



PENSIONS BOARD

Monday 18 November 2019

at 10.00 am

Room 102, Hackney Town Hall, Mare Street,
London E8 1EA

Membership:

Samantha Lloyd (Scheme Member) (Chair)
Kay Brown (Employer Representative)
Michael Hartney (Scheme Member)

TIM SHIELDS
CHIEF EXECUTVE


Contact:
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Governance Services
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The press and public are welcome to attend this meeting

AGENDA

Monday 18 November 2019

ORDER OF BUSINESS

Item No	Title	Page No
1	Apologies for absence	
2	Declarations of Interest- - Members to declare as appropriate	
3	Minutes of the previous meeting	9 - 14
4	Review of the work of the Pensions regulator - update and training	15 - 86
5	London CIV Update	87 - 90
6	Data Improvement Update	91 - 94
7	TPR Code Compliance Checklist	95 - 128
8	Risk Register Review	129 - 138
9	Actuarial Valuation & Investment Strategy Setting	139 - 142
10	Review of Pensions Committee Work	143 - 146
11	Good Governance Consultation Update	147 - 184
12	Board Workplan - Forward look	185 - 186
13	Any other business	
14	Exclusion of Press and Public	
	RESOLVED: The Press and Public be excluded from the meeting during the consideration of agenda item 6 due to the disclosure of exempt information as defined under paragraph 7, Part 1, Schedule 12A of the Local Government Act 1972.	
	<div>Wards Affected</div> <div>Contact Officer</div> <div style="text-align: center;"></div>	

15	Exempt Minutes of previous meeting	187 - 188
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ACCESS AND INFORMATION

Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite Hackney Picturehouse.

Trains – Hackney Central Station (London Overground) – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

Buses 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in Committee Rooms and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

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The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

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 Director of Legal,
- 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 Suki Binjal, Interim Director of Legal, Services, on 020 8356 6237 or email suki.binjal@hackney.gov.uk



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MINUTES OF A MEETING OF THE PENSIONS BOARD

WEDNESDAY, 20TH MARCH, 2019

Board Members Present: Samantha Lloyd (Scheme Member) (Chair)
Kay Brown (Employer Representative)
Michael Hartney (Employer Representative)

Officers in Attendance: Michael Honeysett, Rachel Cowburn, Karen Chenery, Peter Gray

Also in Attendance: Councillor Robert Chapman (Observer)

1 Apologies for absence

1.2 Apologies for absence submitted on behalf of Henry Colthurst.

2 Declarations of Interests - Members to declare as appropriate

2.1 There were no declarations of interest.

3 Minutes of the previous meeting

3.1 The Minutes of the meeting held on 29th November were agreed as a correct record, subject to amending to reflect that there was no impact on CPC contributions.

Matters Arising

3.1.2 It was agreed that future agendas for Board meetings be agreed with the Chair of the Board.

3.1.2 Rachel Cowburn told the Board that the process for making appointments to the Board and the Pensions Committee would soon be underway, with interviews in May this year. Other appointments were being planned for October.

3.1.3 The previous meeting of the Board asked for the 'London Pensions Collective Investment Vehicle' governance arrangements to be on the agenda for the present meeting, following concerns around the effectiveness of its governance arrangements. The Chair asked for an update on these arrangements and the direction the organisation was taking. She referred to the current disconnect as a result of how the organisation was set up and the removal of investment choice and the need for fund managers that met current needs. Further, it was considered that the Stakeholder group should set a strategy on taking 'early pension'. Councillor Rob Chapman, Hackney's representative on the CIV, referred to cultural difficulties at the organisation, with insufficient transparency and problems around the nature of its surrounding legislation. He told the Board that the governance arrangements had recently been reviewed and outlined arrangements in place. A new Chief Executive had been appointed by the Board with stakeholder involvement and it was hoped to

have an open collaborative approach going forward, with engagement with stakeholders having started. Rachel Cowburn told the Board that the government had issued new asset pooling guidelines and that the response would outline in clear terms that a choice of investments continued to be necessary. Further, proposals to set up a Sub Fund had also been circulated, asking for comment.

3.1.4 Kay Brown raised the concern of high turnover of staff at the London CIV and the need to ensure that the correct direction of travel was followed with proper support to the new Chief Executive. Michael Honeysett stressed the importance of the role of Chief Executive in driving consultation and for the CIV to engage early. Councillor Chapman told the Board that members would be discussing these and other matters with the Chief Executive. It was agreed to place this matter on the agenda for the next meeting of the Board and that Councillor Chapman be invited to attend.

RESOLVED:

That CIV Governance arrangements be placed on the agenda for the next meeting of the Board and that Councillor Chapman be invited to attend.

Action: Rachel Cowburn

4 Data Improvement Update

4.1 Rachel Cowburn presented the report introducing a new format for the Pension Fund Risk Register, which summarised potential significant risks to which the Fund was exposed and the controls in place to manage those risks. The report also introduced an update to the Fund's Risk Policy, which was approved by the Pensions Committee in December 2018.

4.2 Rachel Cowburn told the Board in terms of consultation times, Midland had much improved and that a core of minor issues had been addressed. The previous difficulties around the interface between Pensions and Payroll had been resolved. Since this resolution of the underlying issues with the database environment, final testing on the report had progressed, with the majority of issues identified during previous tests now resolved. A large number of exceptions had been produced. Extensive work was likely to be required during 2019 to address historic data issues. Pensions' administration had carried out much work on numbers of members. In response to the chairs questions It was confirmed that much data cleansing had been carried out, including for new joiners and that there was confidence in the accuracy of the process. Work was ongoing on uploading reports and these would go on member records. The Chair asked if Hackney had the correct processes in place. Michael Honeysett confirmed that tests were currently being carried out. It was confirmed that Pensions Administration would be recompensed for work in this regard. The Committee asked for a report back to the next meeting on progress on the issuing of pension statements.

