progress	Partially compliant
B12	In progress	Partially compliant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	Fully completed	Fully compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
Publishing Information		
D1	Fully completed	Fully compliant
D2	Fully completed	Fully compliant
D3	Fully completed	Fully compliant
D4	Fully completed	Fully compliant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Fully compliant
E8	Fully completed	Fully compliant
Maintaining Accurate Member Data		
F1	Fully completed	Fully compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Fully compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Partially compliant
F9	Fully completed	Fully compliant
F10	Fully completed	Partially compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Partially compliant
G8	Fully completed	Non-compliant
G9	Fully completed	Fully compliant
Providing Information to Members and Others		
H1	Fully completed	Employers - Partially compliant
H2	In progress	Non-compliant
H3	Fully completed	Fully compliant
H4	Fully completed	Partially compliant
H5	Fully completed	Fully compliant
H6	Fully completed	Fully compliant

No.	Completed	Compliant
H7	Fully completed	Employers - Partially compliant
H8	Fully completed	Partially compliant
H9	In progress	Not yet relevant
H10	In progress	Not yet relevant
H11	Fully completed	Fully compliant
H12	In progress	Fully compliant
H13	Fully completed	Partially compliant
Internal Dispute Resolution		
I1	Fully completed	Fully compliant
I2	Fully completed	Fully compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Fully compliant
I8	Fully completed	Fully compliant
I9	Fully completed	Fully compliant
Reporting Breaches		
J1	Fully completed	Fully compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Fully compliant
Scheme Advisory Board Requirements		
K1	Fully completed	Fully compliant
K2	Fully completed	Fully compliant
K3	Fully completed	Fully compliant
K4	Fully completed	Fully compliant
K5	Fully completed	Fully compliant
K6	Fully completed	Fully compliant
K7	In progress	Partially compliant
K8	Fully completed	Fully compliant
K9	Fully completed	Fully compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Fully compliant
K12	Fully completed	Fully compliant
K13	Fully completed	Fully compliant
K14	Not yet relevant	Not yet relevant
K15	Fully completed	Fully compliant

A - Reporting Duties

Note the requirements in this section are not included in the TPR Code but they are a fundamental to the relationship with TPR.

Legal Requirements

All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details.

Note the requirements in this section are not included in the TPR Code but are a requirement for all schemes.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
A1	Is your scheme registered with the Pension Regulator?	Will be reassessed annually to ensure new registration is not required	Annual	01/06/2015	Fully completed	Fully compliant	New registration will only be required if a new LGPS is created that is deemed to be a separate scheme	
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	Intention will be to update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)		Not yet relevant	Not yet relevant	Will commence when log in facility is made available to the public sector schemes.	
A3	Have you completed this latest Scheme Return in the required timescale?	Response submitted to TPR on 27/03/13 by JD	As and when received	01/06/2015	Fully completed	Fully compliant	No return received since March 2013	
A4	Have you responded to the latest TPR public service pension scheme survey /questionnaire?	Intention is to respond to any such survey that is received, including on a voluntary basis.	As and when received.	March 2013.	Fully completed	Fully compliant		

B - Knowledge and Understanding

Legal Requirements

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.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Pension Fund Training Policy with appropriate objectives and measurements in place.	Annual	14/01/2015	Fully completed	Fully compliant	To be adopted by Pension Board at its first meeting in July 2015.	
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	In training policy. Responsibility delegated to the Corporate Director of Finance and Resources.	Ongoing (annual check)	14/01/2015	Fully completed	Fully compliant		
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	Dedicated induction training will be provided based on CIPFA requirements and TPR Toolkit also incorporated – final details to be determined. Also all new members will be provided with key documents as per Training Policy Ongoing PB members will be required to go to the training for Pension Committee in addition to carrying out additional ad - hoc training as other needs arise. Annual self -assessment will be completed through the effectiveness survey.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Pensions Board Meeting 16/07/15 - Board Members provided with key documents. Board Members have attended training sessions at Pensions Committee	
B4	Are the roles and responsibilities of pension boards and members of pension board clearly set out in scheme documentation?	Including in the PB Terms of Reference.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	Articulated in Training Policy and part of Induction Training. All members to be provided with copy of Training Policy as part of induction pack and reminded of Policy on an annual basis.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Board members provided with training policy and information on responsibilities of being on PB	
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	Will be part of induction training including welcome pack with key documents included. Ongoing training part of normal Committee business (which PB members be given access to).	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	PB Members expected to attend training at PC and also to attend other relevant training when available	
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	Induction list in Training Policy	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
B8	Are all pension board members investing sufficient time in their learning and development?	Training plans are agreed each June as part of the PC business plan. Monitoring of attendance at training is undertaken in accordance with Training Policy and recorded annually in governance update in annual report and accounts.	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	Pensions Board adopted the training policy However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements. Each June PC will highlight any individuals (PB, PC & officers) with outstanding requirements.	
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Induction process in Training Policy including providing all with copies of key documents.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Pensions Board appointed and key documents supplied.	
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	There is a Training Plan (annual) which is focussed at whole PC/PB level. Annual self-assessment already carried out for PC members and will be extended to PB going forward.	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	Pensions Board appointed with a training plan. PC/PB will be required to undergo individual self assessment. However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements, including providing individual certificates. Each June PC will highlight any individuals with outstanding requirements (PC, PB and officers). In addition it is proposed that the annual effectiveness questionnaire will be expanded (in March 2016) to ask if any individuals have further training requirements (March 2016).	
B11	Are records of learning activities being maintained?	This is included in the annual report and accounts at whole PC/PB level.	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	Annual report and Accounts for 2015/16 will include when issued in June. However, a model is being developed to capture this information at individual level (for at least last three years) and each individual will be provided with an annual certificate as well as it being reported to each June PC.	
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	It is the intention that all PB and PC members will carry this out. Initially it will be incorporated into training as part of meetings. Meeting 1 of the Pension Board will include the conflicts of interest and breach module questions.	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	Pensions Board appointed and provided with information on TPR Toolkit. First Board meeting included Breaches and conflict module. In addition they have all attended a training day as well as attending PC training sessions.	

C - Conflicts of interest

Legal Requirements

The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest.

In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.

Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

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No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	Pension Fund Conflict Policy with appropriate objectives and measurements in place which includes procedures to identify, monitor and manage potential conflicts of interest.	Annual	03/01/2016	Fully completed	Fully compliant	Adopted by Pensions Board at first meeting	
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	PB members must complete a declaration which requires them to sign that they understand the requirements. Declarations must be completed by all PB members and reaffirmed annually. In addition, opportunity for new declarations is provided at the start of each meeting. Training on conflicts planned for first PB meeting and they will adopt the conflicts policy at first PB meeting	Annual	03/01/2016	Fully completed	Fully compliant	Pensions Board have all completed Declarations	
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	Policy requires each PB member to complete a declaration on appointment and annually. The Head of Financial Services will ensure that all are received and collated within six weeks of the first meeting. The register is reviewed annual to ensure conflicts are being registered at the earliest opportunity.	Annual	03/01/2016	Fully completed	Fully compliant	Pensions Board have all completed Declarations	
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	The Policy and procedures and the declarations require PB members to highlight potential, as well as actual, conflicts. The procedure requires declaration at interview, annually and at each meeting (if not already declared). The Head of Financial Services has responsibility for ensuring the procedure is followed.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Both actual and potential conflicts of interest have been highlighted by members of the Pensions Board	
C5	Is the conflicts policy regularly reviewed?	Every three years or earlier if considered appropriate	Triennially	31/03/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	<p>There is a register of interests which is updated on an ongoing basis based on information in individual declarations and provided to the Chair prior to each meeting.</p> <p>The information is incorporated in annual report and accounts and available on request.</p> <p>All declarations made at meetings will be recorded in the minutes which are public.</p> <p>Refer to policy – regularly reviewed (annual basis etc).</p>	Ongoing and annual	03/01/2016	Fully completed	Fully compliant	Register of interests now available following establishment of Pensions Board	
C7	Is appropriate information included in the register?	<p>Register of interests updated on an ongoing basis but this will be reviewed annually to ensure it is being used correctly.</p> <p>Register includes all this information and is included as an appendix to the Conflicts policy.</p>	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Noted by Pension Board.	
C8	Is there a standing item on the agenda for declaring conflicts of interest?	Part of standard PC meeting agenda and intention to be part of PB meeting agenda too.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Declarations are part of standard agenda for PB	
C9	Do those involved know how to report a conflict of interest?	Members trained on appointment and provided with copy of Conflicts Policy annually. Also Policy referred to at start of each meeting	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Pension Board provided with background on Conflicts Policy and referred to in meetings	
C10	Is the number of employer and member representatives on the board in line with legal requirements?	Outlined in the terms of reference.	Ongoing (annual check)	18/03/2015	Fully completed	Fully compliant		
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	<p>To be completed as part of appointment process and then reviewed annually to ensure this continues.</p> <p>Appointment Process completed including appointments panel interview to assess capacity of individuals to fulfil role as Pension Board Member.</p> <p>Only 6 applications received for 4 posts despite contacting all scheme members by post, advertising on website and notice on Council intranet.</p>	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Pension Board members were required to submit statement outlining skills appropriate to their role on the Board. Interviews conducted to select most suitable Board Members	

D - Publishing information about schemes

Legal Requirements

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.

The information must include:

- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility

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No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
D1	Does the Administering Authority publish information about the pension board?	See - http://hackney.xpmemberservices.com/Scheme/Pensions-Board.aspx	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
D2	Does the Administering Authority publish other useful related information about the pension board?	See - http://hackney.xpmemberservices.com/Scheme/Pensions-Board.aspx Already has appointment process, terms of reference and roles and responsibilities.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Information checked and updated.	
D4	Does the Administering Authority public information about pension board business?	All pension board meetings are public meetings and information will be contained on the Hackney Council website.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Pension Board Agenda and papers are published on Council website	

E - Managing risk and internal controls

Legal Requirements

The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law.

Internal controls are defined in the legislation as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme

The legal requirements apply equally where a scheme outsources services connected with the running of the scheme.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E1	Is there an agreed process for identifying and recording scheme risks?	A risk management policy is in place that outlines the procedure for identifying, managing and recording risk. It covers all the key areas identified by the TPR Code.	Annual	Risk management policy to be agreed at June 2015 PC.	Fully completed	Fully compliant		
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	The risk management process includes how risks are to be evaluated and internal controls established. It makes use of a RAG status based on impact and likelihood and the associated control is then shown as part of the risk register. The risk management policy also lists the key internal controls.	Annual	Risk management policy to be agreed at June 2015 PC.	Fully completed	Fully compliant		
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Risk register is in place which includes all internal controls and action taken.	Annually (annual check)	01/06/2015	Fully completed	Fully compliant		
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the Fund?	Our risk management and internal controls are continually reviewed for effectiveness as part of a number of processes including: - The ongoing updating of the risk register which includes the control of those risks - Issues identified through regular monitoring reports such as performance monitoring for PC, IDRP updates, monthly reports from Equiniti and breaches notifications. - The triennial (at least) review of the risk management policy which includes a list of the key controls - Regular internal and external audit reports. - Annual internal control reports from Equiniti, custodian and fund managers. - Annual update of TPR Code compliance checklist. - Periodic ad-hoc reviews (e.g. LGPS2014 audit).	Annually (annual check)	01/06/2015	Fully completed	Fully compliant		
E5	Does the Administering Authority regularly review the risk register?	Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including: - annual review at pensions committee - performance measurement against agreed objectives - monitoring against the Fund's business plan - findings of internal and external audit and other adviser reports - feedback from the local Pension Board, employers and other stakeholders - informal meetings of senior officers or other staff involved in the management of the Fund - liaison with other organisations, regional and national associations, professional groups, etc.	Annually (annual check)	01/06/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	It is a standing item on the Pensions Committee each January and, as a matter of course, is then shared with the Pension Board.	Annually (annual check)	03/01/2016	Fully completed	Fully compliant	Risk register for discussion January PC/PB	
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented ?	It is considered that there are adequate internal controls in place. These are articulated in the risk register and many of the key ones outlined in the appendix to the Risk Management Policy.	Annually (annual check)	01/06/2015	Fully completed	Fully compliant		
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	The key outsourced services for this purpose are Equiniti (third party administration), HSBC (custodian) and Fund managers. These providers are required to provide annual internal control reports and a control sheet is used to ensure they are received and reviewed.	Annually (annual check)	01/06/2015	Fully completed	Fully compliant		

F - Maintaining accurate member data

Legal Requirements

Scheme managers must keep records of information relating to:

- member information
- transactions, and
- pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

The Data Protection Act 1998 and the data protection principles set out additional requirements for using, holding and handling personal information. Other requirements are set out in the:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)
- Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No 94)
- Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	<p>Scheme member records are maintained by Equiniti our third party administrators. Therefore much of the information here and in later questions relates to the records they hold on Hackney's behalf. However, as the scheme manager, Hackney is required to be satisfied the regulations are being adhered to.</p> <p>Checks were carried out in relation to each of the requirements in the Record Keeping Regulations and all were considered compliant except for in relation to clause 4(3) which relates to information for members who pay AVCs. This is held and maintained by Prudential with an annual update provided to Hackney Council. It is considered this is sufficient but legal clarification will be obtained to ensure this is the case.</p> <p>Data accuracy and completeness reports are also received via the triennial valuation, which cover some of these elements.</p> <p>Going forward Equiniti will providing an annual statement confirming they are adhering to this requirement on the accuracy and completeness of the data.</p>	<p>Annually (Equiniti) or if change provider.</p> <p>Part of actuarial valuation (triennial)</p>	<p>21/4/15 (ad hoc check)</p> <p>Autumn 2013 (valuation)</p>	Fully completed	Fully compliant	Aon Hewitt audit (June/July 2015) .	<p>Investigate legal requirements in relation to AVCs.</p> <p>Further information to be provided by Equiniti in future years to verify compliance.</p>
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	<p>The Fund's Pension Administration Strategy includes a list of all employer responsibilities and duties including timescales. In addition they were provided with the LGA payroll and HR guides.</p> <p>They have been provided with a suite of standard forms and a monthly returns/spreadsheet (HK221) with explanatory notes. This includes contributions, changes of address, change of hours, change of salary, date of joining, date of leaving etc for cross-checking against forms completed.</p> <p>For some employers, interfaces are being developed e.g. to create joiners for Hackney Council, rather than waiting for specific forms.</p>	PAS reviewed each January for PC in March	14/01/2015	Fully completed	Fully compliant		Ongoing development of interfaces.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	All info on scheme records and also on the client cash manager (Lloyds pension fund bank account with Equiniti) that then flows across to the Hackney PF account and all feeds into annual report and accounts. This includes all write offs. There are also some spreadsheets that are used for further checks (e.g. transfers in, overpayments). There is reconciliation between actual and expected costs with a quarterly update against budget in PC papers.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	Full minutes are maintained and published on the Hackney Council website. Annual check to ensure this continues to be the case.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
F5	Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?	We do not expect there to be decisions outside of the PB. The secretary will monitor the situation.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
F6	Are records retained for as long as they are needed?	Hackney consider it necessary to retain records for long as is possible due to the number of enquiries from employees relating to periods many decades ago. Accordingly personal records are maintained in addition to other data such as contribution lists, spreadsheets of old cases and pensions increases reports.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	There are a number of separate processes in place to monitor data on an ongoing basis (generally carried out by Equiniti) including: - Monthly HK221 spreadsheets to check against changes received from employers - Year-end annual returns provide a further opportunity to highlight any data discrepancies - All data entry is checked for input accuracy - Various tolerance checks such as changes in pay - Processes if pensioner payslips are returned (including suspension of pension on second return), using only BACs payments for pensioners and life certificate exercises (overseas and over a certain age annually and then all cases every 2 or 3 years) and national fraud initiative every 2 years. - Triennial valuation highlights data issues. Process exists for warning and charging levies to employers if incomplete monthly data is provided or if provided late - Checks on 'common' data	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
F8	Does the Administering Authority carry out a data review at least annually?	Annual year end reconciliations as described above plus for annual report and accounts, pensions increases and benefit statements. Equiniti carry out a common data and intend to commence a conditional data review.	Ongoing (annual check)	01/06/2015	Fully completed	Partially compliant		Conditional data review to be finalised by Equiniti and ongoing programme of reporting to be developed for it and common data.
F9	Is a data improvement plan in place which is being monitored with a defined end date?	Monthly meeting held between Equiniti and Hackney where improvement plan is discussed and actions/timescales agreed. Employers are charged an administration fee where they fail to meet standards.	Monthly	01/06/2015	Fully completed	Fully compliant		
F10	Are processes and policies in place to reconcile scheme data with employer data?	Monthly and year end spreadsheets assist with reconciling data. Interfaces being developed for main employers to provide final checks.	Ongoing (annual check)	01/06/2015	Fully completed	Partially compliant		Ongoing work on interfaces

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	<p>Ensure all those involved with data understand the DPA:</p> <ul style="list-style-type: none"> - Equiniti get annual training - Hackney staff periodic training - DPA officer at both Equiniti and Hackney - Council data protection policy in place and guidance on intranet <p>Evidence of processes includes:</p> <ul style="list-style-type: none"> - Share file is used for data transfer with all employers, Equiniti and Hackney - Focalpoint used for data transfer with actuary - Actuary – use focalpoint. - Otherwise any sensitive e-mails are encrypted unless scheme member insists otherwise. 	Ongoing (annual check)	<p>Equiniti training - Summer 2014</p> <p>Hackney training – February 2014</p> <p>Other checks 1/6/15</p>	Fully completed	Fully compliant		

G - Maintaining contributions

Legal requirements

Contributions must be paid as detailed below, and where not done, they should be reported to TPR in circumstances where the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to TPR in the exercise of any of its functions. Reporting must be carried out as detailed below.

Contribution Type	Contributions must be paid	When a failure should be reported
Employer	On or before the due date as defined by the scheme regulations	To The Regulator: As soon as reasonably practicable
Employee	Paid within the prescribed period (19 th day of the month, or 22 nd day if paid electronically) or earlier date if required by the scheme regulations	Regulator: Within a reasonable period – 10 working days

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No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
G1	Does the Fund have procedures and processes in place to identify payment failures?	There is a master spreadsheet where all contributions received are entered and monitored by Equiniti. All payments are made by BACS to reduce risk of payment failure. Hackney Council and Equiniti hold monthly meetings to determine how to deal with any issues arising.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	The spreadsheet highlights where a payment is not received by 19th each month. It also highlights if contributions could be incorrect by comparing salary vs contribution rate to give employee and employer rates. The HK221 detailed information (per employee) is used to cross check the amounts that are coming through correctly to the gross totals. It also carries out tolerance checks compared to previous entries and it shows where historical added years or ARCs are due to stopped (to avoid overpayments). Interest is automatically charged for late contributions in accordance with LGPS regulations and discretionary policy. Details of the charges applied and the interest are provided in the administration strategy.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	The process includes reconciliation with the payment received and shown in the financial system. No process is currently in place in relation to reconciling AVC payments with contributions record.	Ongoing (annual check)	01/06/2015	Fully completed	Partially compliant		Process being implemented to monitor date of payment of AVCs.
G4	Are these procedures regularly reviewed to ensure they are effective?	Payments are generally always on time. Monthly meeting between Equiniti and Hackney consider any late cases. Within Equiniti, the finance team meet every Monday to discuss what is expected, what is coming up, timetables, including highlighting any late payments and escalating to service review meetings.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	For main scheme contributions, monitoring spreadsheet maintained by Equiniti and separately by Hackney Council. Identification and escalation process, however, needs to be formalised. Prudential automatically notify the scheme manager if any AVC payments are received late from employers (very few – only 4 or 5 in last 10 years).	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Partially compliant		Equiniti spreadsheet being updated to incorporate formula which will more quickly identify non-compliance and an escalation process is to be formalised, which will be incorporated into the same spreadsheet. This escalation process can be included in next version of PAS (2016 review).
G6	Does the Fund maintain a record of any investigations and communications with employers?	Information is collated in individual records relating to each employer. A summary of late payments is included in annual report and accounts (although employers are not specifically named). Information is also available on the historic monitoring spreadsheets. Equiniti system Compendia stores email and letter communications with employers	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	During 2014/15 there were ongoing issues with employers not providing sufficient information with HK221 spreadsheets. This is all captured on the Equiniti spreadsheet including what action has been taken and whether escalated to the Council. Year-end returns have been received from the majority of employers to verify the information, and queries responded to, to enable reconciliation of member contributions with service.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Employers - Partially compliant	Employers who were not compliant in relation to providing sufficient information (as at the end of the year) were: - Hackney Council - Hackney Homes - Outward - Family Mosaic	Ongoing work with employers to ensure data is received in accordance with requirements.
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	Existing spreadsheets in place (both Equiniti and Hackney Council) identify late payment. However, current process does not consider significance of failures and whether they should be reported.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Non-compliant		Procedure being designed to formalise escalation process including materiality and whether to report to TPR. This will be detailed in PAS (2016 review) and incorporated into the spreadsheet.
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	Yes, for main scheme (administered by Equiniti), spreadsheet maintained and shared monthly with Hackney Council and discussed as part of monthly service review meeting. Contribution monitoring is a requirement of service provision by Equiniti. In relation to AVCs (administered by Prudential), all late payments are notified directly to Hackney Council.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Fully compliant		

H - Providing information to members and others

Legal requirements

The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. This includes requirements relating to benefit statements and certain other information which must be provided under the requirements of the 2013 Act, HM Treasury directions and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation.