RESOLVED:

1. To note the actions taken to improve data provision from the Council, in respect of those employees who are members of the LGPS.
2. That an update on the progress of the issuing of pension's statements be made to the next meeting of the Board.

ACTION: Rachel Cowburn

5 Pensions Fund - Risk Register Review and Policy

5.1 Rachel Cowburn presented the new format for the Pension Fund Risk Register following concerns expressed by the Board about its length and detail. The Register summarised potential significant risks to which the Fund was exposed and the controls in place to manage those risks. The report also introduced an update to the Fund's Risk Policy, which was approved by the Pensions Committee in December 2018. The Chair referred to risks in governance, with Rachel Cowburn's response that most of the risk was in the area of administrative work. It was noted that there was a move towards pooling to lessen the risk. The risk register would be submitted to every meeting of the Board.

RESOLVED:

1. To note the updates to the format of the risk register
2. To note the updated risk policy
3. To agree the provision of a high level risk summary at each meeting, with periodic (no less than triennial) review of the full underlying register

6 Review of Pensions Committee Work - October 2018 - March 2019

6.1 Rachel Cowburn introduced the report on the work undertaken by the Pensions Committee at its meetings in the period from October 2018 to February 2019 and to note items that are relevant to the work of the Pension Board. It also included a forward look at the upcoming work of the Committee during 2019.

6.2 Councillor Rob Chapman told the Board that work was underway to transfer the private debt mandate, the amount being 160m. He told the Board that the council was in the last stages of negotiating investments,

RESOLVED:

To note the report

7 Pensions Fund Admissions Policy - Admitted Bodies (2019)

7.1 Rachel Cowburn introduced an update to the Pension Fund Admissions Policy. The Policy was concerned with the admission of new employers to the Fund when external contractors take on staff who are members, or eligible to be members, of the LGPS under a TUPE arrangement. The Board reviewed the admissions policy, employer admissions to the Fund (2019) prior to approval by the Pensions Committee.

7.2 Rachel Cowburn told the Board that this had been an unexpected legislative change. The LGPS regulations 2013 now provided for the payment of the Exit Credit by the administering authority to a ceasing employer of the Fund. Where a ceasing employer's liabilities are fully funded and there is surplus of assets in the Fund relating to that employer, an exit credit must be paid by the administering authority to an

exiting employer. This had significant implications for both the Fund and employers, particularly where risk-sharing arrangements are in place.

8 Compliance with Code of Practice

8.1 Rachel Cowburn introduced the report informing the Board that from 1st April 2015 the Pensions Regulator had assumed responsibility for public service pension scheme and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Board noted that 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 scheme. Rachel Cowburn referred to the fact that a good reconciliation process was now in place.

8.2 The chair referred to the fact that an improvement was required in the area of training for members of the Board. Rachel Cowburn agreed to re-circulate the training needs analysis and the Pensions Regulation Checklist.

ACTION: Rachel Cowburn

RESOLVED:

To note the Code of Compliance Checklist and areas where further work was required and being undertaken.

9 GMP Reconciliation Update

9.1 Rachel Cowburn introduced the report providing the Pensions Board with an update on the Fund's GMP reconciliation (Guaranteed Minimum Pensions) exercise, which was being undertaken to ensure that scheme member records for periods spent contracted out of the second state pension are properly accounted for. The report provided an update on the progress of Phase 2 of the reconciliation exercise and outlined factors for considering and agreeing an increase in the budget to complete Phase 2, and to consider the proposal and budget for beginning the next phase of the project, Phase 3a – Certification & Reconciliation (initial stage). In response to the Chair it was confirmed that the GMP reconciliation was a cost borne by the fund. In response to Michael Hartney it was confirmed that the DWP would be notified of the reconciliation.

RESOLVED:

To note the report.

10 Pension Fund Actuarial Valuation 2019 - Introduction

10.1 Rachel Cowburn presented the report providing an introduction to the 2019 valuation process and set out an indicative timetable. The report covered measures discussed with the Fund actuary to address potential timetabling issues resulting from later data provision and summarised the latest developments with regards to the use of the LGPS Scheme Advisory Board and Treasury Cost Cap mechanisms.

RESOLVED:

To note the report

11 Any Other Business

11.1 There was no other business

Duration of the meeting: 10am - 11:30pm

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Review of the Pensions Regulator's Work – Update and Training Pensions Board 18th November 2019	Classification PUBLIC	Enclosures Three AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 The purpose of this report is for the Pensions Board to consider the work undertaken by the Pensions Regulator (TPR) in relation to governance and administration risks in public service pension schemes. The report sets out the background to the Regulator's work, highlights key points from the Regulator's recent report on its findings and suggests areas in which the Hackney Pension Fund demonstrates good practice and those in which it can make improvements to its governance and administration. The report also introduces the Regulator's administration and governance survey for 2019, for discussion by the Board. During the meeting, the Board will receive a training session covering the work set out in this report.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
 - Note the report, with particular reference to the areas in which the Hackney Pension Fund could make improvements to its governance and administration.
 - Note the requirement to complete the scheme governance and administration survey by 29th November 2019.