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No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Sent annually. Statements as at 31st March 2014 were issued in December 2014 All cases were sent out unless there is no address to send to.	Annual	Dec-14	Fully completed	Employers - Partially compliant		A number of statements came back as incorrect address and internal work is being undertaken to encourage employees to keep address up to date (e.g. via self-service facility). Equiniti are also working with employers to ensure addresses are updated but sometimes the employer does not have a current address.
H2	Do these meet the legal requirements in relation to format?	Treasury Direction was issued in March 2014 but is only effective from 1 April 2015.	Annual	03/01/2016	In progress	Non-compliant	Majority of statements as at 31 March 2015 issued, but approx 1,200 unable to be issued due to lack of data from employers. Also main batch of Statements not issued until September due to late data and needing to validate	
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	Benefit statements are issued automatically to all active and deferred members annually, which is more proactive than this provision (which just relates to issuing them on request). Pension credit statements issued within 10 working days. It is monitored that they meet the 10 working day deadline on Equiniti workflow system Pulse.	Annual	November / December 2014 for year end 31/3/14 (deferred/active statements respectively)	Fully completed	Fully compliant	Around 1,000 deferred not issued as no last known address. See above re active statements. In 2014/15 there were no requests for PC benefit statements.	Tracing exercise to be carried out to help reduce the number of unknown addresses.
H4	Does this meet the legal requirements in relation to format?	The information in the standard active and deferred statements does not fully comply with the disclosure requirements for information to be provided on request. However, it is possible information provided on individual requests is more compliant but this needs further investigated.	Ongoing (annual check)	01/06/2015	Fully completed	Partially compliant		Further investigation and discussion required to decide whether to change format of statements to adhere to Disclosure Requirements or just to apply those requirements for individual requests.
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	Provided by Prudential to Equiniti to distribute. The total of the statements is compared with the total AVCs shown on the HK221 employer submissions to ensure statements for all active members are included. No further checks carried out in relation to other members.	Annual	May 2015 relating to 2014/15 statements.	Fully completed	Fully compliant		
H6	Do these meet the legal requirements in relation to format?	Statement provided by Prudential checked against requirements and all appropriate information is included.	Annual	01/06/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	<p>New starter information is issued by Equiniti. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the LGPS website. Equiniti aim to provide this information within 10 working days of being notified of joiners by employers (which is the official SLA as part of their contract). However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme.</p> <p>For 2014/5: - Only 55.4% of cases were issued with information within the 2 month legal deadline from date of joining. - 96% of cases were issued with information within the 10 working day SLA from date of receipt of information. - This highlights that the majority of the 44.6% of cases where the legal deadline was not met relates to no or late notifications from employers.</p> <p>Equiniti often identify cases from contribution spreadsheets and auto-enrolment reports to chase outstanding information from employers with a review to improving this process.</p>	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Employers - Partially compliant		There is ongoing work to improve transfer of information from employers to Equiniti, including developing interfaces and charging administration cost for late notifications.
H8	Does this meet the legal requirements in relation to format?	A check against the requirements has been carried out. In the main the website is compliant but some areas are excluded or not as explicit as they might be, for example, in relation to the lack of charges for scheme members and the fact the scheme is registered by HMRC.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Partially compliant		The website is being redesigned and the new version will pick up on these requirements.
H9	Is all other information provided in accordance with the legal timescales?	<p>Equiniti are asked to provide an annual statement confirming that they have met these requirements in relation to the main scheme for the previous financial year.</p> <p>Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling.</p> <p>All standard communications to members from Hackney Council and Equiniti provide the postal contact details and the pensions@hackney.gov.uk email address.</p>	Ongoing (annual check)	1/6/15 for 2014/15 Information May 2015 by Prudential	In progress	Not yet relevant	Unfortunately it is not possible to carry out a retrospective check for 2014/15 relating to the main scheme in appropriate timescales but Equiniti are confident the requirements have been met.	Compendia automatically highlights the disclosure dates/requirements and they can report on this. Going forward monthly Equiniti reports will have a statement saying they have not breached disclosure requirements, or if they have what.
H10	Is all other information provided in the format and methods required by law?	<p>Equiniti are asked to provide an annual statement confirming that they have met these requirements for the main scheme in relation to the previous financial year.</p> <p>Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling.</p>	Ongoing (annual check)	1/6/15 for 2014/15 Confirmed by Prudential 20/5/15.	In progress	Not yet relevant	Unfortunately it is not possible to carry out a retrospective check for 2014/15 relating to the main scheme in appropriate timescales but Equiniti are confident the requirements have been met.	Compendia automatically highlights the disclosure dates/requirements and they can report on this. Going forward monthly Equiniti reports will have a statement saying they have not breached disclosure requirements, or if they have what.
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	Everything is hard copy (including info leaflets such as Freedom changes) except the basic scheme information which must be provided for new starters. In these circumstances a hard copy statutory notice is provided directing them to the information on the website.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	Objectives are included in the Communications Strategy that focus on these requirements. Currently only feedback is in relation to a survey from induction presentations. Results for 2014/15 covered approximately 226 attendees and found: - 97.3% found the presentation informative and engaging - 96.9% understand the benefits of being in the scheme - 94.8% found the presentation relevant and understandable.	Ongoing (annual check)	1/6/15 for 2014/15	In progress	Fully compliant		Equiniti are planning further surveys with scheme members to gather wider feedback.
H13	Does the Administering Authority use a tracing service?	Pensioners – if a pensioner becomes untraceable, Equiniti use the DWP tracing service. Deferred and frozen refunds – no tracing service currently used.			Fully completed	Partially compliant		Plans to start using a tracing service for deferred members.

I - Internal Dispute Resolution

Legal requirements

The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme.

The act states that a person has an interest in the scheme if they:

- are a member or beneficiary
- are a prospective member
- have ceased to be a member, beneficiary or prospective member
- claim to be any of the above and the dispute relates to this claim.

The Act also states that the procedure must include:

- how an application is to be made
- what must be included in an application
- how decisions are to be reached and notified
- a specified period (which is reasonable) within which applications must be made.

The procedure may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	Yes – leaflet outlining procedure is available on website.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	Leaflet outlining IDRP procedure includes this information.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
I3	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including: - who it applies to - who the specified person (stage 1) is - the timescales for making applications - who to contact with a dispute - the information that an applicant must include - the process by which decisions are reached?	Leaflet outlining IDRP procedure includes this information.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRP in place?	Where the employer has not responded with their own stage 1 person, the Council's stage 1 person is undertaking the role. This is communicated regularly including: - mentioned at employer forum in January 2015. - email sent to employers June 2015 with a copy of the IDRP leaflet and pointing out that JW to act as appointed person if the employers don't have their own or don't respond.	Ongoing (annual check)	1/6/15 Employers reminded June 2015	Fully completed	Fully compliant		
I5	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	Acknowledgements issued within 2 days and responses are sent within 2 month deadline (albeit usually within 6 weeks due to SLA). This will be checked annually for both stages 1 and 2.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
16	Does the Administering Authority notify and advertise the procedure appropriately?	Leaflet included on the website (which is where joining information also is). Not all notification of benefit letters currently includes this (e.g. missing from deferred, refund, retirements, and death benefits). Also missing from new starter notice. Not currently in administration or communications strategy but they will be updated appropriately in 2016 review.	Ongoing (annual check)	01/06/2015	Fully completed	Partially compliant		Administration and communications strategy will be updated in 2016. New starter notice and remaining benefit notification letters to be updated.
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	Guide enclosed when acknowledging receipt of an IDPR. Notifications always include information about TPAS/PO in the decision letter.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
18	Does the Administering Authority regularly assess the effectiveness of its arrangements?	Information included in Pension Committee quarterly reporting. More formal review of the arrangements on an annual basis as part of the annual administration report	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
19	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?	We have not been notified that any employers carry out their own process. Accordingly Equiniti act as stage 1 by default.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		

J - Reporting breaches of the law

Legal Requirements

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

The report must be made in writing as soon as reasonably practicable.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
J1	Is the Administering Authority satisfied that those responsible for reporting reaches under the legal requirements and TPR guidance understand the requirements?	Training at PC in June 2015 and at July PB. Procedure will be shared with all PB, PC and key officers & put on website.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	Breaches procedure is in place (developed May 2015).	Annual	01/06/2015	Fully completed	Fully compliant		
J3	Are breaches being recorded in accordance with the agreed procedures?	Procedure launched May/June 2015 so no historical recording. The Head of Financial Services will maintain a record of breaches and this will be included in the quarterly PC governance update report from June 2015 including a comment on whether any breaches are systemic and action taken. Some details may need to be withheld for confidentiality reasons.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Both reported and unreported breaches are included within the Quarterly Report to Pensions Committee and provided to the PB.	

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Legal Requirements

Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme.

It also provides that a person to whom advice is given by virtue of subsection (1) or (2) must have regard to the advice.

The Scheme Advisory Board has published guidance on the creation and operation of Local Pension Boards in England and Wales which incorporates a number of action point check lists at the end of some of the sections. The following are the items in those checklists.

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
K1	Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.	5	Hackney Council approved 27/2/15.	Ongoing (annual check)	27/02/2015	Fully completed	Fully compliant		
K2	The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).	5	First meeting planned for 16/7/15.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	First meeting of PB 16/07/15	
K3	Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	6	Training Policy approved by PC 14/1/15. Will be part of agenda of first meeting on 16/7/15 and it is then reviewed annually.	Annual	Due Summer 2015	Fully completed	Fully compliant	To be adopted by Pension Board at its first meeting	
K4	A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.	6	Designated to Corporate Director of Finance & Resources as part of Training Policy which will be adopted by the Board.	Ongoing (annual check)	14/01/2015	Fully completed	Fully compliant		
K5	The Administering Authority should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.	6	Training plan being developed including induction training for all board members.	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant		
K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.	6	Part of Training Policy. Documents part of induction pack and on website.	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant		
K7	Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.	6	There is a Training Plan (annual) but it is focussed at whole PC/P B level. Annual self -assessment will be completed through effectiveness survey.	Ongoing (annual check)	03/01/2015	In progress	Partially compliant	Self-assesment due in summer 2016	A model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements. Each June PC/Summer PB will highlight any individuals with outstanding requirements.

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
K8	An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.	7	Code of conduct is part of PB Terms of Reference. Conflicts of Interest Policy approved by PC on 31/3/15 is going to first meeting for adoption.	Annual	31/03/2015	Fully completed	Fully compliant	To be adopted by Pension Board at its first meeting	
K9	Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.	7	Planned for first PB meeting	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant		
K10	A Local Pension Board should establish and maintain a register of interests for its members.	7	Included as part of Policy requirements.	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant		
K11	An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.	8	Outlined in PB Terms of Reference	Ongoing (annual check)	01/05/2015	Fully completed	Fully compliant		
K12	A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.	8	Copy of Council's FOI policy will be provided to all PB members as part of induction pack.	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant	Provided to PB commences members	
K13	A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.	8	Planned for first PB meeting	Ongoing (annual check)	03/01/2015	Fully completed	Fully compliant	Breaches policy agreed by PB and breaches included in quarterly reporting	
K14	A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.	8	A requirement outlined in PB Terms of Reference	Annual	Due Summer 2016	Not yet relevant	Not yet relevant	Deferred until one year after PB commences	
K15	An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board.	8	Completed and updated at March 2015 PC.	Annual	31/03/2015	Fully completed	Fully compliant		

Public service governance and administration survey

Summary of results and commentary

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.



Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.



Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

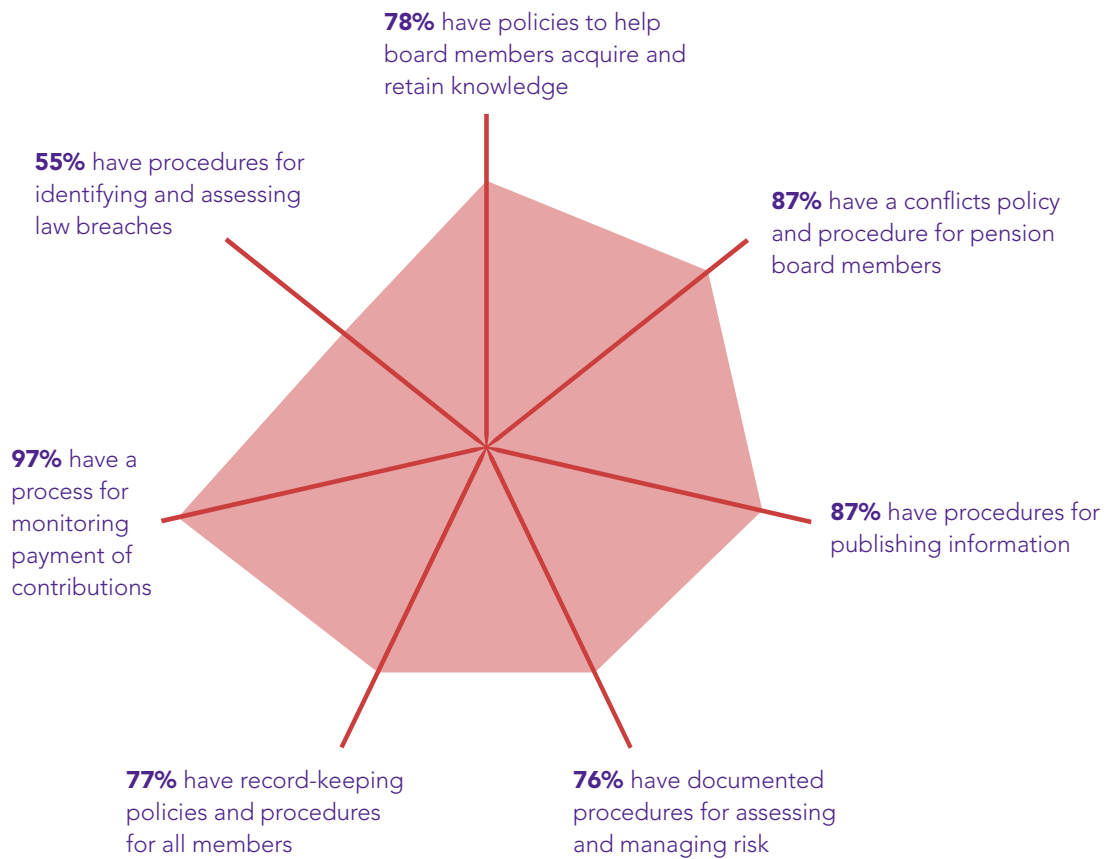
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- ▶ 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- ▶ 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- ▶ 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- ▶ 87% of schemes have a conflicts policy and procedure in place for pension board members.
- ▶ 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- ▶ 76% had documented procedures for assessing and managing risk.
- ▶ 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- ▶ 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

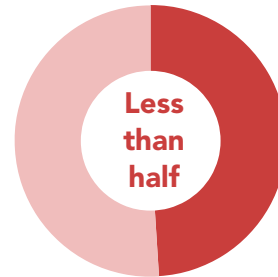
Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.



9/10

have established a pension board



Less than half have reviewed their scheme against the standards



Less than a third

have a plan in place to ensure compliance with the Public Service Pensions Act 2013



- ▶ 44% have measured against the record-keeping requirements
- ▶ just over a quarter have done data cleansing



76% of schemes have procedures in place to manage risk

82% have a risk register

Only 56% assess their risks at least quarterly

- ▶ While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- ▶ Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- ▶ Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- ▶ Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- ▶ While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.



We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- ▶ fulfilled their requirement to register with us
- ▶ established their pension board
- ▶ published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- ▶ assessed themselves against the requirements set out in legislation
- ▶ assessed themselves against the standards set out in our code
- ▶ identified any gaps
- ▶ begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- ▶ the effectiveness of these processes and actions in driving good outcomes
- ▶ the efficiency and reliability of these processes
- ▶ how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

How to contact us

Napier House
Trafalgar Place
Brighton
BN1 4DW

www.tpr.gov.uk

www.trusteetoolkit.com

Free online learning for trustees

www.pensionseducationportal.com

Free online learning for those running public service schemes

Public service governance and administration survey

Summary of results and commentary

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**The Pensions
Regulator**

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The Pensions Regulator

Public service governance and administration research

December 2015

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Executive summary

1. **The survey was completed on behalf of 48% of public service pension schemes, covering approximately 85% of scheme members.**
2. **There were generally high reported levels of awareness and understanding of both the legal requirements and the regulator's code of practice**

Most respondents in each of the four scheme types¹ gave a response of either four or five out of five for awareness and understanding of these.

3. **Four-fifths of schemes had a pension board that was operational**

92% of schemes reported that their pension board is established, and in most of these cases (80%) also operational (with pension board meetings having commenced). The remainder reported they would be operational within six months.

4. **A quarter of schemes had a plan to ensure compliance with the legal requirements and were already addressing key risks, and two fifths had conducted a review of their scheme against the guidance and standards set out in the regulator's code of practice**

One in six (15%) schemes had conducted an in-depth review against our code of practice, while a further quarter (29%) had undertaken a high-level review.

Over half of Local government and two-thirds of Central schemes had conducted a review of their scheme. Reviews were less prevalent among Police (around a fifth) and Fire and rescue (two out of seven).

A quarter (28%) of schemes had a plan in place to ensure compliance with the legal requirements of the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 and were already addressing key risks. Schemes were more likely to be at the earlier stage of identifying risks and issues (44%), while a third (34%) were developing or implementing a plan to address key risks and issues.

No Police schemes and very few Fire and rescue schemes were at the stage of addressing key risks.

5. **The vast majority of schemes had ensured that board members understand their roles, responsibilities and duties**

¹ The four scheme types are termed: 'Central', 'Local government', 'Fire and rescue' and 'Police'. 'Central' includes centrally-administered unfunded schemes, excluding any fire and police schemes. This classification has been used to ensure consistency with the 2013 survey. For the purposes of this report, therefore, 'Police' and 'Fire and rescue' schemes which are centrally administered – ie the schemes for Scotland and Northern Ireland) – are included within their respective cohorts and not considered as 'Central' schemes.

Nearly all (93%) of schemes had produced guidance, while 94% reported the scheme manager or another person had ensured board members understand their roles, responsibilities and duties.

All Central schemes and nine in ten Local government and Police schemes stated that they had carried out these two tasks. Fire and rescue schemes were less likely (9 out of 14) to have briefed board members.

6. Four fifths of schemes had developed an approach to help pension board members to acquire and retain knowledge and understanding they require

Over four fifths of Central, Local government and Police schemes had developed a policy and arrangements to help board members to acquire and retain knowledge. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

7. Two thirds of schemes will review their risk management and internal control systems once or twice a year

A quarter (26%) review or will review these arrangements every six months and a further 45% once a year. Most Central schemes reported they would every six months while Local government schemes and Police schemes were most likely to do so once a year. The most common response from Fire and rescue schemes was that they did not know.

8. Two thirds of schemes had a documented service level agreement with their scheme administrator

70% had a service level agreement in place with their scheme administrator, whether in-house or outsourced. The levels were similar among all four scheme types.

9. Two thirds of schemes had measured their scheme's data against the legal requirements, with most of these measuring both data presence and accuracy

Almost half (45%) had measured and a further quarter (24%) had partially measured their data against the legal requirements. Of the 70% who had measured their data, four fifths (82%) had measured both the presence and accuracy of the data.

Around a third of Central, Local government and Fire and rescue schemes had fully measured their data, while around two thirds of Police schemes had done so. When accounting for partial measurement also, this rose to around two thirds of Central, Local government and Police schemes, and half of Fire and rescue schemes.

Almost half (49%) of schemes were either developing or implementing a data cleansing exercise while a third of schemes (36%) were developing or implementing a data improvement plan.

Central schemes and Police schemes were most likely to be implementing a data improvement plan, while Local government schemes and Police schemes were most likely to have carried out a data cleansing exercise.

2. Introduction

In March 2011 the Independent Public Service Pensions Commission: Final Report² identified issues concerning the availability and transparency of information, poor administration and governance of public service pension schemes, implying costs and risks are not properly understood or managed. The report recommended that there needed to be independent oversight of these areas.

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the 2013-2014 Acts) introduced new requirements for the governance and administration of certain public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The 2013-2014 Acts also gave The Pensions Regulator an expanded role to regulate the governance and administration of these public service pension schemes from 1 April 2015. In January 2015, we published our draft code of practice for the governance and administration of public pension service schemes (the PSPS code) which sets out the standards of conduct and practice we expect of those responsible for public service schemes, as well as practical guidance about how to comply with the legal requirements. The code came into force on 1 April 2015.

As part of our new role, we are responsible for 208 public service schemes³ in respect of eight public service workforces, covering over 13 million members .

Following on from our report on the governance and administration of public service pension schemes in 2013, before the requirements from the 2013-2014 Acts came into force, this survey aimed to assess how public service schemes are meeting the new requirements and the standards to which they are being run.

² http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

³ Where a scheme is locally administered we have treated each local administering authority as an individual scheme.

The survey considered 10 areas and reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code:

- Action – Activity undertaken to ensure compliance with the new requirements
- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to members
- Internal dispute resolution
- Reporting breaches of the law

3. Methodology

As with the 2013 survey, a self-completion approach was adopted for this study for the following reasons:

- the large amount of data to collect would have made a telephone interview very long and burdensome for respondents
- it was anticipated that many respondents would need to do some checking/verification in order to answer the questions accurately
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute

In contrast to the 2013 survey, we conducted the research in-house rather than commission it to a third-party research supplier.

The method chosen for data collection was an interactive pdf, which was emailed to named scheme contacts held by us. Respondents were encouraged to identify their scheme, but were allowed to submit responses on an anonymous basis if they wished. Where responses were attributed to a particular scheme, it was shared with our public service regulatory team. They will use this, along with information gathered from other sources, to risk assess schemes for intervention as set out in our [compliance and enforcement policy](#). This was made clear to all respondents in the communications and survey invitations.

One issue with this approach is that respondents were not routed through the questionnaire according to their previous answers, resulting in a small number of questions for whom a very small number of respondents answered in error. These have been identified where they occur in this document.

Survey responses were entered into statistical analysis software package SPSS for data analysis purposes.

3.1 Sampling

As with the 2013 survey, the target audience for this research was the designated scheme contact at each of the 208 public service pension schemes for who we held nominated contact details, although it was expected that they may seek input from colleagues with specialist knowledge related to some aspects of their scheme.

A total of 187 self-completion surveys were sent to scheme contacts, 21 of which were the contact for more than one scheme.

3.2 Fieldwork

The fieldwork period lasted from 22 July 2015 until 4 September 2015.

Prior to the survey being issued, an email was sent to all 187 scheme contacts for which we had details approximately one week before launch.

Several steps were taken to maximise response rates. These are detailed below.

Table 1.2 – Activity undertaken to improve response rate

Date	Action
17/08/15	First email chaser sent to 177 scheme contacts who hadn't yet completed the survey
18/08/15	Email sent to 630 contacts on our Public Service Pension Scheme news-by-email distribution list
26/08/15	Second email reminder sent to 157 scheme contacts
August 2015	Over 300 telephone calls were made to nominated scheme contacts to encourage response
04/09/15	Final email reminder sent to 134 scheme contacts

Table 1.3 shows the responses rate across the four scheme groupings

Table 1.3 – Sample profile and response rates

	Total number of schemes	Completed surveys	Response rate
Fire & Rescue	51	14	37%
Police	45	22	49%
Local Government	101	53	52%
Central	12	12	100%
TOTAL	209	101	48%

Please note: survey responses were received in respect of 103 schemes, of which 101 were usable for survey analysis, and 84 attributable

Overall, the survey was completed on behalf of 48% of Public Service Pension Schemes, covering approximately 85% of scheme members. Responses were received from all the Central schemes (100%). As in 2013, (when the response rate was 53%), this compares favourably to the response rate achieved in other surveys we conducted.

3.3 Weighting

The data shown throughout this report is unweighted.

3.4 Reporting conventions

No comparisons have been made in this report between the findings from the four scheme types (Central, Fire and Rescue, Local government and Police). These scheme types are typically very different in nature and as such it may not be appropriate to make direct comparisons. The same approach was adopted in the 2013 survey report.

4. Research findings

4.1 Note on reporting of results

Owing to the low base sizes for three of the four scheme groupings, all findings are shown throughout this report in absolute numbers, ie they are reported as the number of schemes, not the percentage of schemes.

Owing to the low base sizes, limited comparisons are able to be drawn between the types of scheme on an individual question basis.

4.2 Role of respondent who took part in the survey

The most common job role reported by respondents to the survey was 'administrator' (42 out of 101, 41%). 14 respondents were pension managers/officers or fund managers, with seven pension board members and 38 'others'. The job roles of these others included Director of Operations, Director of People & Development, Director of Corporate Services and Governance & Compliance Manager.

4.3 Awareness and understanding of the legal governance and administration requirements and The Pensions Regulator's code of practice

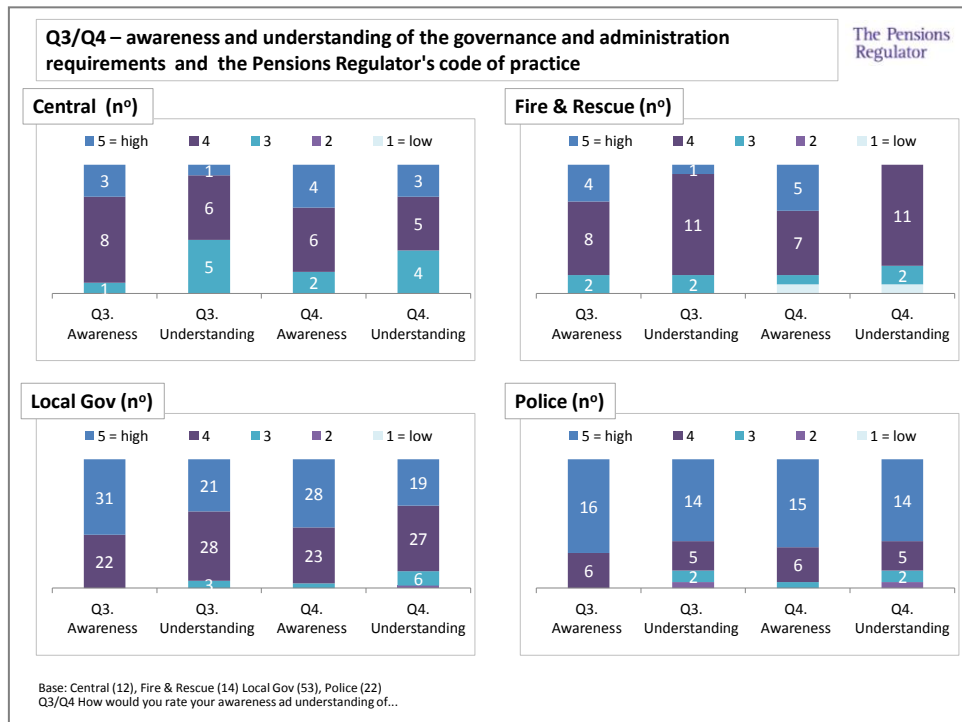
Figure 2-1 shows the reported level of awareness and understanding of:

- The legal governance and administration requirements introduced by the Public Service Pensions Act 2013
- The regulator's code of practice

Respondents rated their own awareness and understanding of these, using a scale from 1 to 5, where 1 is 'low' and 5 is 'high'.

Among the scheme contacts answering the survey, there were generally high levels of awareness and understanding of both the legal requirements and our code among all four scheme types. Most respondents gave a response of either four or five out of five.

Figure 4.3-1 - Awareness and understanding of the governance and administration requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and The Pensions Regulator's code of practice for public service pension schemes.



Overall, the mean scores for awareness and understanding of the governance and administration requirements were 4.5 and 4.23 respectively. The corresponding figures for awareness and understanding of our code of practice were 4.43 and 4.15 respectively.

4.4 Training undertaken by respondents relating to public service pension schemes

As shown in Figure 2-2, most respondents of all four scheme types had undertaken some form of training relating to public service pension schemes.

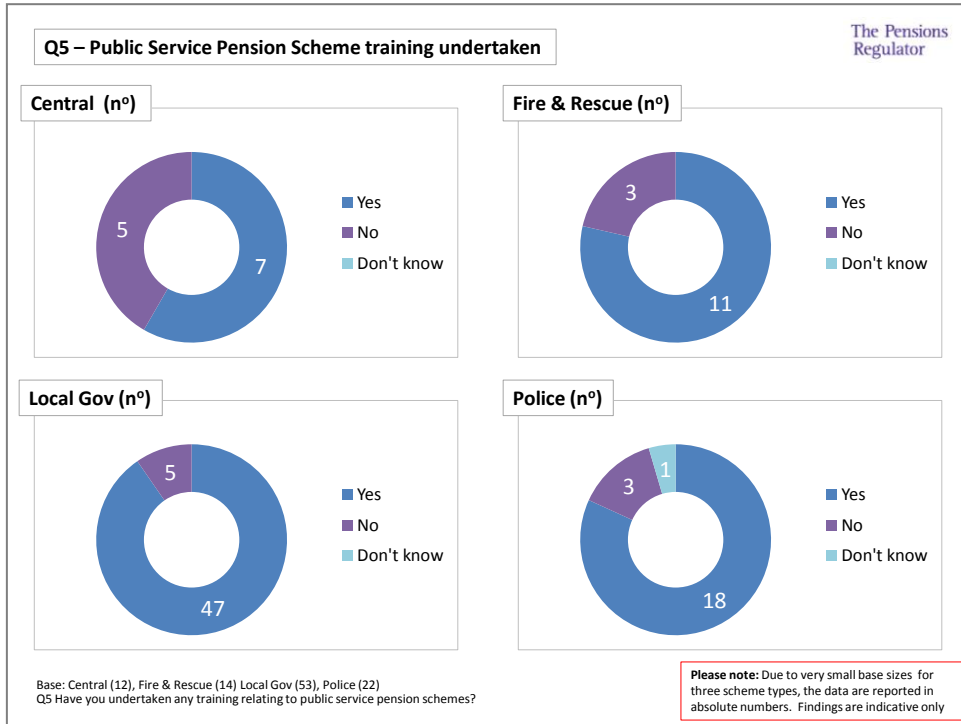
Overall, 83 out of 101 (82%) of respondents indicated they had received training.

According to respondents, where they indicated they had received training, it was provided by a mixture of different organisations:

- All seven Central scheme contacts who had received training said they received this from the regulator.
- 10 of the 11 Fire and rescue scheme contacts that had received training said they had received it from the Local Government Association (LGA).
- For Local government scheme contacts, the LGA (23), CIPFA (14) and 'Other consultants' (19) were the most common providers of training.

- For the Police schemes, information published by the regulator was identified as the most common source of training.

Figure 4.4-1 – Training undertaken by respondents relating to public service pension schemes



4.5 Pension scheme membership and status of pension board

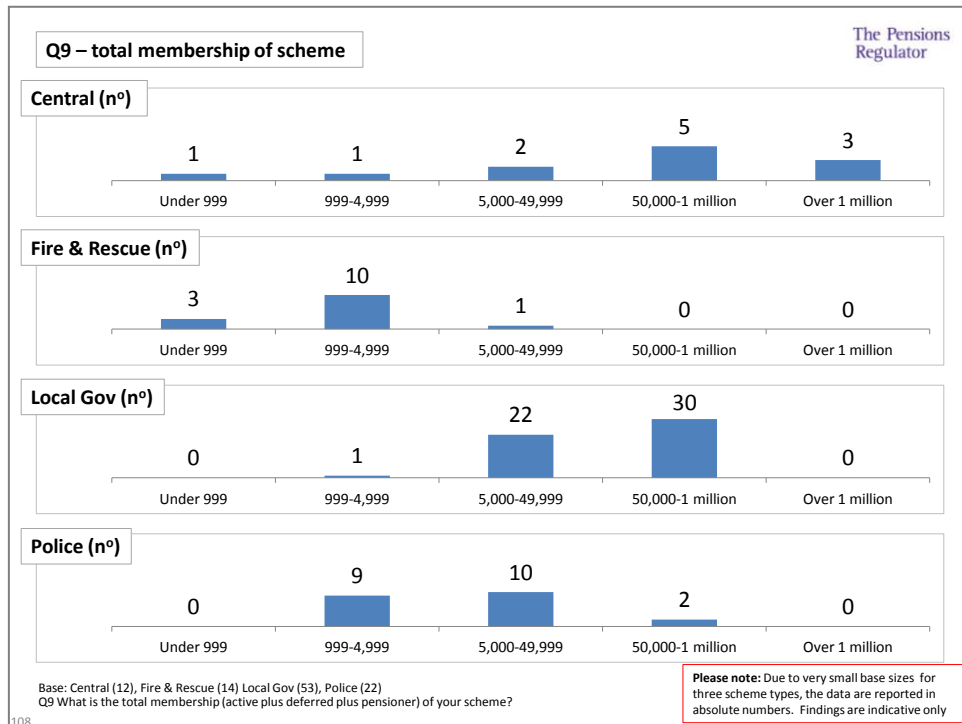
Two thirds of Central schemes (8 out of 12) reported a membership in excess of over 50,000; the three public service schemes that responded to the survey with over a million memberships were Central schemes.

The majority of Fire and rescue (13 out of 14) schemes had fewer than 5,000 memberships.

Three fifths of Local government schemes that responded had a membership of between 50,000 and one million (30 out of 53); most others (22 out of 53) were in the 5,000 and 49,999 membership range.

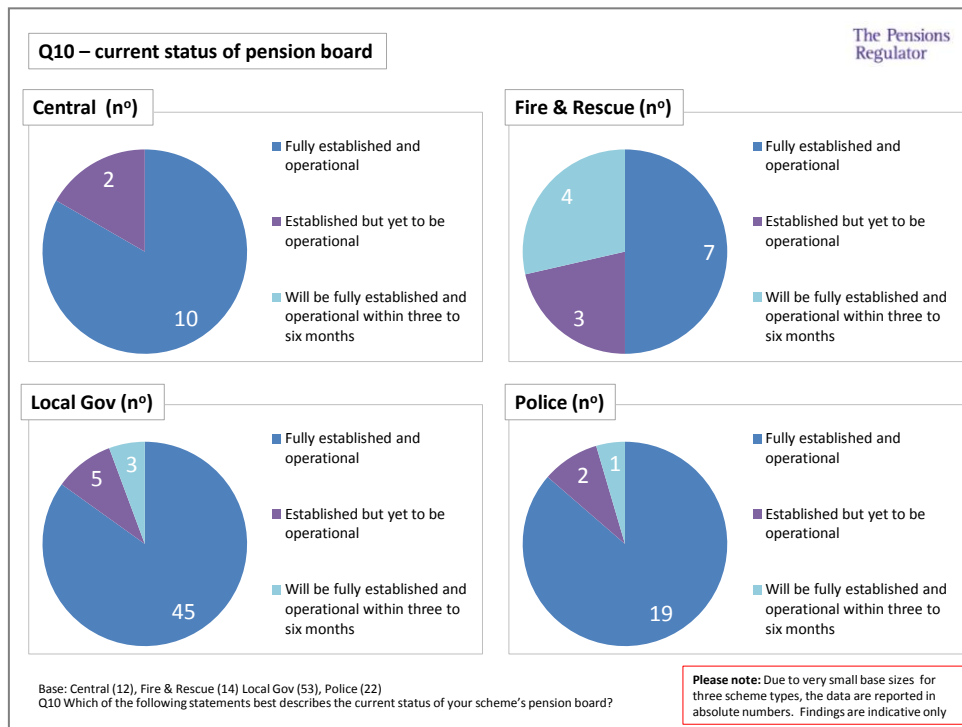
Around half of Police schemes had between 999 and 4,999 members, with around half having 5,000 to 49,999 memberships.

Figure 4.5-1 – Total membership of scheme



Overall (93 out of 101, 92%) of respondents identified their pension board as established (terms of reference agreed and all board members appointed). This held true across all the scheme types. Most boards (81 out of 101, 80%) were operational (with pension board meetings having commenced) while a minority were not. The remainder reported they would be operational within six months; there were no respondents that answered it would take longer than six months to operationalise.

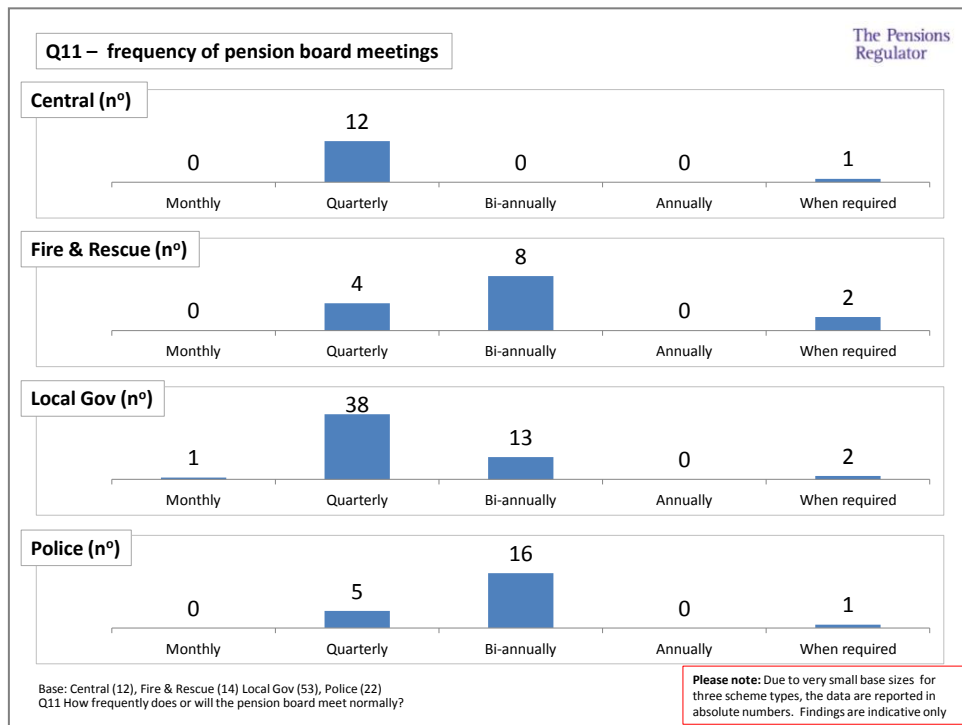
Figure 4.5-2 - Current status of pension board



4.6 Frequency of pension board meetings

The vast majority of schemes (96 out of 101, 95%) reported that their pension boards met or intend to meet at least every six months:

- All Central schemes stated they met/will meet at least quarterly (one scheme contact also stated they also met/will meet as required, if different from quarterly).
- Twelve of the 14 Fire and rescue schemes met/will meet at least every six months (four met/will meet quarterly).
- Over seven in ten Local government schemes (38 out of 53) met/will meet quarterly.
- Two in ten Police schemes (5 out of 22) met/will meet quarterly, while most others (16 out of 22) reported that their boards met/will meet on a biannual basis.

Figure 4.6-1 - Frequency of pension board meetings

4.7 Activity undertaken by schemes to ensure compliance with the legal requirements and reviewing the scheme against the code of practice

Schemes were asked about the actions completed (or being addressed) to ensure compliance with the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and also whether the scheme had been reviewed against our code of practice for public service pension schemes.

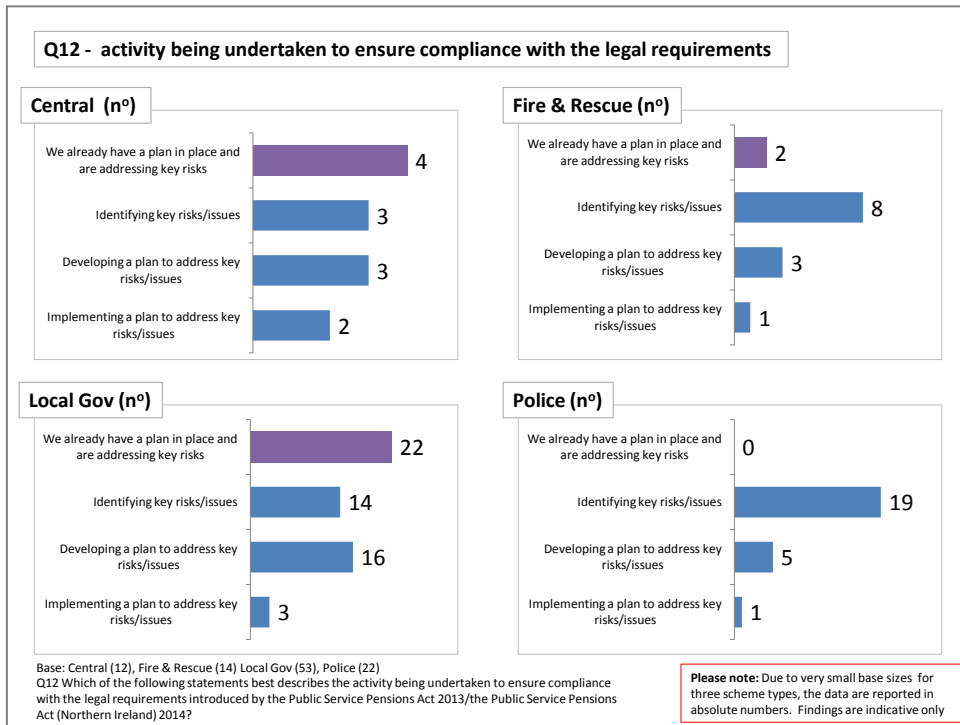
Overall, 28 out of 101 (28%) of schemes reported that they had plans in place and were addressing key risks.

The majority of Fire and rescue (12 out of 14) and all Police schemes (22 out of 22) reported that they were still at the stage of identifying, developing or implementing a plan to address key risks and issues. (Please note: respondents were able to select more than one of these options). Two Fire and rescue schemes said they had a plan in place and were addressing key risks; no Police schemes reported having reached that stage.

A third of Central schemes (4 out of 12) and a slightly higher proportion of Local government schemes (22 out of 53) reported that they had plans in place and were addressing key risks. The remainder were still at the stage of identifying, developing or implementing a plan to address key risks and issues.

In all scheme groups, fewer schemes reported that they were at the stage of implementing plans than identifying or developing plans.