3. → RELATED DECISIONS¶

- 3.1 N/A

4. → COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 Understanding the expectations of the Pensions Regulator, who has oversight of governance and administration in the Local Government Pension Scheme (LGPS), helps the Pension Board to assist Hackney Council as the administering authority in ensuring the efficient and effective governance and administration of the Fund, in line with its statutory duties. Good governance of the Fund helps to ensure its long term financial health and that of its stakeholders, including the Council.
- 4.2 There are no immediate financial implications arising from this report.

5. → COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme
- 5.2 Reviewing this recent report from the Pensions Regulator will assist the Board in understanding the Regulator's expectations with regards to the governance and administration of the Fund. The Regulator has oversight of the governance and administration of the LGPS on a national basis; its work is therefore directly relevant to the role of the Hackney Pensions Board.
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and the relevance of the work of the Pensions Regulator, the consideration of this report would appear to properly fall within the Board's remit

6. → **TPR ENGAGEMENT EXERCISE - SUMMARY**

- 6.1 The Pensions Regulator recently completed an engagement exercise with 10 local government funds from across the UK. The exercise was completed between October 2018 and July 2019 following the results of the Regulator's governance and administration survey, which suggested that the rate of improvement across the LGPS had slowed down. The aim of the exercise was to understand scheme managers' approaches to a number of key risks, feedback on good practice and suggest improvements that could be made.
- 6.2 The Regulator has now produced a report on its findings which highlights key risks, sets out examples of good practice and suggests areas in which improvements can be made. The report is not intended as a comprehensive evaluation of the operation of individual funds or as replacing audit requirements/providing regulatory assurance. Instead, funds may use the report to understand the Regulator's expectations and reflect on their own examples of good practice and areas for improvement.
- 6.3 In its report, the Regulator sets out a number of areas of focus. These include
- Record- keeping
 - Internal controls
 - Administrators
 - Member communication
 - Internal Dispute Resolution Procedures (IDRP)
 - Pensions Boards
 - Employers and contributions
 - Cyber Security
 - Internal Fraud and False Claims
- The findings and recommendations in relation to each area of focus are set out in the Regulator's report, attached at Appendix 1 to this report. Along with the key findings and recommendations, the Regulator also includes discursive case studies for each area of focus, setting out in more detail both examples of good practice and examples of where improvements are suggested.
- 6.4 The Regulator's key conclusions from the exercise are as follows:

- Not all funds are the same and there are a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.
- Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
- Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.
- Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards.

7. → **CONSIDERATIONS FOR THE HACKNEY FUND**

- 7.1 TPR's engagement exercise provides useful guidance for the Fund in terms of the expectations of the Regulator with regards to the Fund's management of governance and administration risk. The report highlights a number of areas where the Fund is able to demonstrate good practice, but also indicates areas where the Fund could improve its management of risks.
- 7.2 Appendix 2 presents the Regulator's recommendations and considers the Fund's approach to each, indicating for discussion by the Board areas in which improvement could be considered.

8. → **2019 ADMINISTRATION AND GOVERNANCE SURVEY**

- 8.1 On 6th November, the Pensions regulator sent out its 2019 administration and governance survey. The survey is intended to help the Regulator understand what schemes are doing to improve their standards of governance and administration, so it can focus on areas where they may need more support and education. It is recommended that scheme managers complete the survey with assistance from Pension Board chairs and scheme administrators.
- 8.2 A copy of the survey is attached at Appendix 3, for consideration by the Board prior to completion.

Ian Williams

Group Director, Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Juliet Babb ☎020-8356 6183

Appendices

Appendix 1 - TPR Report - Governance and Administration Risks in Public Service Pension Schemes

Appendix 2 - Review of TPR's recommendations with reference to the Hackney Fund

Appendix 3 - TPR 2019 Administration and Governance Survey

Governance and administration risks in public service pension schemes: an engagement report

Findings from our engagement with 10 local government funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. As part of each engagement we fed back on good practice and suggested improvements that could be made.

The engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. We were pleased to note that scheme managers were already sharing good practice with their LGPS peers and hope that working with us offered scheme managers a new perspective on their funds.

We carried out this review at a high level based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.

It is not a comprehensive evaluation of the funds' operations and is not intended to replace audit requirements, nor is it to be considered as regulatory assurance or an endorsement of the fund by The Pensions Regulator (TPR).

On this page

1. [About this report](#)
2. [Glossary of terms](#)
3. [Executive summary](#)
4. [Key findings and associated case studies](#)
5. [Conclusion](#)

Glossary of terms

Term	Description
CETV	Cash Equivalent Transfer Value, a valuation of a members benefit entitlement that can be transferred to another scheme.
FCA	The Financial Conduct Authority, which regulates firms in the financial sector including IFAs.
Firm	A business in the financial sector carrying out activities that require authorisation from the FCA.
Fund	A locally administered element of a wider pension scheme.
IFA	Independent Financial Adviser, a person with FCA authorisation to advise people about financial decisions.

Member	A person who has paid into and expects to receive or is receiving a benefit from a pension scheme.
PAS	Pension Administration Strategy, a document detailing roles and responsibilities as well as penalties for non-compliance with duties to the fund.
Pension Board	A body that supports and advises the scheme manager.
Pension committee	A body running a pension scheme with the delegated authority of the scheme manager.
PSPS	Public Service Pension Scheme
Saver	A potential beneficiary of a pension scheme, whether or not they are a member.

s.151 officer	A senior member of staff at a Local Authority. Controls resourcing across the Authority, including for the running of the local element of the Local Government Pension Scheme.
Scheme	A pension scheme which may have separate funds within it.
Scheme manager	The person or body legally responsible for the operation of a PSPS.
SLA	Service Level Agreement, an agreed and measurable level of quality usually forming part of a contract.