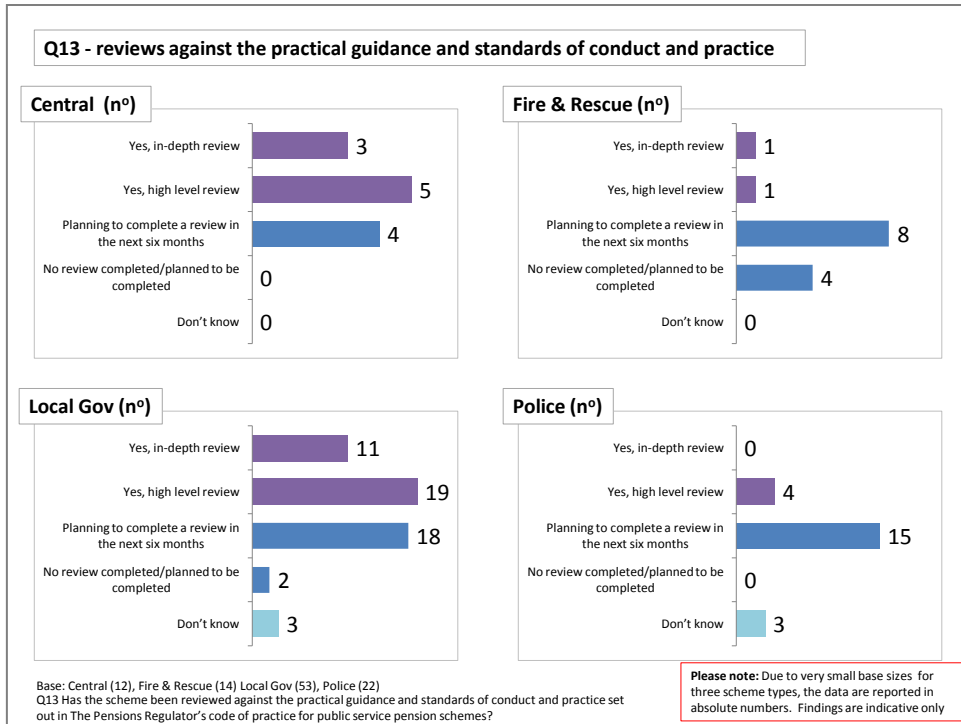
Figure 4.7-1: Activity being undertaken to ensure compliance with the legal requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014



Overall, 44 out of 101 schemes (44%) reported that they had already conducted either an in-depth or high level review of their scheme against the practical guidance and standards of conduct and practice set out in our code of practice for public service pension schemes

Over half of Local government (30 out of 53) and two-thirds of Central (8 out of 12) schemes had undertaken such a review. Most Police (15 out of 22) and Fire and rescue (8 out of 14) schemes planned to conduct a review in the next six months.

Figure 4.7-2: Reviews against the practical guidance and standards of conduct and practice set out in The Pensions Regulator’s code of practice for public service pension schemes



4.8 Roles, responsibilities, knowledge and understanding

All Central schemes and nine in ten Local government (50 out of 53) and Police (20 out of 22) schemes stated that they had:

- Produced guidance on the roles, responsibilities and duties of pension boards and the members of those boards and;
- Ensured that pension board members fully understood their roles, responsibilities and duties.

Overall, this equated to 94 out of 101 (93%) of schemes producing guidance and 91 out of 101 (90%) ensuring their boards understood their role.

Although most Fire and rescue schemes (12 out of 14) reported that they had produced guidance, fewer (9 out of 14) stated the scheme manager or another person had ensured the board members fully understood their role.

Figure 4.8-1: Production of guidance on the roles, responsibilities and duties of pension boards and the members of those boards

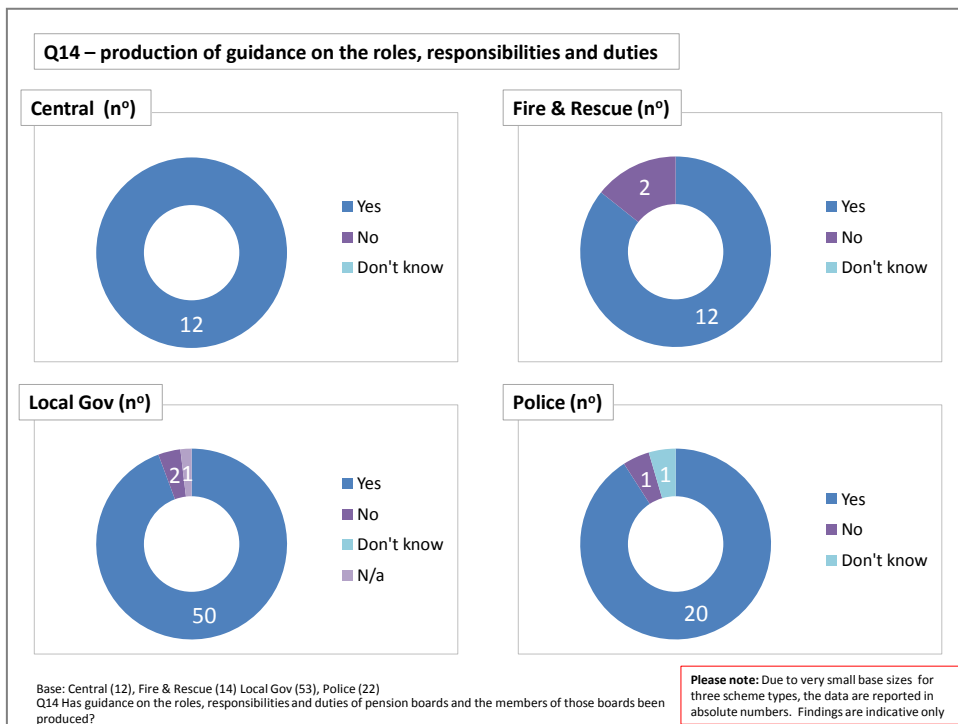
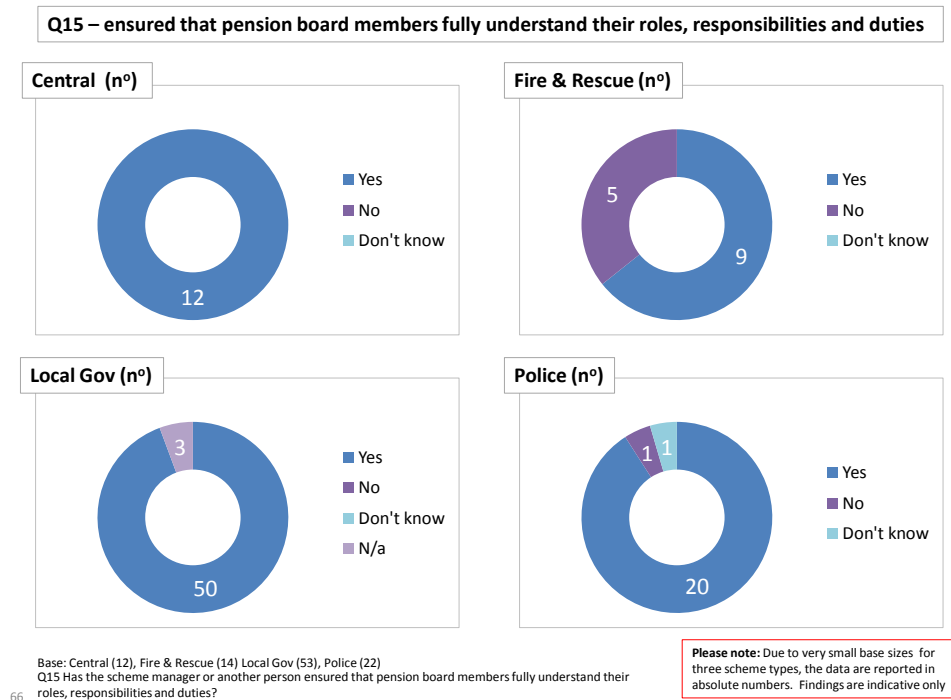


Figure 4.8-2: Scheme manager or another person has ensured that pension board members fully understand their roles, responsibilities and duties



Overall, 79 out of 101 schemes (78%) reported having developed policies and arrangements to help pension board members to acquire and retain required knowledge and understanding. This was the case for over four-fifths of Central (11 out of 12), Local government (46 out of 53) and Police (18 out of 22) schemes. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

In terms of the specific policies and arrangements that schemes stated had been developed, the focus was on training frameworks, training logs and pension board training plans rather than individual training plans.

Figure 4.8-3: Policies and arrangements to help pension board members to acquire and retain the knowledge and understanding they require

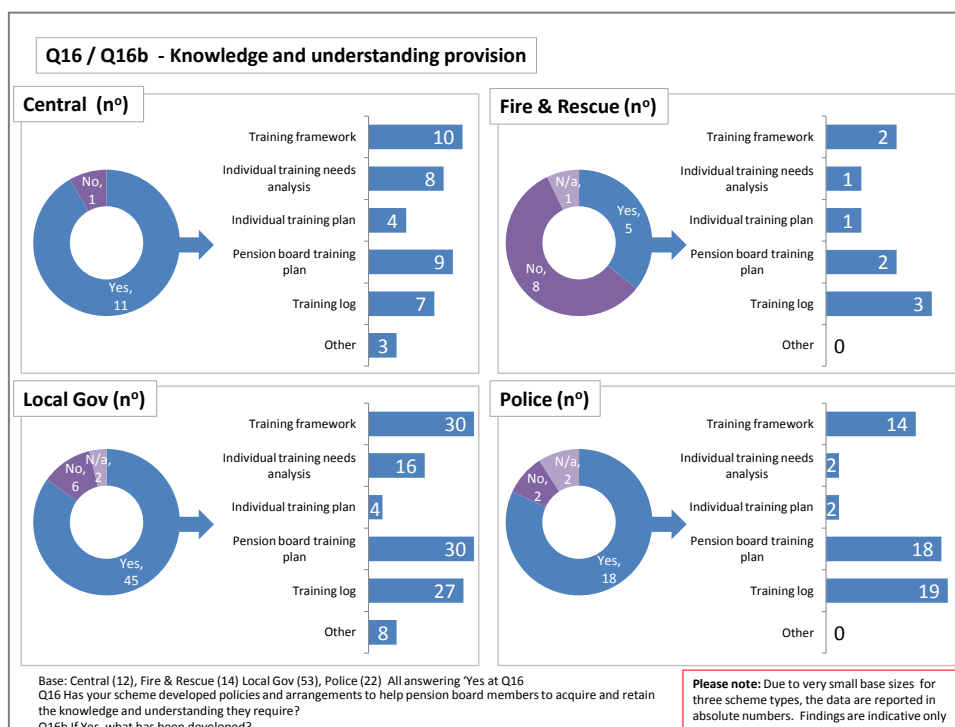


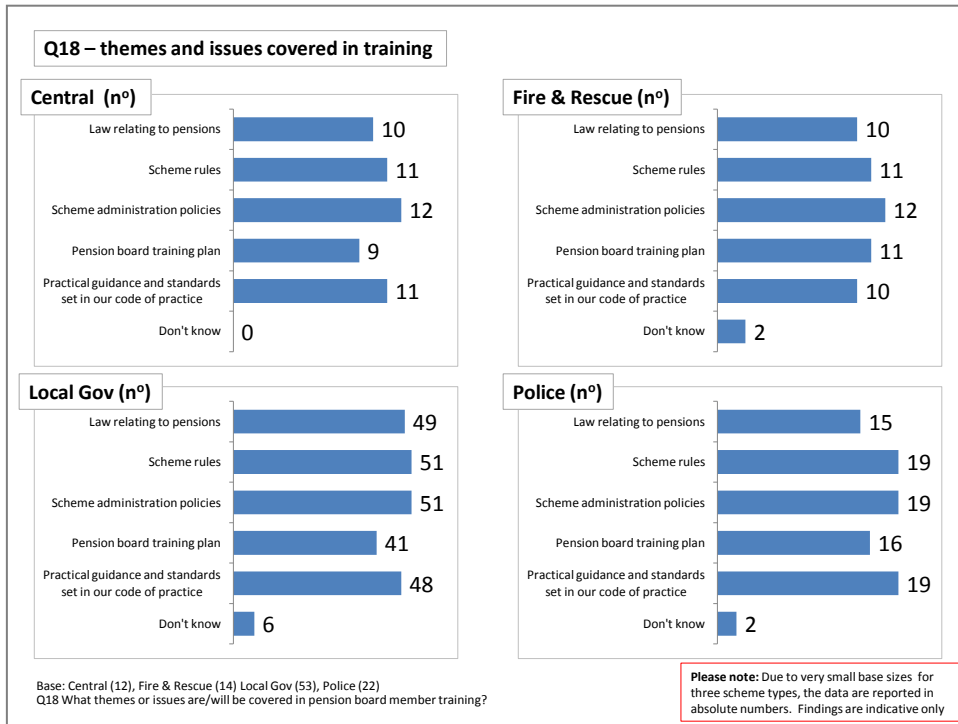
Table 4.8.1 below summarises the key sources of training identified for each scheme type. In addition to the sources identified below, for local government schemes the 'Local Government Association' (12) and 'Actuary' (9) also received high numbers of mentions.

Table 4.8.1 – Top 3 sources of pension board training by scheme type (numbers of mentions)

Central	Local government	Fire & Rescue	Police
The Pensions Regulator	Investment adviser	Local Government Association	The Pensions Regulator
Responsible/administering authority	Responsible/administering authority	The Pensions Regulator	Chartered Institute of Public Finance and Accountancy
Actuary	The Pensions Regulator	-	-

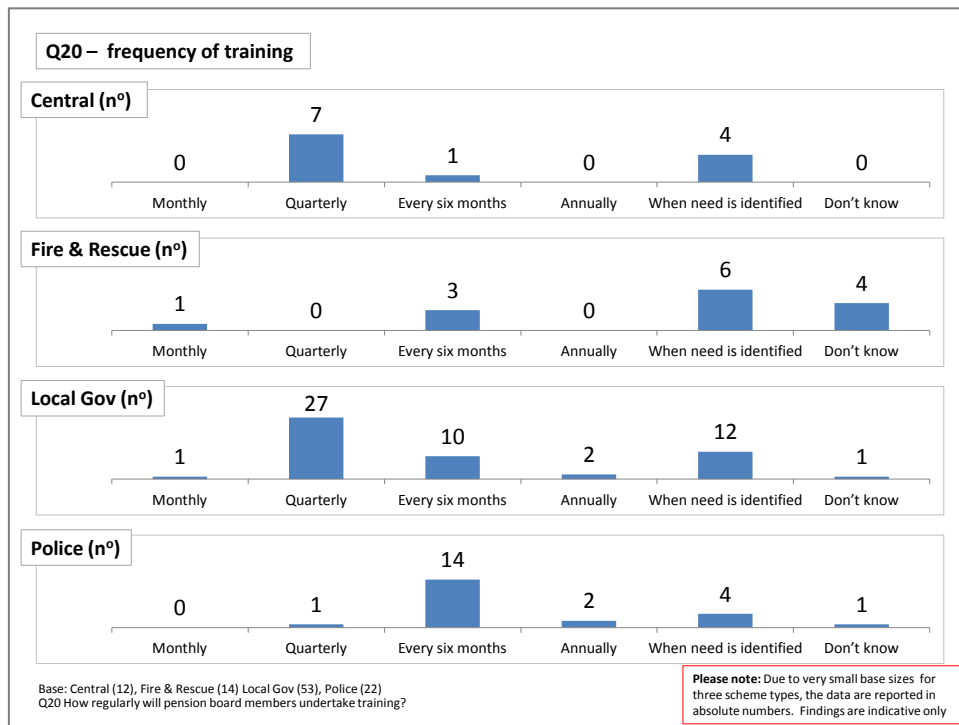
Most schemes reported that their board member training covered a wide remit, with scheme administration policies (94 out of 101, 93%), scheme rules (92 out of 101, 91%) and practical guidance and standards in the code of practice (88 out of 101, 87%) being the three areas mentioned most frequently. These areas were cited by all types of scheme.

Figure 4.8-4: Themes and issues covered in pension board member training



Overall, almost two thirds (63 out of 101, 62%) of schemes reported that training will take place either quarterly or every 6 months. Around half of Central (7 out of 12) and Local Government (27 out of 53) schemes answered that training will be conducted quarterly. Among Police schemes, the majority conducted training every six months (14 out of 22). For Fire & Rescue schemes, training was reported to be on a relatively ‘ad hoc’ basis, with 6 out of 14 stating it was whenever needed and 4 out of 14 reporting that they ‘don’t know’.

Figure 4.8-5: Frequency of pension board member training



4.9 Conflicts of interest

Overall, 88 out of 101 (87%) of schemes reported that they have a conflicts policy and procedure for pension board members, with 79 out of 101 (78%) having a register of interests in place.

All 12 Central schemes reported they had a conflicts of interest policy in place; 11 also stated that they had procedures that require board members to disclose interests which could become conflicts of interest prior to appointment and a register of interests (nine of the 11 updated this quarterly). Similar questions were asked in the 2013 survey relating to the presence of a conflicts policy and procedure and register of interests; more Central schemes reported they had these in place in the 2015 survey versus the 2013 survey. 4 out of 11 schemes reported they had these in place in the 2013 survey.

Over three-quarters of Fire and rescue schemes (11 out of 14) stated they had a conflicts policy in place, while a lower number (8 out of 14) had procedures that require disclosure of interests prior to appointment and a register of interests. Five out of the eight schemes with a risk of interests reported that they updated this quarterly.

Over four-fifths of Local government schemes reported they had a conflicts policy in place (46 out of 53), and procedures that require board members to disclose interests prior to appointment (45 out of 53). Slightly fewer had a register of

interests in place (41 out of 53). Results were very similar to the 2013 survey where equivalent questions were asked.

Over four-fifths of Police schemes reported they had a conflicts policy in place (19 out of 22). Almost all Police schemes (21 out of 22) had procedures that require board members to disclose interests prior to appointment and a majority (19 out of 22) had a register of interests in place. Of those with a risk register, this was most commonly updated on an annual basis (14 out of 19).

Figure 4.9-1: Conflicts policy and procedure in place for pension board members

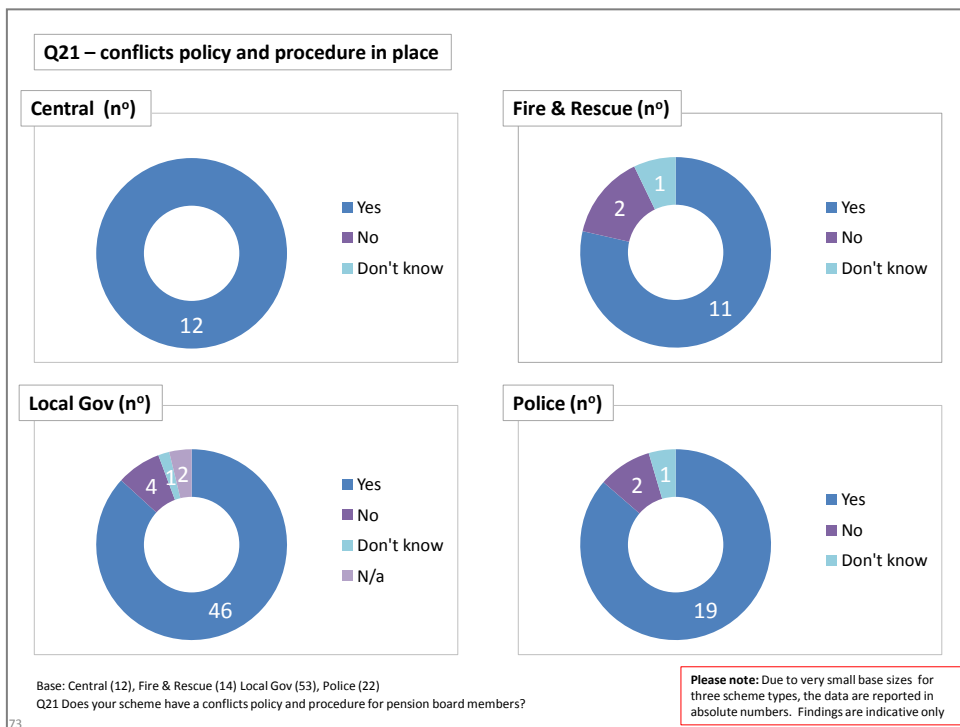


Figure 4.9-2: Conflicts policy and procedure content

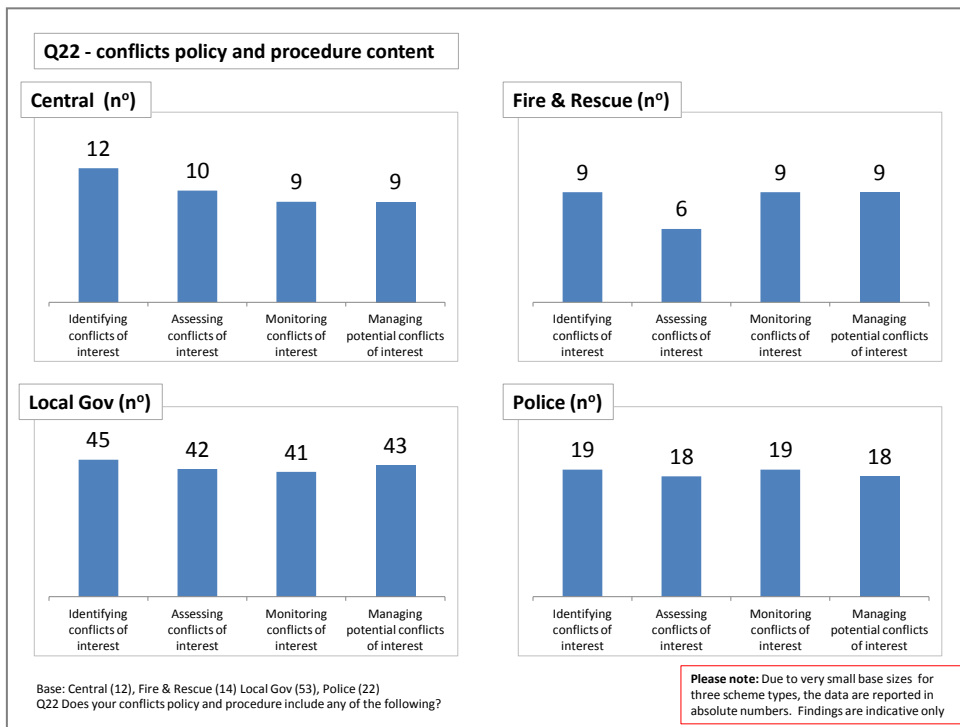


Figure 4.9-3: Procedures that require disclosure of interests which could become conflicts of interests prior to appointment

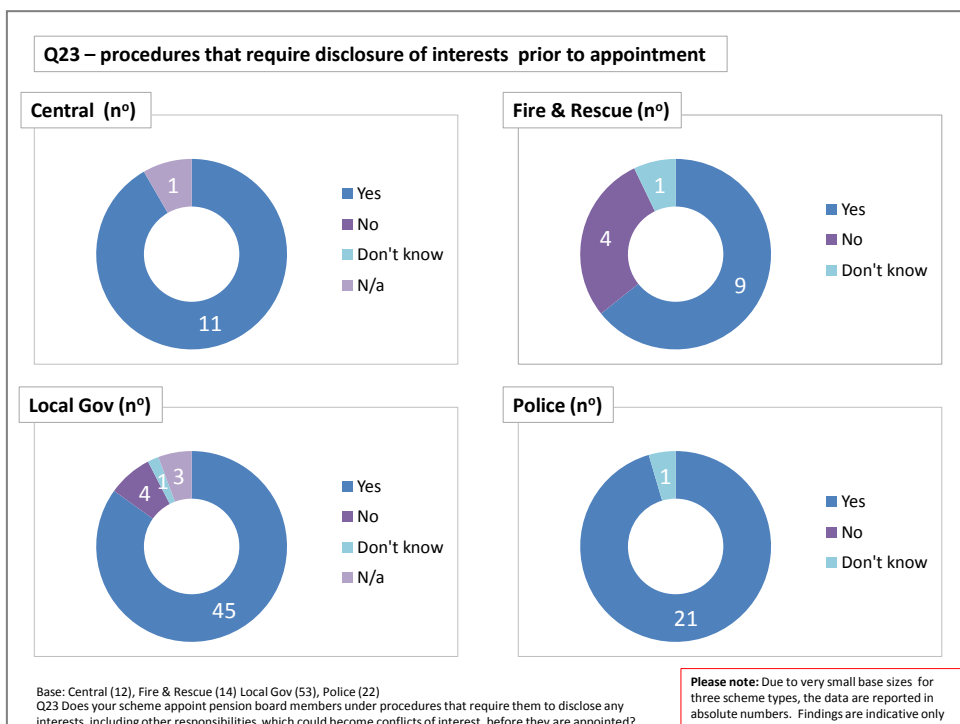


Figure 4.9-4: Register of interests in place

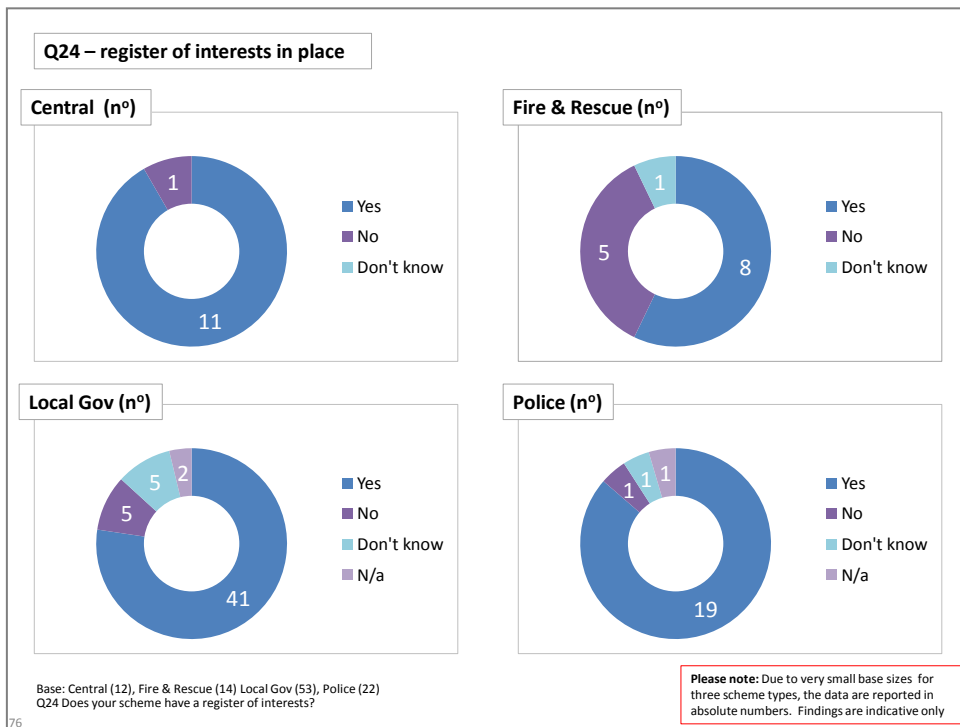
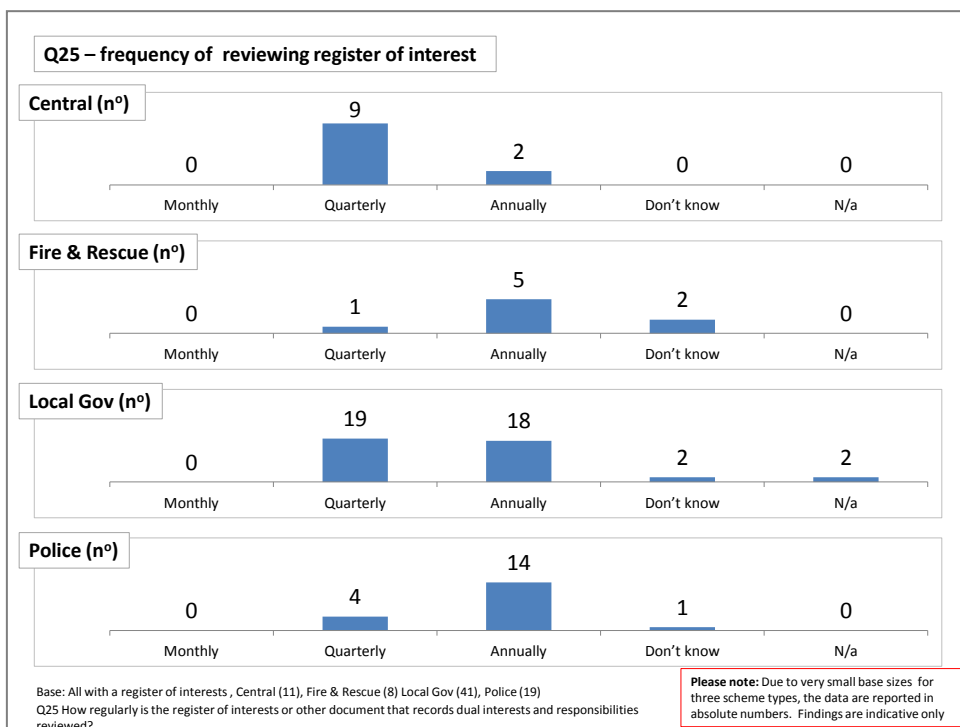


Figure 4.9-5: Frequency of reviewing register of interest or other document that records dual interests and responsibilities

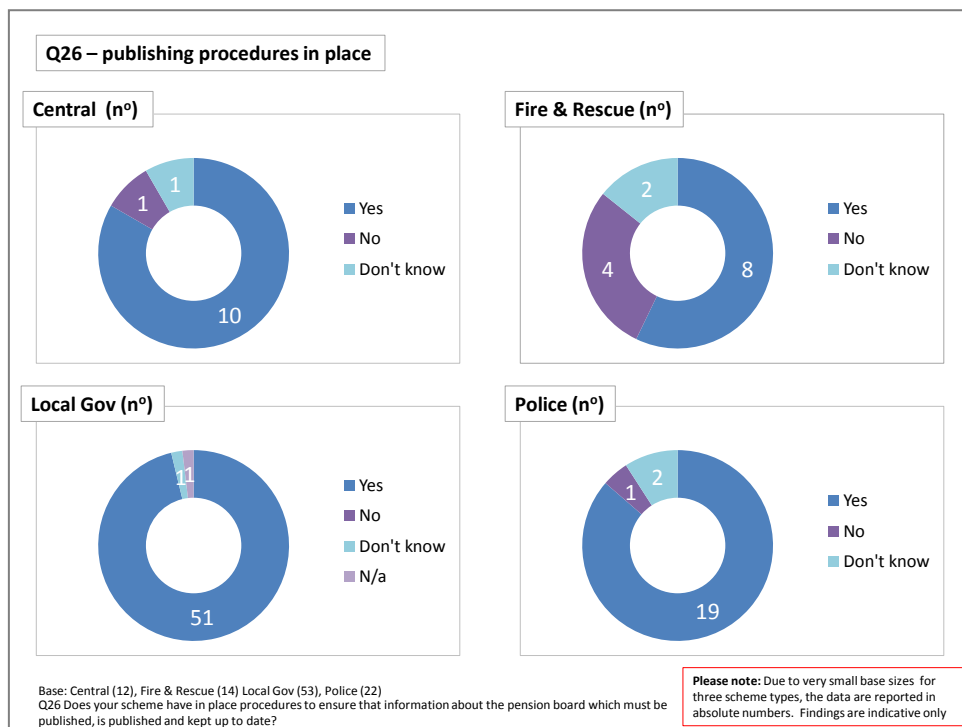


4.10 Publishing information about pension boards

Almost all Central (10 out of 12), Local government (51 out of 53) and Police schemes (19 out of 22) reported that they had in place procedures to ensure that information about the pension board which must be published, was published and kept up to date. Within Fire and rescue schemes, over half (8 out of 14) had procedures in place.

Overall, 88 out of 101 (87%) reported that this was the case.

Figure 4.10-1: Publishing procedures in place to ensure that information about the pension board which must be published, is published and kept up to date



Schemes were also asked about their plans to publish additional information (not specified in legislation) about the pension board. In total, 49 out of 101 schemes responded:

- 24 had plans to publish additional data, primarily relating to meeting agendas and minutes
- 11 had no plans to publish additional data
- 14 had not yet decided whether or not to publish additional data

4.11 Internal controls

Overall, 57 out of 101 (56%) conducted risk assessments at least quarterly, and 83 out of 101 (82%) had a risk register in place. 77 out of 101 (76%) had documented procedures for assessing and managing risk.

All Central schemes conducted risk assessments at least quarterly, and all had a risk register in place. Additionally, all of the Central schemes had documented procedures for assessing and managing risk – of which two-thirds (8 out of 12) (do or will) review the effectiveness of risk management and internal control systems at least every six months.

Almost half of Fire and rescue schemes conducted risk assessments quarterly (6 out of 14). Around a third had a risk register in place (5 out of 14) and documented procedures for assessing and managing risk (5 out of 14). In terms of reviewing the effectiveness of its risk management and internal control systems, almost half (6 out of 14) stated they do or will do this once a year or more, while half (7 out of 14) 'don't know' how frequently they do or will do this.

Among Local government schemes, two-thirds conducted risk assessments at least quarterly, and the vast majority had a risk register in place (48 out of 53). Four-fifths of Local government schemes had documented procedures for assessing and managing risk – of which around a fifth do or will review the effectiveness of risk management and internal control systems at least every six months. Over half (29 out of 53) do or will do this at least once a year.

Around half of Police schemes conducted risk assessments every six months (13 out of 22), and the majority had a risk register in place (18 out of 22). The majority (18 out of 22) also had documented procedures for assessing and managing risk – of which almost three-quarters (16 out of 22) do or will review the effectiveness of risk management and internal control systems once a year or more.

Figure 4.11-1: Frequency of risk assessment

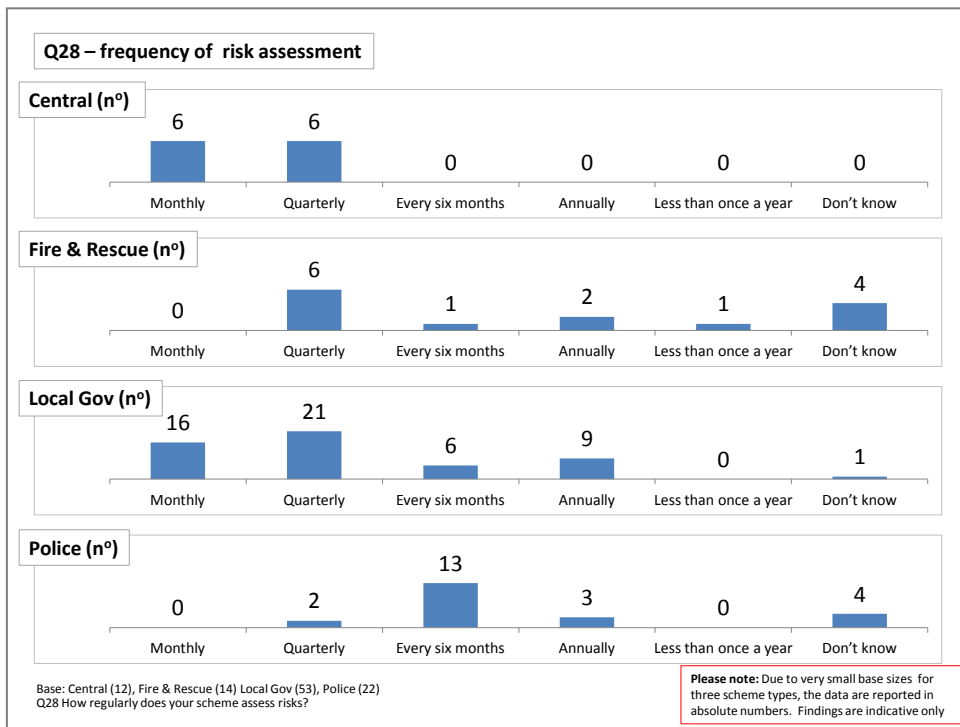


Figure 4.11-2: Risk register in place

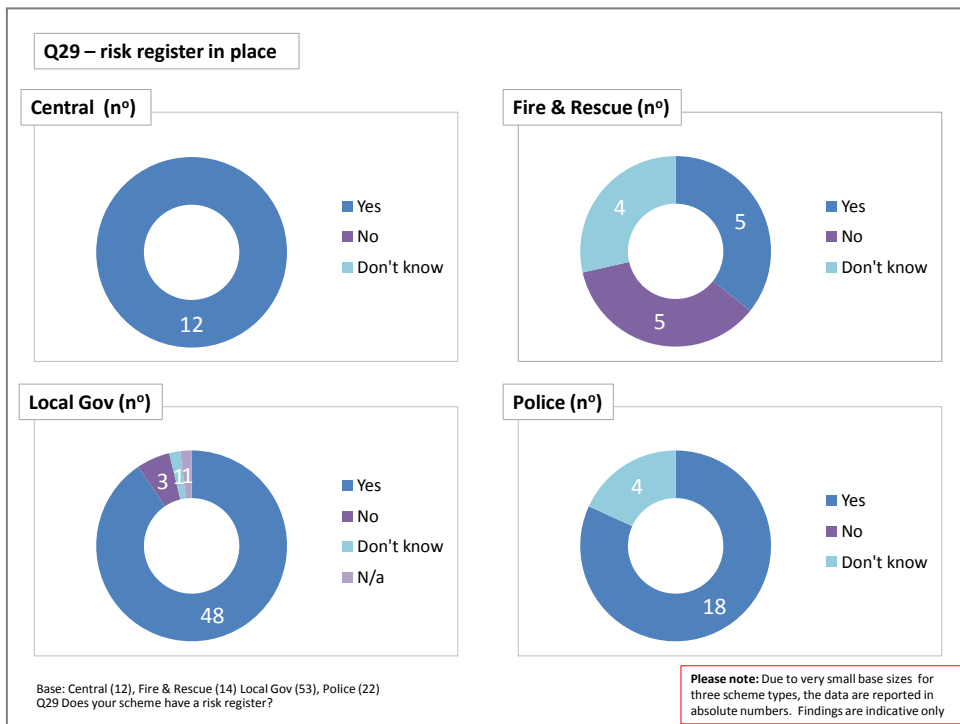


Figure 4.11-3: Documented procedures in place for assessing and managing risk

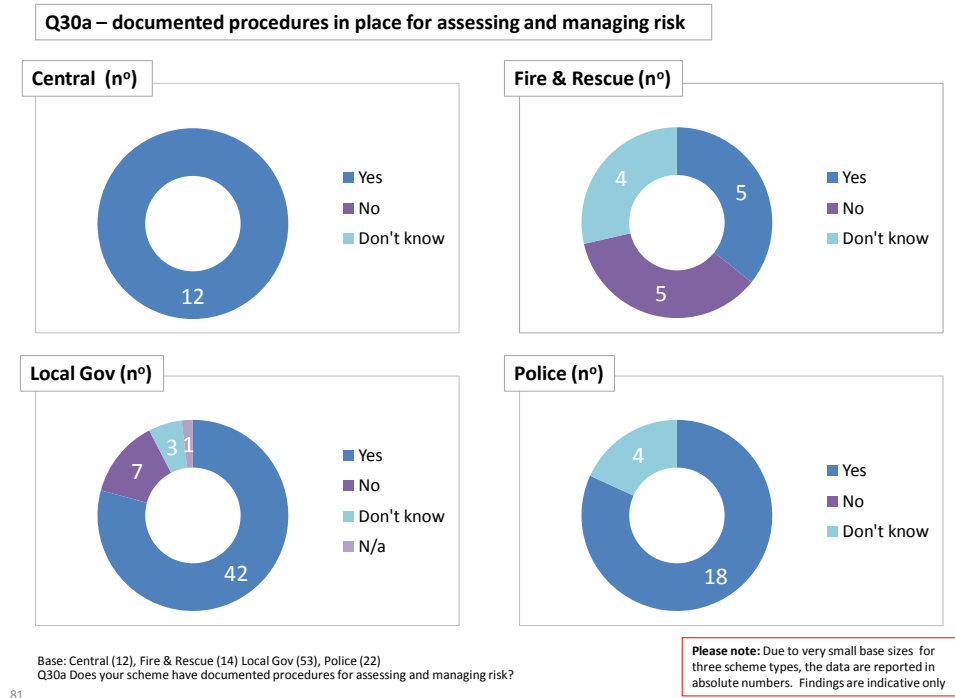
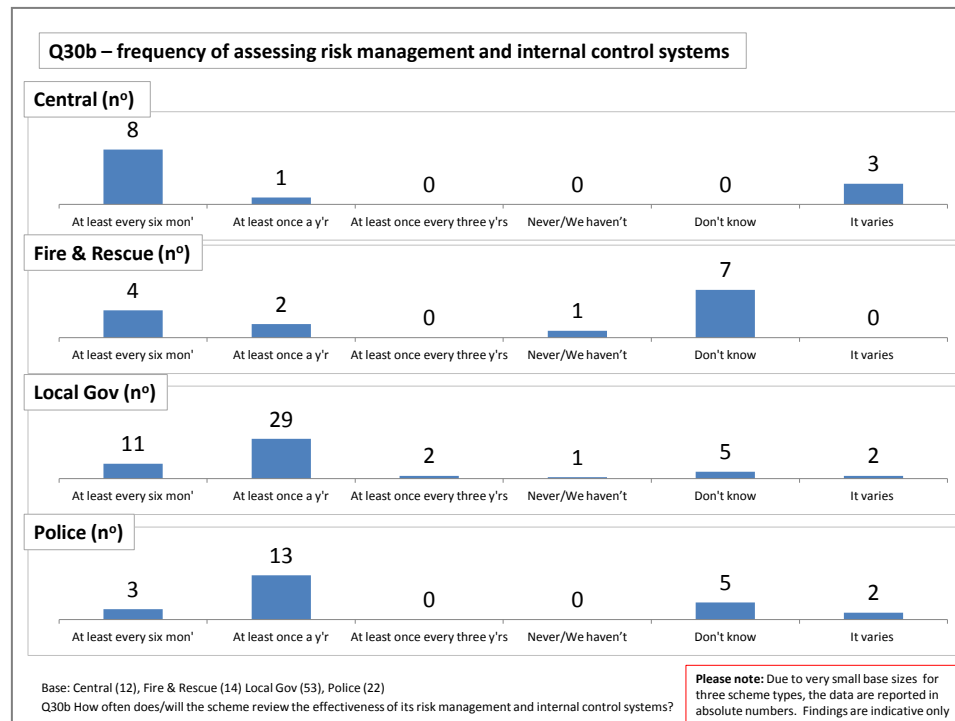


Figure 4.11-4: Frequency of reviewing effectiveness of risk management and internal control systems

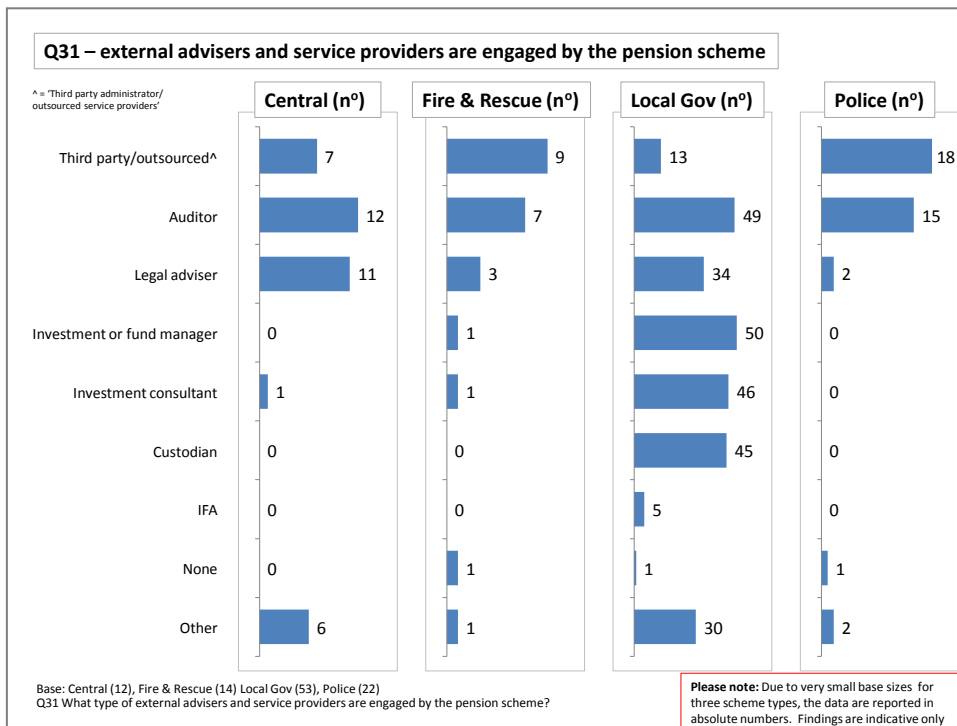


4.12 External advisers and service providers

Overall, 47 out of 101 (47%) used third party administrators, and 83 out of 101 (82%) reported the use of an auditor.