Executive summary

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our [annual public service governance and administration survey](#).

Key person risk: While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.

Pension boards: Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

Fraud / scams: We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.

Employers: We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The following sections detail our findings and recommendations, together with case studies we believe will be helpful to the PSPS community.

Key findings and associated case studies

Area of focus: Record-keeping

Code of Practice 14 – Governance and administration of public service pension schemes

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings	Recommendations
<p>Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.</p> <p>Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises and improving contract management methods.</p>	<p>Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.</p> <p>The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.</p> <p>Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board should review</p>

They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.	the PAS and ensure it will stand up to challenges from employers.
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Record-keeping case study 1

One scheme manager we engaged with identified concerns with the accuracy of both the common and scheme specific data it held about the fund members. Following engagement with TPR, the scheme manager created and implemented a robust data improvement plan to drive up record-keeping standards.

One of the data areas of concern for the scheme manager was the number of missing member addresses - this resulted in data scores of 60-80% for common and scheme specific categories. After a review of available resources, the scheme manager undertook a tracing exercise and within a short period of time was able to locate and carry out existence checks on over 90% of the deferred members without known addresses. The exercise also involved reviewing the way active and pensioner members are communicated with to ensure the fund holds the correct contact details for them.

This is an example of a scheme manager taking a holistic approach to improving its record-keeping standards. It gave consideration to the resource available so the project achieved a positive result while providing good value for money. The scheme manager has established that having a data improvement plan which is regularly reviewed will improve oversight of the actions it needs to take and the associated deadlines.

Record-keeping case study 2

The scheme manager of a fund we engaged with openly communicated with us about the challenges it faced in producing Annual Benefit Statements. We were told delays were caused by employers not providing member data to the scheme manager on time, and there were issues with the accuracy of some member data provided by employers.

Having considered its operational structure, and our expectations on governance and administration, the scheme manager reorganised itself internally. With the support of the s.151 officer, the scheme manager developed and implemented a robust data improvement plan which could be measured.

As well as creating a data improvement plan the scheme manager also strengthened its pension administration strategy, outlining responsibilities and the timeframes for action. This document made the consequences of non-compliance by employers clear, such as

financial penalties. The scheme manager has also introduced regular employer forums to help further raise standards with employers.

As a result the scheme manager has seen a marked improvement in employer engagement and the quality of member data it holds. It continues to actively monitor both data quality and employer compliance.

Area of focus: Internal controls

Code of Practice 14 – Governance and administration of public service pension schemes

The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Findings	Recommendations
<p>There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks.</p> <p>We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role.</p>	<p>A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.</p> <p>The scheme manager should take a holistic view to risks and understand how they are connected.</p> <p>The pension board should have good oversight of the risks and review these at each pension board meeting.</p> <p>Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.</p> <p>The scheme manager should ensure all processes are documented and reviewed on a regular basis.</p> <p>Decision and action logs covering all decisions provide a useful</p>

Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.	reference point as decisions recorded in minutes can be hard to locate.
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Internal controls case study 1

A scheme manager has reviewed the approach it takes to maintaining a risk register, having found the approach it was taking could be more effective.

The scheme manager developed a high level document which identifies a wide range of risks with all members of the senior leadership team having a role in the identification and scoring of potential risks.

This document is supported by detailed 'risk maps' which provide:

- (i) a description of the identified risks
- (ii) the person responsible for overseeing the risk
- (iii) how the risk is scored and
- (iv) details of the mitigating actions and controls in place

Action points identified have clear timescales for completion with an identified person being responsible for delivery.

The full risk register is made available to the pension committee and pension board each time they meet and its review is a standing item on both agendas. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

This is an example of a fund which is engaged at all levels of seniority to identify and mitigate risks to good saver outcomes. There are clear, identified processes in place along with strong oversight of the work being done. This approach was devised before TPR began to engage with the scheme manager and demonstrates a clear desire to improve.

Internal controls case study 2

A scheme manager has developed two risk registers, one for the pension committee (which acts as delegated scheme manager) and a separate, shorter, register for the pension board.

The risk register for the pension board had been reduced in size and detail at the request of the pension board. We have concerns the reduced risk register will prevent the pension board members from having full oversight of all the fund's risk and applying their knowledge and understanding in an appropriate way as they will not be fully conversant with the facts surrounding each risk.

The pension board also only reviews the risk register twice a year. We believe the risk register should be a standing item on the agenda for both the pension committee and the pension board and reviewed at each meeting – ie it will be reviewed at least each four times a year by each body.

We gave feedback to the scheme manager about our concerns and recommendations, and would encourage funds that adopt similar practices to consider how they can make more effective use of the pension board and improve the engagement levels of its members.

Area of focus: Administrators

Code of Practice 14 – Governance and administration of public service pension schemes

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings	Recommendations
<p>Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done.</p> <p>Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members.</p>	<p>Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.</p> <p>Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.</p> <p>It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.</p>

There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.	Scheme managers should hold regular meetings with their service providers to monitor performance.
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Administrator case study 1

A scheme manager had entered into an outsourcing contract with an administrator. The administrator's performance over a period of time was unsatisfactory, and targets and SLAs were not consistently met. Despite the council's finance director personally intervening with the administrator, matters were not improved to acceptable levels and penalty clauses were invoked.

The scheme manager decided to terminate the contract and review alternative administrative options, with a key aim of including more visibility, which the previous contract type arrangement had not provided.

The scheme manager decided not to take the administration back in house, but to enter into a third option, a shared service partnership with another administrator. This is charged on a shared cost per member basis. The new administrator also provides administrative services for a few other public service funds. The scheme manager is now part of a collaborative board and engages regularly with other scheme managers, has better visibility and good reporting functionality which now enables easy monitoring of the administrator's performance.

Data quality improvements were recognised as a key focus for the new administrator on its appointment. The scheme manager developed and put in place a robust data improvement plan with the new administrator and has made considerable improvements in its data quality scores in a short period of time. They are now using the plan as a living document to continue to target the areas needing improvement.

Administrator case study 2

One of the scheme managers had appointed a third party administrator using a partnership agreement, rather than a commercial contract. This demonstrates one of a number of approaches taken by scheme managers to secure administration services.

The scheme manager has established a clear set of objectives for the administrator and receives monthly reports about whether these are being met. The reports are shared with the pension board. Additionally, at each pension board meeting a representative of the

administrator is present. This allows the pension board members to directly question the administrator about the work it is doing on behalf of the scheme manager and ensure that good saver outcomes are achieved.

Even when a scheme manager uses an outsourced administration service it remains liable for the work done on its behalf. This example demonstrates positive steps taken by a scheme manager to ensure it has effective oversight and can hold an administrator to account.

Administrator case study 3

A scheme manager was informed that its third party administrator intended to restructure in order to improve the level of service it provided to its clients. The administrator was confident that the restructure would not affect its business as usual work and the scheme manager took comfort from this without seeking more detailed assurances.

The restructure did not go as planned, which led to delays in member data being processed and SLAs not being met for around six months. The scheme manager has since increased the number of both operational and strategic meetings it holds with the administrator to combat the declining performance of the administrator.

As part of this work the scheme manager has set clearly documented expectations and provided priorities to the administrator to minimise the number and impact of poor saver outcomes. The scheme manager has now developed new ways of working with the administrator to ensure it probes the administrator's plans in more detail in the future.

This is an example of a scheme manager placing excessive reliance on assurances from an administrator without seeking evidence that supported the assurances. Robust contract management is important and will help scheme managers to identify upcoming risks to savers and to build a strong understanding of the information being provided.

Area of focus: Member communication

Code of Practice 14 – Governance and administration of public service pension schemes

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings	Recommendations
<p>A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.</p> <p>Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.</p>	<p>Information sent to members should be clear, precise and free from jargon.</p> <p>There should be senior oversight of communications sent to members and prospective members.</p> <p>It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.</p>

Member communication case study 1

A scheme manager had previously delegated responsibility for communication with members to its third party administrator. However, it had a number of concerns about the quality of the service being provided, which included how members were kept informed and the level of detail provided.

The scheme manager took the decision to change its administrator and has now taken greater control over the communication with members. This has led to the development of a new pension administration strategy, with clear expectations around member communications being set and monitored.

A new website is being developed and the scheme manager recognises that having a clear online presence is an important method of communicating with current and potential members.

It is important to communicate with members, potential members and other relevant savers in a clear way. The information provided by a scheme manager will be used by members to make important decisions about their financial affairs. This is an example of a scheme manager looking to improve the member experience through revising the way it communicates.

Member communication case study 2

We engaged with a scheme manager that has developed a detailed communication strategy, which covers the content, frequency, format and methods of communicating. The scheme manager actively promotes the benefits of joining the fund to prospective members and through the participating employers.

Two people are responsible for different aspects of member communications, with all material being formally approved by the scheme manager before being used. The scheme manager has developed a wide range of accessible materials for savers, including a website, a wide range of information booklets, and newsletters.

Members are informed clearly of how they can raise any queries or concerns about the operation of the fund. This includes members being able to go to the scheme manager's offices in person to discuss any queries with a suitable member of staff.

The scheme manager conducts annual surveys of its members, publishing the outcomes on its website and in its annual report. It uses this information, together with complaint trends, to identify how it can provide a better service to savers.

Area of focus: Internal Dispute Resolution Procedure (IDRP)

Code of Practice 14 – Governance and administration of public service pension schemes

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings	Recommendations
<p>Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.</p> <p>Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.</p> <p>Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.</p>	<p>There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff. People entitled to use the IDRP should be given clear information about how it operates.</p> <p>This information should be easily available, eg on the fund website. The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.</p> <p>Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.</p>

IDRP case study 1

All the scheme managers we engaged with operate a two stage IDRP, where the first and second stages are looked at by people who are independent of each other.

Initially, one of the scheme managers we engaged with didn't have oversight of complaints entering the first stage of the IDRP. These complaints were dealt with by employers as they were not considered to be issues about the fund or an in-house administration matter. This meant the scheme manager did not have full oversight of the first stage complaints and therefore could not identify whether there were any trends or patterns that needed addressing, eg an employer training issue.

Following engagement as part of the cohort work, we recommended that the scheme manager develop greater oversight of the work being done on its behalf. The scheme manager now recognises this is an area where it should improve and has amended its processes to ensure it is aware of how member outcomes are being managed when first stage IDRP complaints are received.

IDRP case study 2

Like all other funds we engaged with, this scheme manager operates a two tier IDRP. However, the scheme manager stood out in this instance for the detailed and methodical manner in which it records complaints that are raised.

All complaints are recorded in a single log which detail how it progresses, potentially from an initial concern through to a finding issued by the Pensions Ombudsman. This allows the scheme manager to analyse complaint trends and the learning points are used to improve the operation of the fund.

Additionally, all actions relating to complaints have a clear owner. This allows for strict quality control and helps ensure complaints are dealt with as soon as possible.

We would encourage all scheme managers, where they have not already done so, to adopt a detailed and auditable approach to monitor complaints and compliments received through all channels.