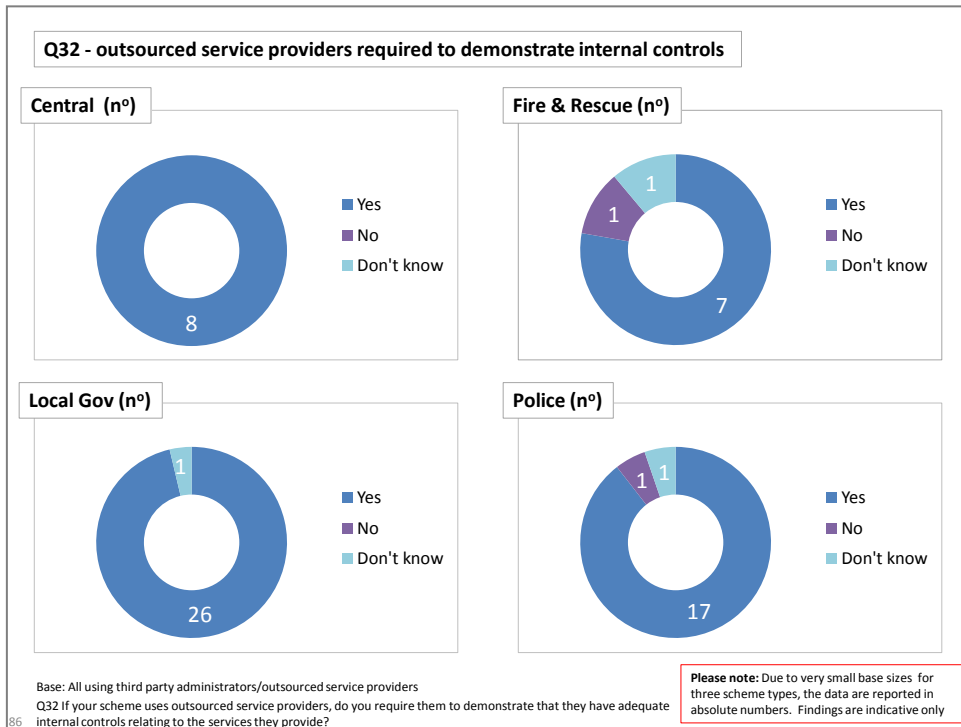
The types of external advisers and service providers engaged by Central, Fire and rescue and Police schemes tended to be similar. All three schemes mainly used ‘Third party administrator/ outsourced service providers’ and ‘auditors’; Central schemes also used ‘legal advisers’. Local government schemes used a wider range of advisers and providers – mainly investment/fund managers, auditors, investment consultants and custodians. A large minority (24 out of 53) of Local Government schemes reported retaining the services of an actuary.

Figure 4.12-1: External advisers and service providers engaged by the pension scheme



Among schemes that used third party administrators or outsourced providers, almost all required the supplier to demonstrate adequate internal controls – regardless of scheme type.

Figure 4.12-2: Outsourced service providers required to demonstrate that they have adequate internal controls relating to the services they provide

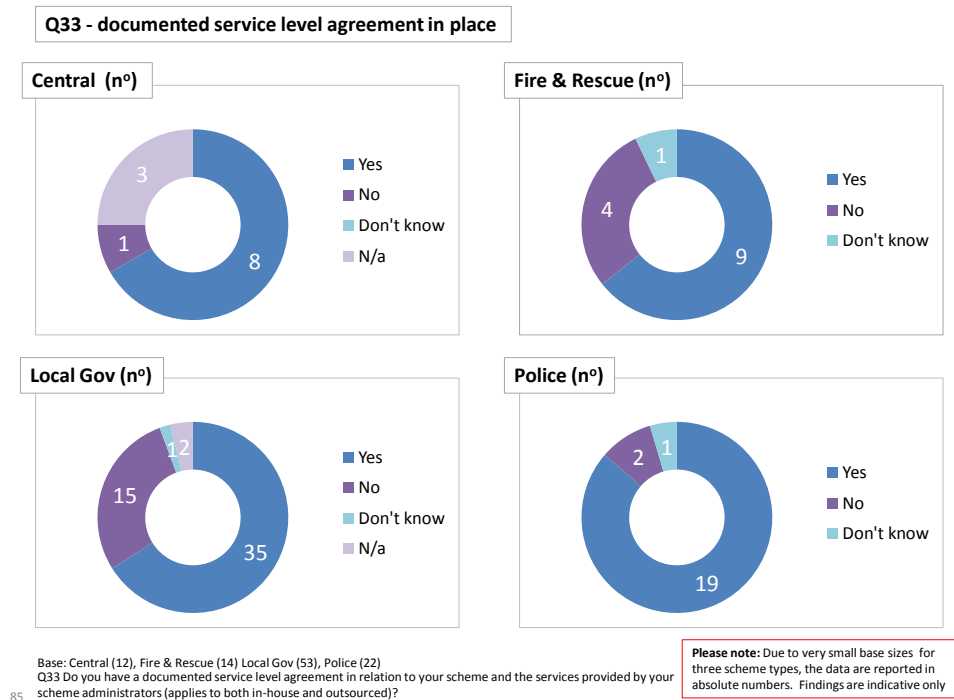


PLEASE NOTE: A small number of respondents provided an answer for Q32 despite their response to Q31 indicating that their scheme did not use outsources service providers. As such there are additional responses included in the above Figure.

Overall, 71 out of 101 (70%) of schemes reported having a documented service level agreement in relation to their scheme and the services provided by their scheme administrators, regardless of whether administration was carried out in-house or provided by a third party.

Around two-thirds of Central (8 out of 12) Fire and rescue (9 out of 14) and Local government (35 out of 53) schemes had a documented service level agreement in relation to their scheme and the services provided by scheme administrators (in-house and outsourced). Almost 9 in 10 Police schemes (19 out of 22) had these in place.

Figure 4.12-3: Documented service level agreement in place in relation to the scheme and the services provided by their scheme administrators



Overall, 43 out of 101 (43%) of schemes received information on their administrator's internal controls on a monthly or quarterly basis.

The frequency with which information was reported to be received on administrators' internal controls varied within scheme types:

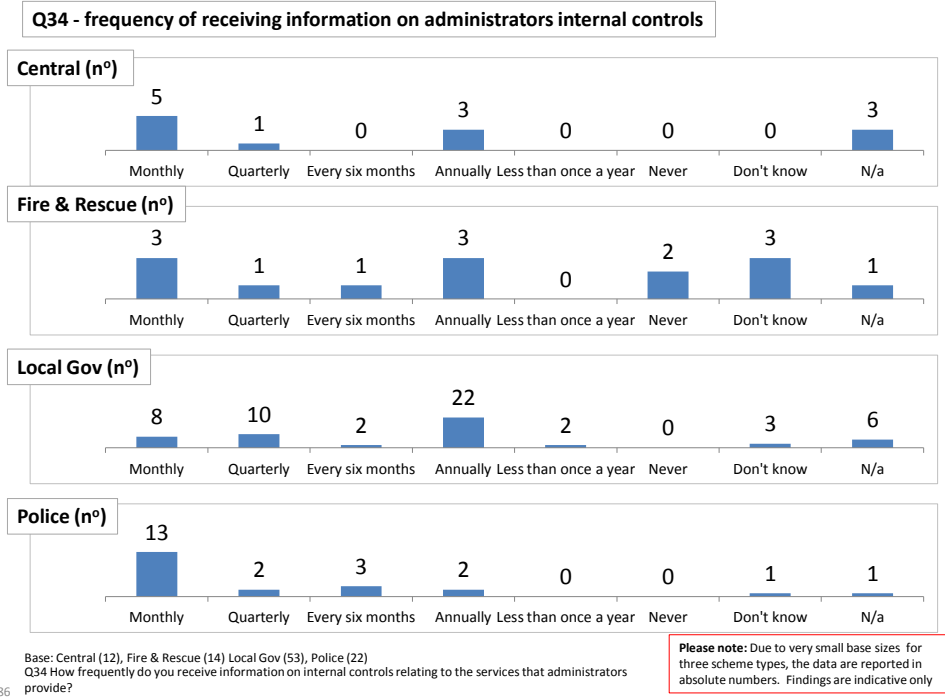
Central schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (5 out of 12) or 'annually' (3 out of 12).

The frequency of information on administrator's internal controls varied between the individual Fire and rescue schemes, for example: three schemes received information 'monthly', three schemes received this 'annually', three schemes stated 'don't know' and a further three schemes stated 'never' or 'no answer'.

Two-fifths of Local government schemes received information on internal controls relating to the services that administrators provided 'annually' (22 out of 53); slightly less than one-fifth received this 'monthly' (8 out of 53) or 'quarterly' (10 out of 53).

Police schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (13 out of 22).

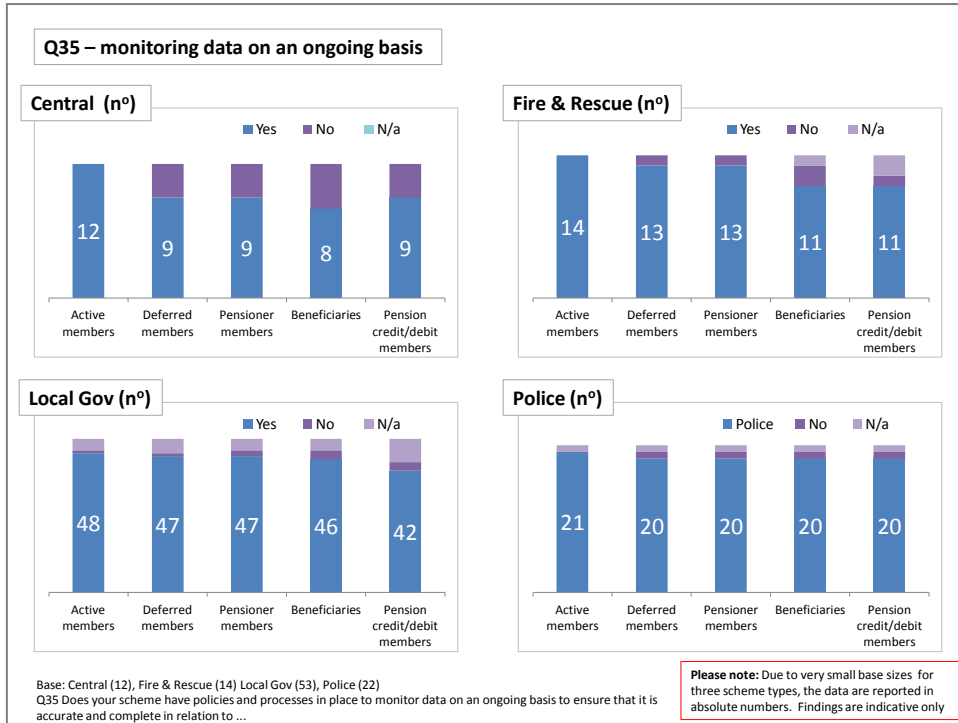
Figure 4.12-4: Frequency of information on internal controls relating to the services that administrators provide



86

4.13 Scheme record-keeping and data monitoring

Figure 4.13-1: Policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete



Policies and processes for ongoing monitoring of member data were in place for almost all schemes in respect of ‘active members’. There were more gaps regarding record-keeping for other member types. Data monitoring policies and processes for deferred members, pensioner members, beneficiaries and pension credit / debit members were not in place in a significant minority of Central schemes.

Figure 4.13-2: Measurement of data against requirements of the Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014

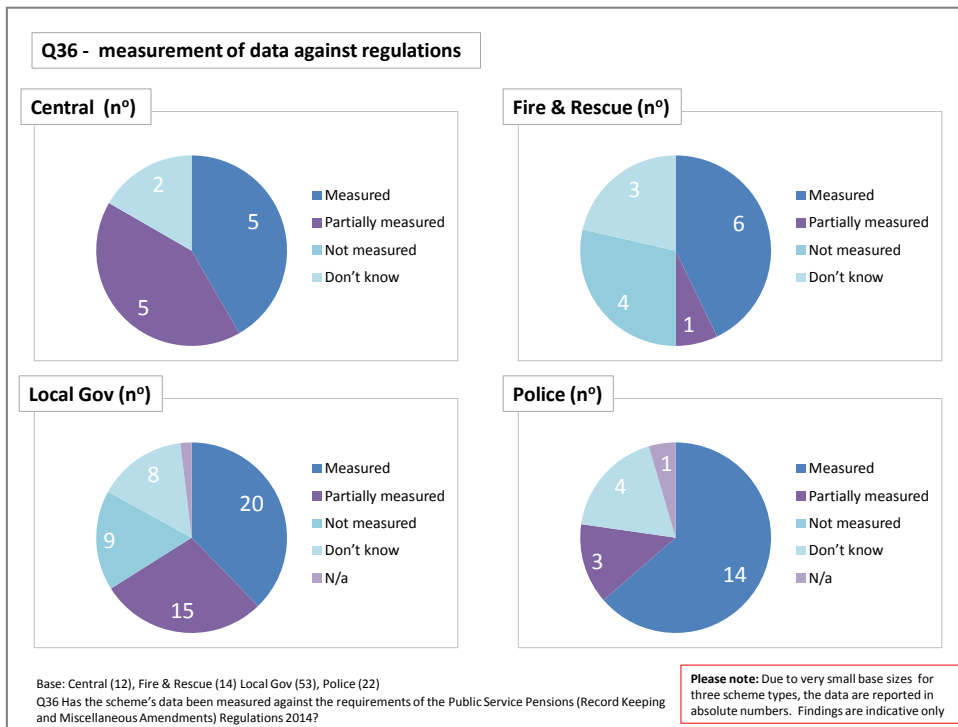
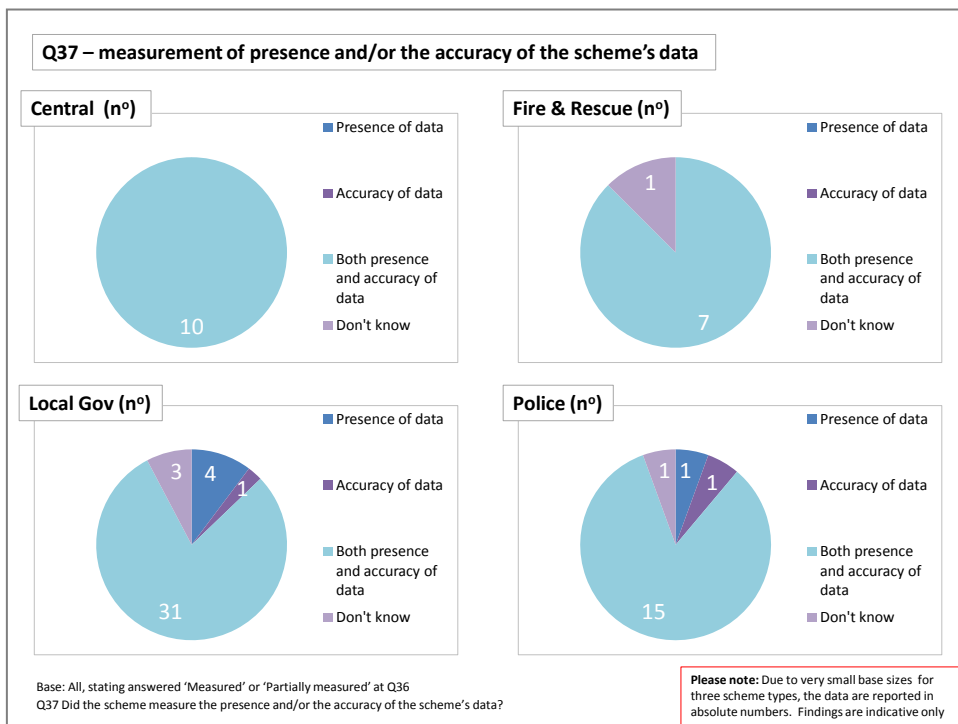
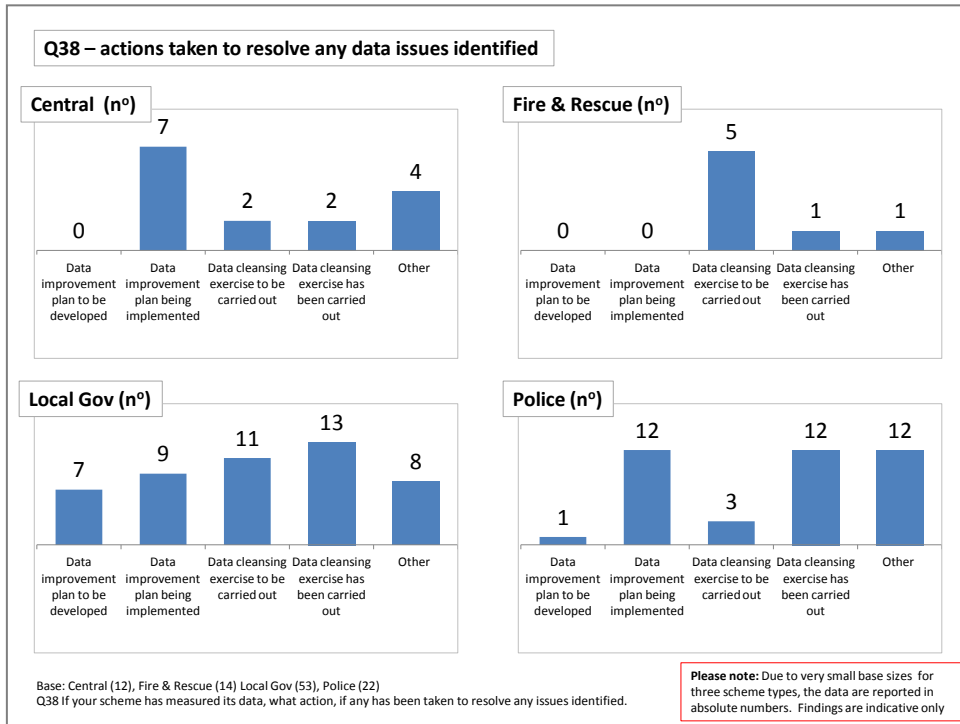


Figure 4.13-3: Measurement of presence and/or the accuracy of the scheme's data



PLEASE NOTE: A small number of respondents provided an answer for Q37 despite their response to Q36 indicating that their scheme had not measured its data against the regulations. As such there are additional responses included in the above Figure.

Figure 4.13-4: Actions taken to resolve any data issues identified



PLEASE NOTE: A small number of respondents provided an answer for Q38 despite their response to Q36 indicating that their scheme did not measure its data against the regulations. As such there are additional responses included in the above Figure.

Overall, 45 out of 101 schemes (45%) had measured their data, with a further 24 out of 101 (24%) having partially measured the scheme’s data against the requirements of the Record Keeping Regulations⁴. Of these 69 schemes, 63 had measured both the presence and accuracy of data.

The majority (10 out of 12) of Central schemes had measured the scheme’s data against the Regulations (5 out of 12 measures and 5 out of 12 partially measured). Of those who had conducted these measurements, all measured the presence and accuracy of the scheme’s data. The main action taken by seven schemes to resolve any data issues identified were a ‘data improvement plan being implemented’. Data cleansing exercises will or had been carried out by four schemes.

Half of Fire and rescue schemes (7 out of 14) had measured the scheme’s data against the Regulations (6 out of 14 measures and 1 out of 14 partially measured). Of those who provided a response relating to conducting these measurements, the majority (7) measured the presence and accuracy of the scheme’s data. Data cleansing exercises will or had been carried out by six schemes to resolve any data issues identified.

⁴ Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014.

Among Local government schemes, two-thirds had measured the scheme's data against the Regulations (20 out of 53 measured and another 15 out of 53 partially measured). Of those who provided a response relating to conducting these measurements, the majority (31) measured the presence and accuracy of the scheme's data. Local government schemes were split between planning and having completed actions to resolve any data issues identified:

- Seven schemes were developing a data improvement plan, nine had this in place.
- Data cleansing exercises were to be carried out by 11 schemes, 13 schemes had already conducted them.
- 'Other' actions were also planned/being carried out by eight schemes.

Over three-quarters of Police schemes had measured the scheme's data against the Regulations (14 out of 22 measures and 3 out of 22 partially measured). Of those who provided a response relating to conducting these measurements, the majority (15) measured the presence and accuracy of the scheme's data. 12 Police schemes had implemented data improvement plans and had carried out data cleansing exercises. Furthermore 'other' actions were also planned/being carried out by eight schemes.

Figure 4.13-5: Last data review exercise



Overall, 72 out of 101 (71%) schemes reported that they had conducted a data review within the last year.

Over half of Central schemes had conducted a data review exercise in the last year (7 out of 12); and the majority currently carried out or planned to carry out future data review exercises (including an assessment for accuracy and completeness of the data) at least annually (6 out of 12 annually, 4 out of 12 more frequently).

Half of Fire and rescue schemes had also conducted a data review exercise in the last year (7 out of 14) and the majority currently carried out or planned to carry out future data review exercises annually (11 out of 14)

Among Local government schemes, data review exercises were most frequently carried out within the last 12 months (41 out of 53). Over three-fifths of Local government schemes currently carried out or planned to carry out future data review exercise annually (34 out of 53), with one-fifth planning to conduct data reviews more frequently than annually (11 out of 53).

The majority of Police schemes (17 out of 22) had carried out a data review exercise in the last year. Looking ahead, almost all schemes currently carried out or planned to carry out future data review exercise at least annually (7 out of 22 annually, 13 out of 22 more frequently).

Figure 4.13-6: Frequency of data review exercise including an assessment for accuracy and completeness of the data

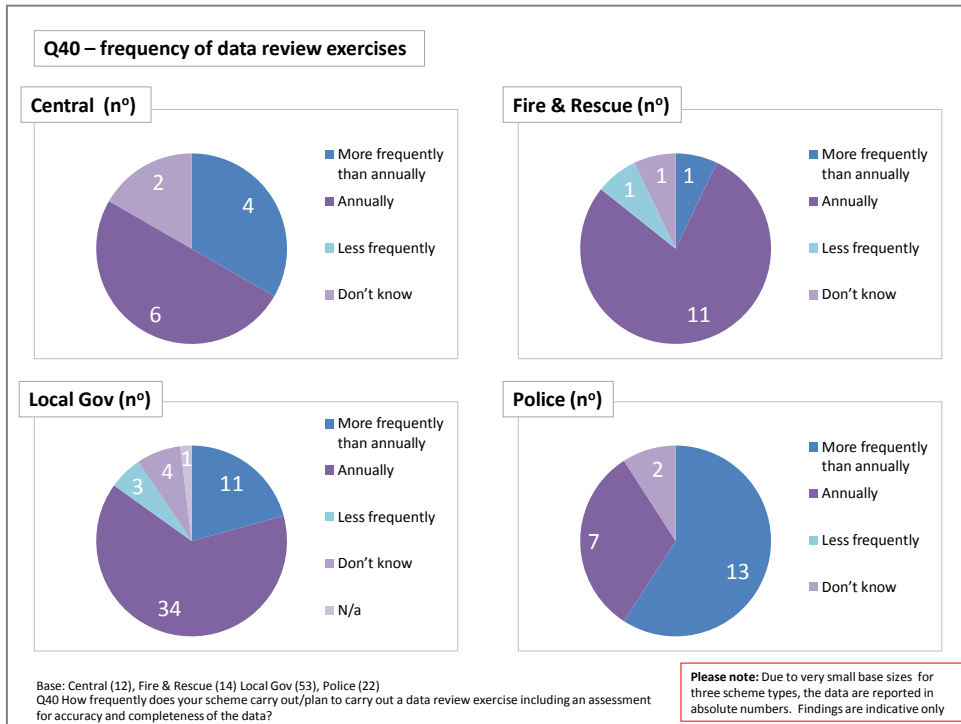
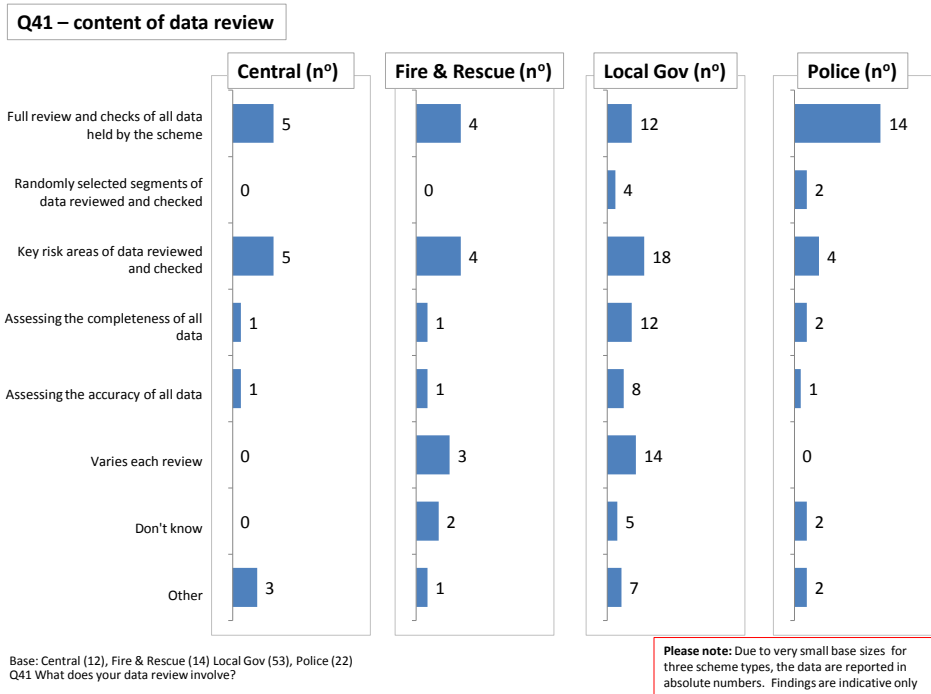


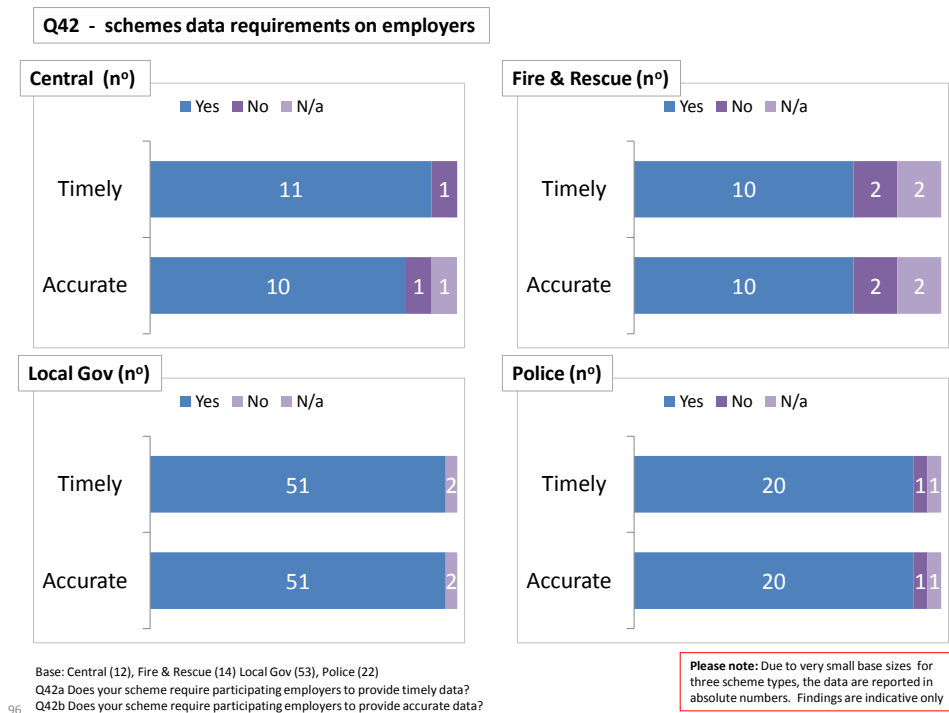
Figure 4.13-7: Content of data review



Schemes data review involved a wide range of activities:

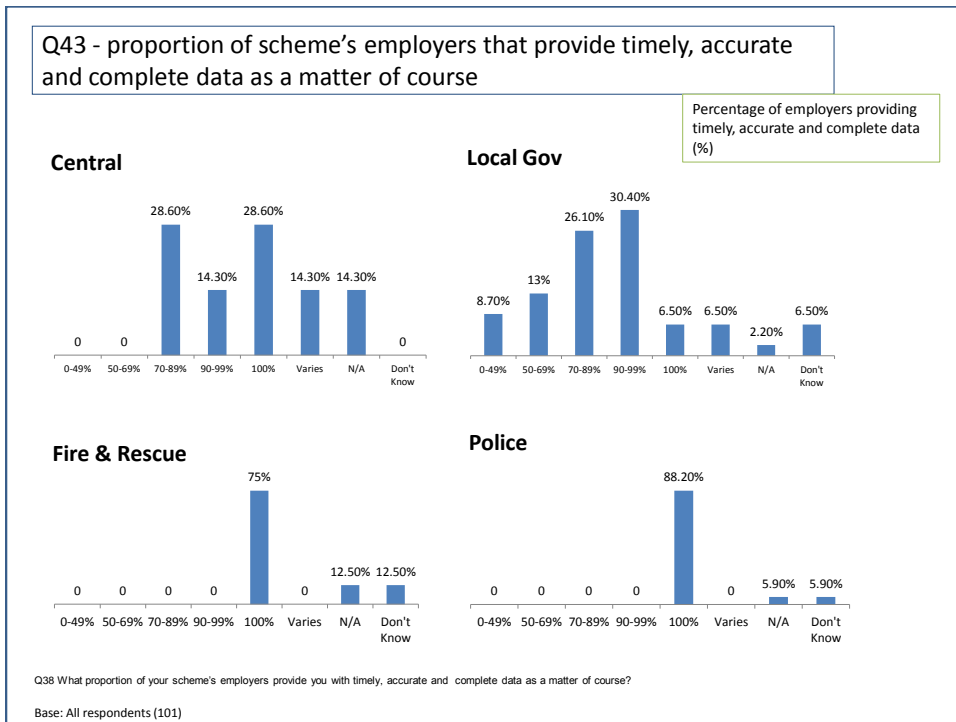
- A full review and checks of all data held by the scheme was one of the most common tasks identified by those answering for Central (5 out of 12), Fire & Rescue (4 out of 14) and Police (14 out of 22) schemes.
- Key risk areas of data reviewed and checked was also a top mentioned activity among Central (5 out of 12), Fire & Rescue (4 out of 14) and Local Government (18 out of 53) schemes.
- Assessing the completeness of all data was also part of the review among several Local Government schemes (12 out of 53).
- A quarter of Local Government schemes (14 out of 53) mentioned that the content varied in each review.

Figure 4.13-8: Schemes require participating employers to provide timely and accurate data



In all scheme types the vast majority of schemes require employers to provide data on a timely and accurate basis. In a minority of cases, Central schemes, Fire and rescue schemes and Police schemes do not have this requirement.

Figure 4.13-9: Proportion of scheme employers which provide data that is timely, accurate and complete as a matter of course



Overall (51%) of schemes reported that 90%-100% of scheme employers provided schemes with timely, accurate and complete data as a matter of course; three in ten (32%) stating 100%.

3 out of 7 Central schemes submitted that 90% of employers provided timely, accurate and complete data. The same figure for Local government schemes was 17 out of 46 schemes. Most Fire and rescue (6 out of 8 schemes) and Police schemes (15 out of 17) who answered the question indicated that 100% of employers provided timely, accurate and complete data.

4.14 Maintaining contributions

Almost all schemes (98 out of 101, 97%) regardless of type had a method or other process for monitoring the payment of contributions to the scheme in place. The vast majority also had processes in place to resolve payment issues and assess whether to report payment failures.

Figure 4.14-1: Method or other process for monitoring the payment of contributions into the scheme

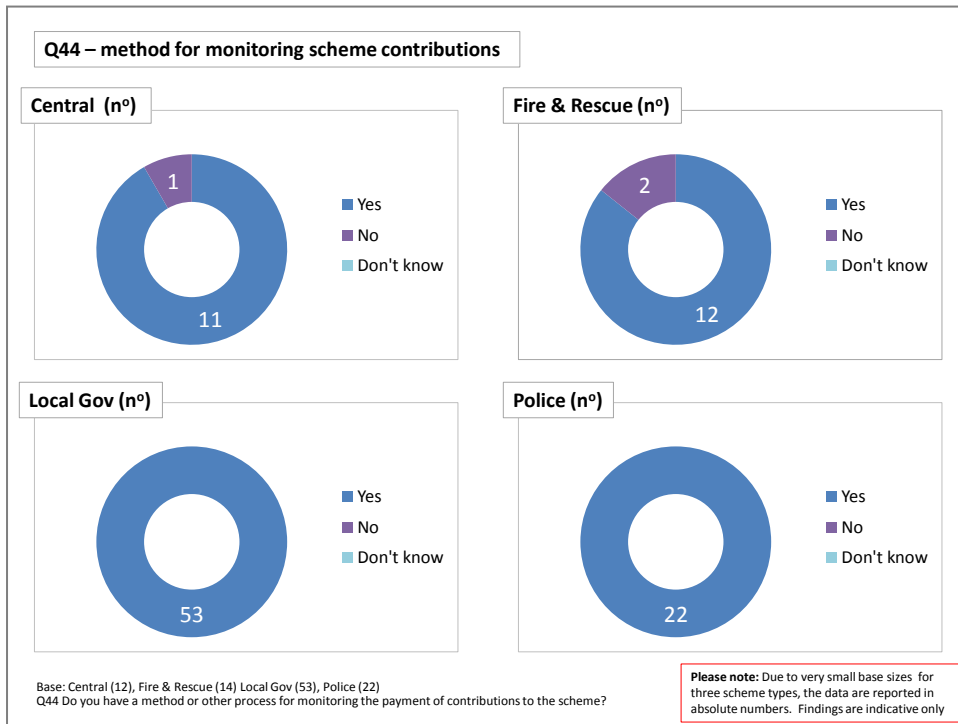
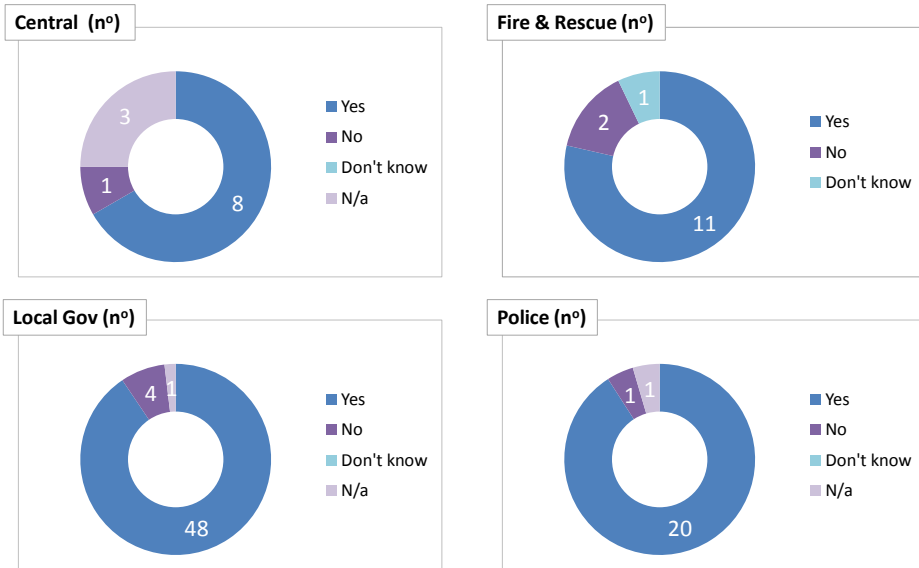


Figure 4.14-2: Processes in place to resolve payment issues and assess whether to report payment failures

Q45 – processes for resolving payment issues and assessing whether to report payment failures

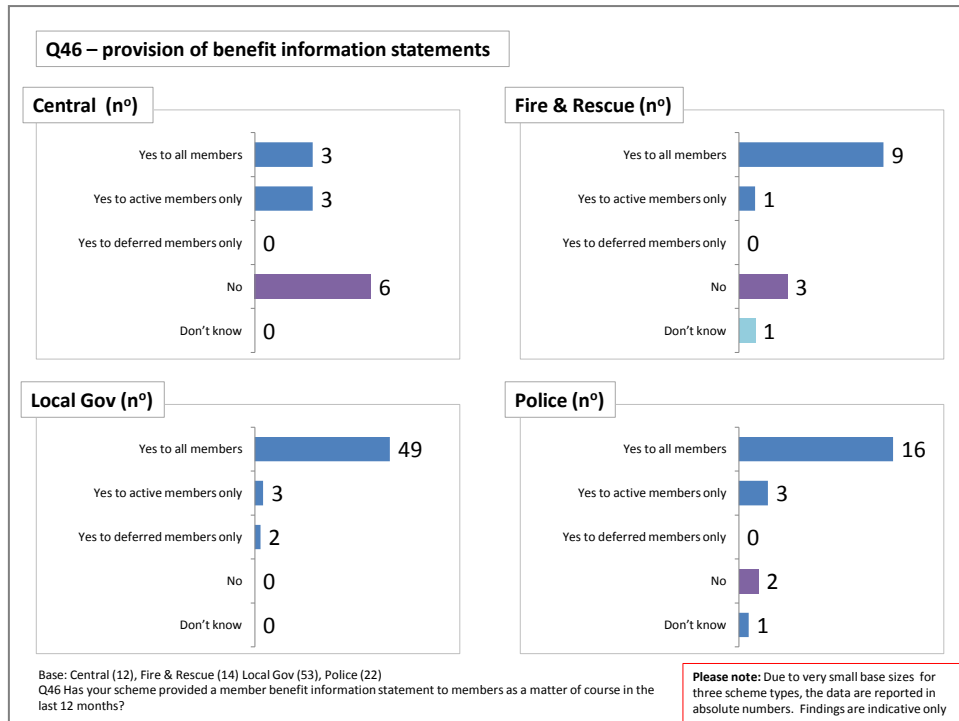


Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
 Q45 Does your scheme have a process to resolve payment issues and assess whether to report payment failures?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

4.15 Providing information to members

Figure 4.15-1: Provision of benefit information statements to members as a matter of course in the last 12 months



Overall, 77 out of 101 (76%) of schemes reported that they had issued a member benefit statement to all members as a matter of course in the last 12 months.

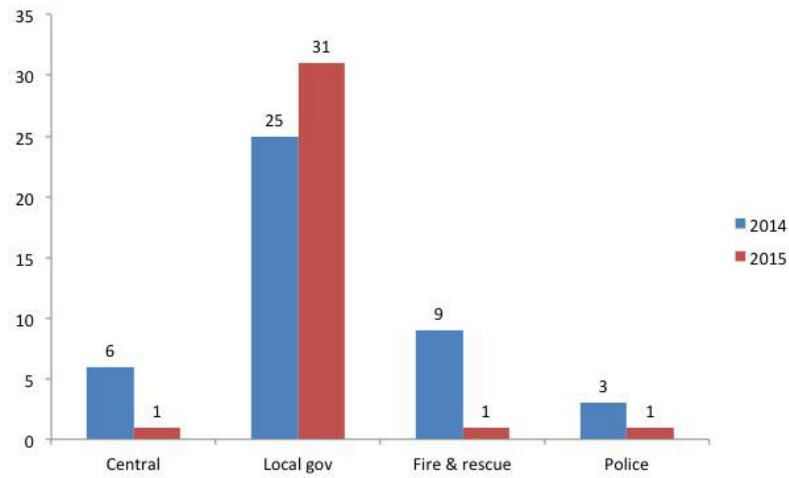
Half of Central schemes (6 out of 12) had provided member benefit information statements to members as a matter of course in the last 12 months. Three provided these to all members and three to active members only.

The majority of Fire and rescue (9 out of 14) and Police (16 out of 22) schemes had provided member benefit information statements to all members as a matter of course in the last 12 months

Among Local government schemes, all schemes had provided member benefit information statement to members as a matter of course in the last 12 months, with the vast majority being provided to all members (49 out of 53).

Figure 4.15-2: Year that the member benefit statement refers to

Q47 – Year member benefit information statement relates to



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)

Q47 If Yes, what scheme year does the member benefit information statement relate to?