Area of focus: pension boards

Code of Practice 14 – Governance and administration of public service pension schemes

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function

Findings	Recommendations
<p>Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board.</p> <p>We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.</p>	<p>The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.</p> <p>Individual pension board member training and training needs should be assessed and clearly recorded.</p> <p>The pension board should meet an appropriate number of times a year, at least quarterly.</p> <p>Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.</p> <p>Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs.</p>

The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds.

Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.

The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency. Pension board members should be fully engaged and challenge parties where appropriate.

Pension board case study 1

One scheme manager spoke to us about the challenge it has faced regarding attendance at pension board meetings, and ensuring the pension board has the required level of knowledge and understanding. At one time it had to reschedule a meeting of the pension board because so few people attended the meeting.

Since then the scheme manager has changed its policy on pension board meetings. One pension board member with a low attendance record has been removed and replaced with a more engaged representative.

The scheme manager is also reviewing how it records the training that pension board members attend. Currently, training is recorded at a high level and there is no clear method of identifying training needs, although informal discussions take place between the scheme manager and individual pension board members.

The scheme manager has recognised that it needs to better understand how pension board members are meeting their obligation to have an appropriate level of knowledge.

Pension board case study 2

Another scheme manager we engaged with has reviewed how the pension board operates and decided to appoint an independent chair. While the chair does not have voting rights, this person lends their expertise to the running of the pension board to ensure meetings run effectively.

Having an independent chair is not compulsory but in this instance is a positive example of a scheme manager being aware of the needs of the local pension board and taking steps to ensure it operates effectively.

The scheme manager has also developed a strong working relationship with the chair, holding a number of informal meetings outside of the formal pension board meetings. This working practice allows the scheme manager to ensure the pension board receives all the information it needs and that the scheme manager can comprehensively answer any anticipated questions.

Area of focus: Employers and contributions

Code of Practice 14 – Governance and administration of public service pension schemes

Contributions must be paid to the scheme in accordance with scheme regulations.

Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

Findings	Recommendations
<p>Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.</p> <p>Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk.</p>	<p>Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus. Employer solvency should be considered on an ongoing basis and not just at the time of each valuation.</p> <p>Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier. Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.</p>

Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types, generally those with larger funds.

Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.

Scheme managers should develop an understanding of the risks and benefits of a range of security types, such as charges, bonds and guarantees.

Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.

Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets.

Where security is in place, Scheme Managers should have a policy on when the security should be triggered.

Employer case study 1

Having a robust method for reviewing employer risk is a high priority for one of the scheme managers we engaged with. It has developed a process to maintain oversight of the various participating employers in the fund, covering a range of topics from the provision of member data to the strength of the employer covenant.

Each employer is risk rated and the risk levels are regularly monitored. This allows the scheme manager to gain advance notice of potential problems so it can take steps to mitigate the risks and to provide comfort that guarantors are in a position to pay additional amounts to the fund if a call on the guarantee is made.

This information is also used to inform employers of any failures to meet their obligations to the fund at an early stage, identifying action points they need to carry out.

Employer case study 2

Scheme manager 1 has decided to incorporate a charging policy for seeking the reimbursement of costs caused by an employer's failure to comply with its obligations into admission agreements. This means the scheme manager has a clear policy in place that all employers will be aware of when they start to participate in the fund.

Not all scheme managers have approached the issue of employer compliance in the same way. Scheme manager 2 has a small portfolio of participating employers and relies on having a good relationship with them in order to achieve compliance. This scheme manager also considers that as most employers are supported by central government it need not be concerned with affordability.

We were concerned about the lack of formal processes to ensure compliance. While the scheme manager has not encountered difficulties to date, we have recommended that it makes some improvements. Additionally, all scheme managers should remember that, should a participating employer suffer an insolvency event, any missing payments due to the fund will need to be paid by someone and there should not be an over-reliance on the taxpayer and other employers.

Area of focus: Cyber security

Guidance: Cyber security principles for pension schemes

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. Scheme managers need to take steps to protect their members and assets accordingly.

Findings	Recommendations
<p>Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority.</p> <p>Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager.</p> <p>Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.</p>	<p>Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register. Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.</p> <p>Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.</p> <p>Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.</p>

Cyber security case study 1

A scheme manager we engaged with identified cyber security as one of the top risks to the fund. It demonstrated a good awareness of the processes put in place by the Local Authority and carries out testing of these processes.

The scheme manager had recently tested both its cyber defences and the wider business continuity plan. As a result it is confident it can provide a good service to savers in the event of a wide variety of disaster scenarios.

As part of our engagement we also found the scheme manager has processes in place to assess the adequacy of steps taken by its service providers to protect member data. This gives the scheme manager comfort that member data will be secure when being handled by other bodies.

Although the scheme manager has not implemented its own controls it has rigorously reviewed the process put in place by the Local Authority. It has satisfied itself that those processes are of a sufficient standard to protect the fund and its savers.

Cyber security case study 2

A scheme manager had not considered the importance of cyber security until we engaged with them as part of this work. The scheme manager was reliant on the security measures put in place by the council but did not engage on the topic, so it was not clear how it was affected.

Cyber security did not appear on the fund's risk register and the scheme manager was not actively considering the dangers of a successful cyber attack on the fund.

Following our engagement, the scheme manager has developed its understanding of the risks surrounding cyber security. It now records the risk on its risk register and as part of the Local Authority's strategy all staff will receive mandatory training in cyber security.

The scheme manager has also started engaging with third party service providers to ensure they also have robust cyber security and data protection procedures in place. This gives the scheme manager better oversight of how member data is protected when not under the scheme manager's direct control and marks a significant improvement in how this risk is monitored and mitigated.