1

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

Of the schemes that had provided a member benefit statement in the previous 12 months, the majority related to the year ended 31 March 2014 for Central, Fire and rescue and Police schemes. For Local government, the majority related to the year ended 31 March 2015.

4.16 Internal Dispute Resolution

Figure 4.16-1: frequency of assessing effectiveness of Internal Dispute Resolution arrangements

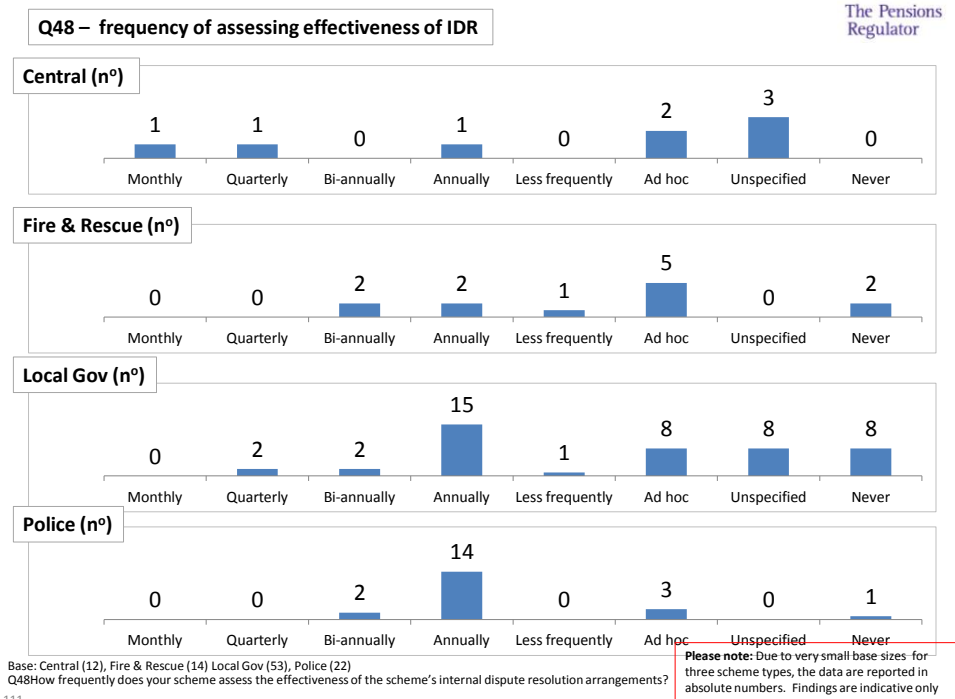
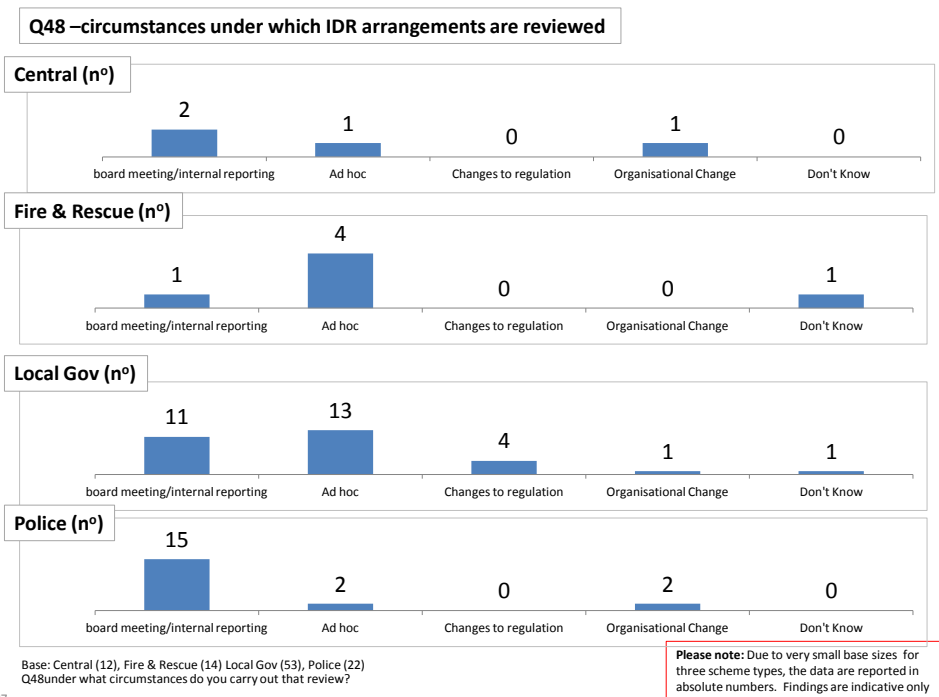


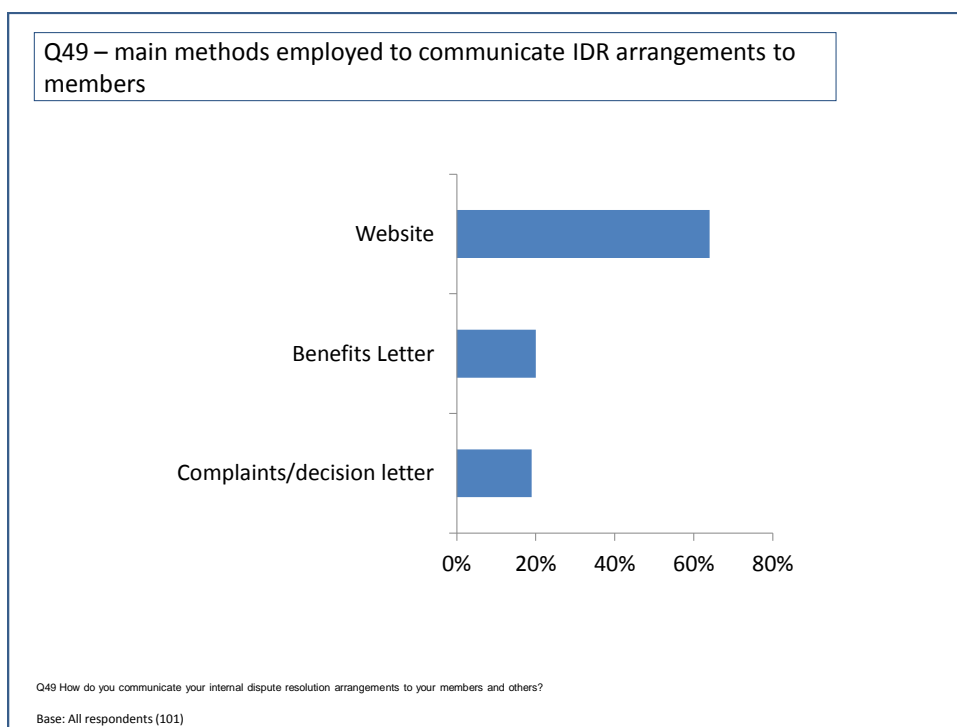
Figure 4.16-2: circumstances under which Internal Dispute Resolution arrangements are reviewed



In terms of internal dispute resolution (IDR) arrangements, assessments tended to be carried out on infrequent or ad hoc basis for all scheme types. 14 out of 22 Police schemes and 15 out of 53 Local Government schemes reported that they carried out reviews annually. Schemes reported that they typically reviewed arrangements as part of a wider internal reporting review.

Online methods were prevalent as a form of communication, but IDR arrangements were either included with or mentioned in hard copy communications by a large minority of schemes. This was consistent across all scheme types.

Figure 4.16-3: main methods employed to communicate Internal Dispute Resolution arrangements to members



4.17 Reporting breaches

Training was provided to the scheme managers and pension board members on their duty to report breaches of the law to the regulator for 71 out of 101 (70%) schemes. Overall, 56 out of 101 (55%) schemes reported that their scheme had procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law.

Among Central schemes, training was provided in two-thirds of the schemes (8 out of 12). The same proportion of schemes (8 out of 12) had procedures in place regarding identifying and assessing breaches of the law.

Just over half (8 out of 14) of Fire and rescue schemes stated training was provided regarding reporting breaches of the law, with five schemes stating they had procedures relating to identifying and assessing breaches of the law in place.

Training was provided regarding duties to report breaches of the law among two-thirds of Local government schemes (37 out of 53). With regard to having procedures in place relating to identifying and assessing breaches of the law, half of the Local government schemes stated they were doing this (27 out of 53).

The vast majority of Police schemes (18 out of 22) provided training regarding reporting breaches of the law. Around three-quarters (16 out of 22) had procedures relating to identifying and assessing breaches of the law in place.

Figure 4.17-1: Provision of training for scheme managers and pension board members on their duty to report breaches of the law to the regulator

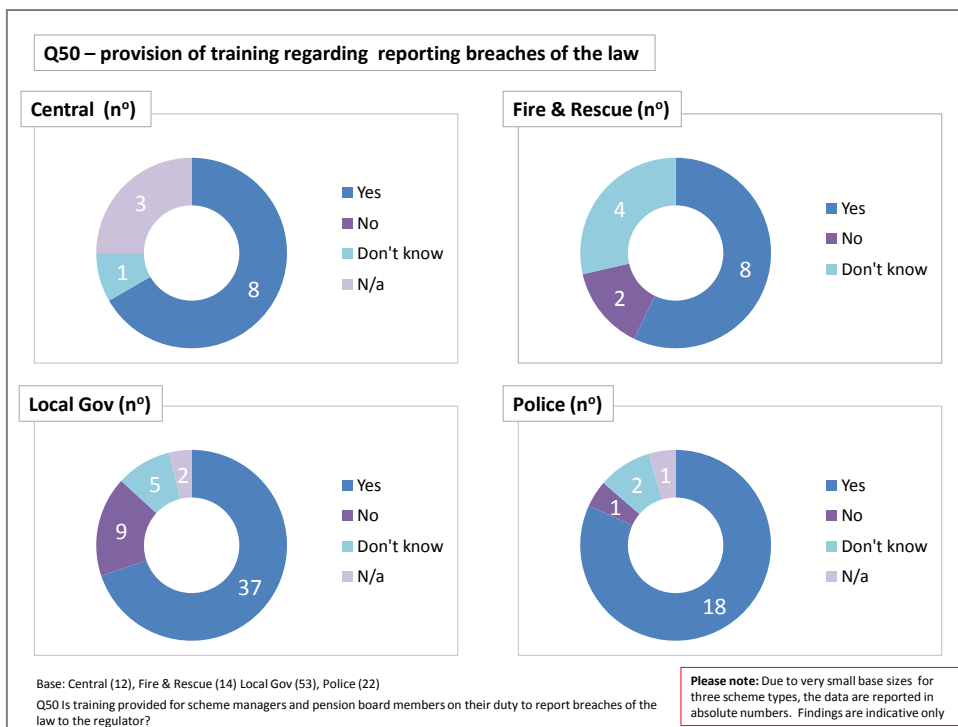
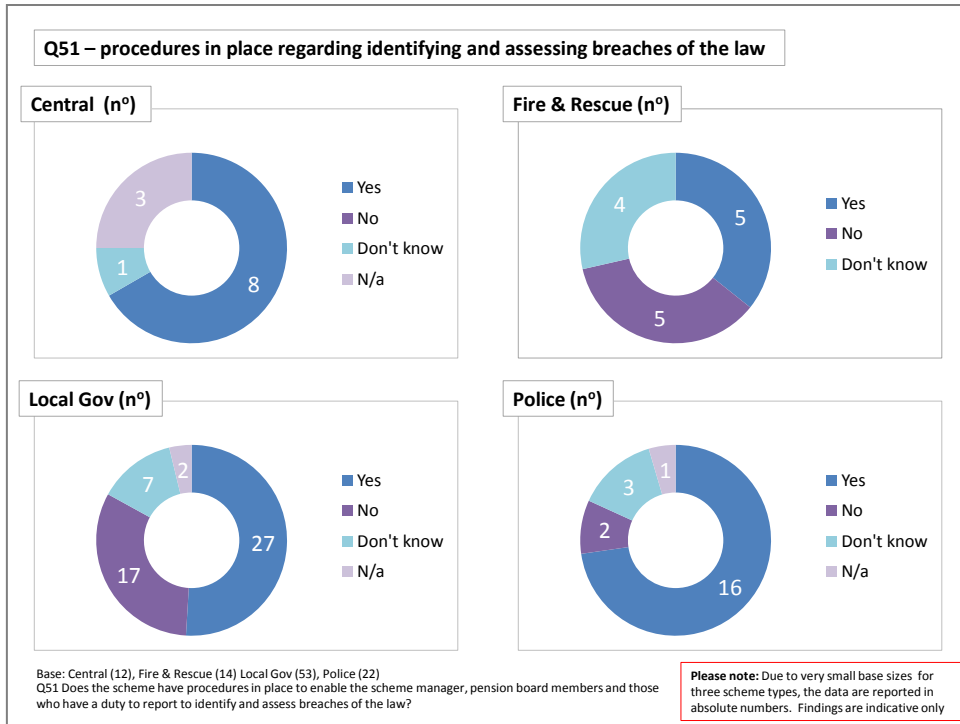


Figure 4.17-2: Procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law



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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Pensions Board Work	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 9
Pensions Board - 26th January 2016		

1. INTRODUCTION

- 1.1 The work of the Pensions Board in its role of assisting the Scheme Manager is broad and extensive and understanding what the remit for the Board is undoubtedly complex. Further at its first meeting requested to be provided with an update on the work undertaken by a range of other pension boards. This report introduces a discussion on the remit of the Board and development of work undertaken by other pension boards.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Board 28th July 2015 – Pensions Board work schedule 2015-16

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. The work plan agreed by the Board at the July meeting is inevitably subject to change as priorities within the management of the Fund change. Reviewing best practice by considering both Guidance issued by the Scheme Advisory Board and by considering work undertaken by other Pension Boards, primarily in the LGPS space will assist the Board in gaining a better understanding of their role and responsibilities. There are no immediate financial implications attached to this report, although it is recognised that the Pensions Board are able to ask for additional information or resourcing in order to help them to fulfil their role as the Pension Board

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. Consideration of the

Guidance and work undertaken by other Pension Boards for reviewing key issues for future consideration by the London Borough of Hackney Pensions Board helps to demonstrate that the Board is meeting its Terms of Reference in assisting the Administering Authority to comply with regulations.

5.2 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

6.1 In accordance with the Public Service Pensions Act 2013 (PSPA) All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.

6.2 Whilst it is early days in terms of the establishment of Pension Boards in the LGPS, there has clearly been a range of approaches to how Boards are established and the matters being considered by individual boards.

6.3 At the time the local Pension Boards were being established, the National Scheme Advisory Board issued a Q&A Pension Board and this included a question on what the role of the Board is and it is worth covering the response on this from the Scheme Advisory Board:

What is the role of a Local Pension Board?

- Regulation 106(1) specifies that each Administering Authority shall establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. In addition it must ensure the effective and efficient governance and administration of the LGPS.
- The Local Pension Board does not replace the Administering Authority as scheme manager or make decisions which are the responsibility of the Administering Authority in that role and have been properly delegated to a Pension Committee or officer. The role of the Board should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.
- The remit of the Local Pension Board can be as wide or as narrow as is decided upon locally. However, it should be borne in mind that under regulation 106(8) of the Regulations, the 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.
- There are many areas of work which a Local Pension Board may be the most appropriate place for that work to take place, consider for example the requirements of the new code of practice no. 14 from the Pensions Regulator. The Local Pension Board could be tasked with reviewing whether the Administering Authority is compliant with the requirements of that code.

6.4 Further it is considered worth providing the Board with the more detailed extract of Schedule A (shown below) from the full guidance on the establishment and operation of local Pension Boards. The full guidance can be found here: http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%20clean.pdf

SCHEDULE A

Example of a remit of a Local Pension Board

Administering Authorities should remember that the Local Pension Board does not replace the Administering Authority or make decisions or carry out other duties which are the responsibility of the Administering Authority.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.
- c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Assist with the application of the Internal Dispute Resolution Process.
- h) Review the complete and proper exercise of Pensions Ombudsman cases.
- i) Review the implementation of revised policies and procedures following changes to the Scheme.
- j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k) Review the complete and proper exercise of employer and administering authority discretions.
- l) Review the outcome of internal and external audit reports.
- m) Review draft accounts and scheme annual report.
- n) Review the compliance of particular cases, projects or process on request of the Committee.
- o) Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services.
- b) Monitor performance of administration, governance and investments against key performance targets and indicators.
- c) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- d) Monitor investment costs including custodian and transaction costs.
- e) Monitor internal and external audit reports.
- f) Review the risk register as it relates to the scheme manager function of the authority.
- g) Assist with the development of improved management, administration and governance structures and policies.
- h) Review the outcome of actuarial reporting and valuations.
- i) Assist in the development and monitoring of process improvements on request of Committee.
- j) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
- k) Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.

In support of its core functions the Local Pension Board may make a request for information to Committee with regard to any aspect of the Administering Authority function. Any such request should be reasonably complied with in both scope and timing.

In support of its core functions the Local Pension Board may make recommendations to Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

***Schedule A has been added as an example only - it should not be considered an exhaustive list and full consideration should be given locally to the remit of the Local Pension Board.**

- 6.5 In considering the Schedule, the Board is able to determine from the Guidance the areas already considered in some depth by this Pensions Board and may wish to consider which other areas they would like to target in future meetings.
- 6.6 In addition officers of the Council are currently conducting research to review the work of Pension Boards in other LGPS funds and will present findings at the meeting itself.

Ian Williams
Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
GMP Reconciliations Pensions Board - 26th January 2016	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 10

1. INTRODUCTION

- 1.1 This report introduces provides the Pensions Board with an introductory training session and background to GMP reconciliations (Guaranteed Minimum Pensions), which the Fund is required to undertake to ensure that scheme member records for the periods that they were contracted out of the second state pension are properly accounted for.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Committee 21st September 2015 – Pensions Update

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The report being presented to Pensions Committee on the GMP reconciliation process sets out the issues faced by the Fund as it tries to reconcile historical data for its scheme members for periods that they were contracted out of the second state pension.
- 4.2 At this time it is difficult to quantify the full financial impact of the GMP data reconciliation exercise, but the Fund has commenced initial phases, using the Fund's external administrators to match the data held on the pension administration system and that held by HMRC. The cost of the initial work has amounted to around £20,000.
- 4.3 The LGA in a letter to administering authorities provided an indication of the level of costs across LGPS for the GMP reconciliation exercise which suggested that total costs could be somewhere between £30m to £100m.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 Under the Public Service Pensions Act 2013 by sections 5 (1) and (2) the role of the Pension Board is to assist Hackney Council as Scheme Manager of the London Borough of Hackney Pension Fund and under the Board's terms of reference, the Board is there:
- a) to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the Scheme, and any requirements imposed in relation to the LGPS by the Pensions Regulator
 - b) to ensure the effective and efficient governance and administration of the London Borough of Hackney Pension Fund"
- 5.2 The report before the Board concerning the GMP reconciliation process is in line with the Board meeting its responsibilities under the regulations and its terms of reference.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Pension schemes are required to undertake GMP reconciliations to ensure that scheme member records for the periods that they were contracted out are properly accounted for. The LGPS guarantees to pay a pension that is at least as high as the scheme member would have been earned had the scheme member not been contracted out of the State Earnings Related Pension Scheme at any time between 6 April 1978 and 5 April 1997, this is referred to as the GMP.
- 6.2 When contracting out ends in April 2016, HMRC will no longer track contracted out rights information. In 2018, HMRC plans to write to all scheme members where their records state they have a GMP liability, with details of the amount they are due, and the scheme responsible for the payment. For schemes where the GMP data has not been reconciled, there is a risk of former and active members being given incorrect expectations around a GMP entitlement.
- 6.3 A GMP reconciliation exercise lists all the members who have a GMP under a scheme and compares this against a list of all the members who HMRC believes hold a GMP under that same scheme. The lists are rarely fully aligned at the start of the process however, with discrepancies usually occurring both in terms of membership and/or GMP amounts. Where there is a discrepancy then this should be investigated and a decision taken on whether to accept the HMRC record as correct and adjust individual's pension entitlements accordingly.
- 6.4 The reconciliation of GMP values is not a mandatory regulatory requirement; however the Fund faces significant risks if it is decided not to reconcile values. These include:
- Incorrect calculation of GMPs by HMRC increasing the fund's liability
 - Liability for GMPs that are not the Fund's responsibilities
 - Breach of The Pensions Regulator's (TPR) code of practice regarding Record Keeping
 - Over and underpayment of pension benefits to individual scheme members benefits

- Queries following HMRC notifications to scheme members in 2018
- Reputational issues

- 6.5 Officers have been working with the pension administrators, Equiniti and the Fund's benefits consultant, AON on a project to investigate and match the Fund's data with that held on the HMRC database highlighting that this, along with the majority of other LGPS funds are likely to have to undertake a significant data cleansing exercise over the new 2-3 years in respect of GMP data. Guidance is being sought from LGA who are liaising with HMRC and Treasury on behalf of LGPS employers to agree tolerance levels for reconciliations, the ability to write off overpayments and also who is picking up future pension increases on GMP payments after April 2016.
- 6.6 The initial work undertaken to match records with HMRC data has established the need to undertake a further programme to reconcile the Fund's data with HMRC and officers are currently looking at options for undertaking the reconciliation process and the resources that this will require both financial and in terms of management time.
- 6.7 The Pension Board will receive a further briefing on GMP from the Fund's benefits advisers, AON, at the meeting as well as an update on the progress of the project.

Ian Williams
Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None

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