Area of focus: Internal fraud and false claims

Code of Practice 14 – Governance and administration of public service pension schemes

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings	Recommendations
<p>Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.</p> <p>Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.</p> <p>Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps</p>	<p>Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.</p> <p>A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.</p> <p>A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.</p> <p>Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.</p> <p>When paper records are being used they should be held securely</p>

to reduce their own vulnerability to similar issues.	to prevent the risk of loss or mis-appropriation.
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Fraud case study 1

A scheme manager has worked with its administrator to put in stringent measures to prevent fraudulent activity. In addition to participating in the National Fraud Initiative, it does regular life certificate exercises as part of the fund's policy, checking mortality and addresses. Where doubts are raised the scheme manager will suspend payments pending clarification.

Many of the members of the fund are now non-resident in the UK, which provides challenges to the scheme manager in locating members. The scheme manager has adopted an innovative use of technology for the foreign domiciled members by arranging video calls to speak to the member who must show their passports to provide their identity and confirm personal details.

The scheme manager demonstrated good awareness of the risk of internal fraud by connected persons, and there is clear segregation of duties. Additionally the workflow processes being system driven provide automatic checks with different people checking and authorising the processes. Suspicious payments are immediately reported to senior management to check.

Fraud reporting policies are clear, and internal auditors are involved whenever there is suspicion of a fraudulent activity. The fraud reporting goes immediately to directorship and chief executive level.

Fraud case study 2

In this instance the scheme manager has strong controls in place to identify potential frauds against the fund assets.

The scheme manager works with the National Fraud Initiative to identify instances of possibly fraudulent claims for a benefit from the fund. The scheme manager's work in this area is supplemented by its involvement with the 'Tell Us Once' initiative and the use of a third party agency to help identify when beneficiaries have passed away.

The scheme manager also demonstrated an awareness of the risks associated with members and other potential beneficiaries being overseas. It carries out existence checks on these people as well as those residing in the United Kingdom.

When a payment is due to be made, the scheme manager has introduced a vigorous set of controls. This has led to a clear separation of duties and the requirement for payments to be independently authorised, reducing the risk of fund employees misappropriating fund assets.

Conclusion

We've outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.

It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.

There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.

Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.

Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.

A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.

Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and

qualitative assessments. This approach should be tailored to the specific circumstances of their fund.

Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.

Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.

Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

Pensions Board - The Pensions Regulator - Update and Training Session - Appendix 2

Area of focus: Record-keeping

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings	Recommendations	Hackney Fund Approach
<p>Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.</p> <p>Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises</p>	<p>Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.</p> <p>The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.</p> <p>Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board</p>	<p>Equiniti measures the quality of both common and scheme specific data</p> <p>The Fund has experienced a number of issues with poor employer data in recent years and has a data improvement plan in place. The data improvement plan is a work in progress and continues to be updated</p> <p>The Fund has a clear PAS in place and has started to charge employers where it is not adhered to.</p>

<p>and improving contract management methods.</p> <p>They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.</p>	<p>should review the PAS and ensure it will stand up to challenges from employers.</p>	
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Area of focus: Internal controls

The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Findings	Recommendations	Hackney Fund Approach
<p>There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks.</p> <p>We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the</p>	<p>A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.</p> <p>The scheme manager should take a holistic view to risks and understand how they are connected.</p> <p>The pension board should have good oversight of the risks and review these at each pension board meeting.</p> <p>Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.</p> <p>The scheme manager should ensure all processes are documented and reviewed on a regular basis.</p>	<p>The Fund has a risk register in place which is regularly reviewed. The full register is now included as a standing item on each Board agenda</p> <p>The Fund records many of its internal controls and processes, although some gaps exist. Recording at the strategic level is generally good, but more operational processes need to be documented to help address key person risk.</p> <p>The Fund should consider producing decision and action logs as it does not do so at present.</p>

<p>key person unexpectedly leave their role.</p> <p>Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.</p>	<p>Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.</p>	
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Area of focus: Administrators

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings	Recommendations	Hackney Fund Approach
<p>Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done.</p> <p>Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members.</p>	<p>Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.</p> <p>Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.</p> <p>It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.</p>	<p>The Fund has targets and KPIs in place with Equiniti and monitors these accordingly. The Fund challenges Equiniti and escalates where standards are not met.</p> <p>The Fund has a formal contract in place with a defined end date.</p> <p>The Fund should consider asking Equiniti to attend Pensions Board meetings</p> <p>Fund officers hold regular monthly service review meetings with Equiniti to monitor performance. Dedicated project meetings are scheduled for specific issues e.g. data quality improvement</p>

There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.	Scheme managers should hold regular meetings with their service providers to monitor performance.	
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Area of focus: Member communication

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings	Recommendations	Hackney Fund Approach
<p>A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.</p> <p>Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.</p>	<p>Information sent to members should be clear, precise and free from jargon.</p> <p>There should be senior oversight of communications sent to members and prospective members.</p> <p>It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.</p>	<p>The Fund has experienced issues in the past with information sent to members but has recently completed a review of its communications.</p> <p>Senior oversight of communications is in place</p> <p>The Fund has just introduced a new website and is working to improve its online presence. A review of website traffic etc could be considered once the new website has bedded in.</p>

Area of focus: Internal Dispute Resolution Procedure (IDRP)

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings	Recommendations	Hackney Fund Approach
<p>Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.</p> <p>Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.</p> <p>Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a</p>	<p>There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff.</p> <p>People entitled to use the IDRP should be given clear information about how it operates.</p> <p>This information should be easily available, eg on the fund website.</p> <p>The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.</p> <p>Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.</p>	<p>The Fund has a formal IDRP in place, and members are provided with clear information about its operation.</p> <p>This information is available on the Fund's website.</p> <p>The Fund could consider improving how it logs and analyses use of the IDRP to allow better oversight.</p>

complaint looks like is not known this will affect its ability to put things right.		
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Area of focus: pension boards

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function

Findings	Recommendations	Hackney Fund Approach
<p>Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board.</p> <p>We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.</p>	<p>The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.</p> <p>Individual pension board member training and training needs should be assessed and clearly recorded.</p> <p>The pension board should meet an appropriate number of times a year, at least quarterly.</p> <p>Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.</p> <p>Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs.</p>	<p>Attendance at meetings is good, with training provided at each meeting. The Fund should consider greater use of external training events/dedicated training sessions.</p> <p>The recording of individual training needs could be improved and the Fund is working to put this in place.</p> <p>The Pensions Board currently meets twice a year, in line with statutory requirements. The Fund may need to consider more frequent meetings if quarterly is the Regulator's expectation.</p> <p>Processes are in place in the terms of reference to potentially replace a pensions board member if required.</p> <p>The scheme manager is aware of the risk of turnover amongst staff, Board and Committee members.</p>

<p>The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds.</p>	<p>Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.</p> <p>The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency.</p> <p>Pension board members should be fully engaged and challenge parties where appropriate.</p>	<p>The Fund could consider increasing the frequency of communication between officers and the Pension Board Chair, potentially via minuted calls.</p> <p>The Chair of the Committee already frequently attends the Pensions Board; the Fund could consider how it can ensure more Board members are able to attend the Committee.</p>
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Area of focus: Employers and contributions

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

Findings	Recommendations	Hackney Fund Approach
<p>Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.</p> <p>Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme</p>	<p>Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus. Employer solvency should be considered on an ongoing basis and not just at the time of each valuation.</p> <p>Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier. Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.</p> <p>Scheme managers should develop an understanding of the risks and benefits</p>	<p>The Fund takes a risk based approach to its employers but could consider formalising this with a traffic light reporting system.</p> <p>The Fund engages with employers with outsourced payroll functions. This is particularly relevant to schools. The Fund has an employer liaison officer who will work directly with employers to ensure their payroll provider is submitting the information required.</p> <p>The Fund should consider providing more formal detail on its approach to different security types; the fund's employer mix is such that these have historically not been frequently used, but greater detail on the circumstances in which they would be should be considered.</p>

<p>managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk.</p> <p>Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types, generally those with larger funds.</p> <p>Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.</p>	<p>of a range of security types, such as charges, bonds and guarantees.</p> <p>Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.</p> <p>Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets.</p> <p>Where security is in place, Scheme Managers should have a policy on when the security should be triggered</p>	
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Area of focus: Cyber security

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. scheme managers need to take steps to protect their members and assets accordingly.

Findings	Recommendations	Hackney Fund Approach
<p>Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority.</p> <p>Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager.</p> <p>Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in</p>	<p>Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.</p> <p>Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.</p> <p>Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.</p> <p>Scheme managers should be aware of the cyber security processes used by third party providers, such as the</p>	<p>The Fund has reflected cyber security in its risk register, but should consider doing more to understand the Local Authority's approach to cyber security, including understanding when penetrating testing takes place.</p> <p>The Fund has assessed the cyber security processes used by providers but should ensure that records of this are formalised and kept up to date.</p>

place to test the effectiveness of both cyber security and resilience methods.	administrator or custodian, that handle fund assets or data.	
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Area of focus: Internal fraud and false claims

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings	Recommendations	Hackney Fund Approach
<p>Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.</p> <p>Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.</p>	<p>Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.</p> <p>A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.</p> <p>A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.</p> <p>Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.</p>	<p>The Fund has a policy statement with regards to payments made from Equiniti and has assessed Equiniti's internal processes. The Fund should consider including Equiniti's approach within its own documentation.</p> <p>Internally, the Fund uses the authority's payment approval processes which are clearly documented and auditable - more than one person's authority is required to make payment</p> <p>The Fund should consider formalising its approach in the event of fraud, particularly with reference to the difference between fraud and honest mistakes.</p>

<p>Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.</p>	<p>When paper records are being used they should be held securely to prevent the risk of loss or mis-appropriation.</p>	
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The Pensions Regulator

Public Service Governance and Administration Survey 2019

This document is intended to be used as a guide to help you gather the information required for the survey. Please note, however, that we need you to complete the questionnaire through the [online survey link](#) contained in your invitation email.

Thank you for taking the time to complete this survey. Please answer the questions in relation to the scheme referenced in your invitation email. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pensions Regulator's (TPR's) engagement with you in the future.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. They should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

There is a space at the end of the survey to add comments about your answers where you feel this would be useful.

SECTION A – GOVERNANCE

The first set of questions is about how your pension board works in practice.

A1. EVERYONE TO ANSWER

Does your scheme have a documented policy to manage the pension board members' conflicts of interest?

Please select one answer only

1. Yes
2. No
3. Don't know

A2. EVERYONE TO ANSWER

Does your scheme maintain a register of pension board members' interests?

Please select one answer only

1. Yes
2. No
3. Don't know

A3. EVERYONE TO ANSWER

Focusing on the scheme's pension board meetings in the last 12 months, please tell us the following:

Please write in the number for each of a-c below

a) Number of board meetings that were scheduled
to take place (in the last 12 months)

b) Number of board meetings that actually took
place (in the last 12 months)

c) Number of board meetings that were attended
by the scheme manager or their representative
(in the last 12 months)

A4. EVERYONE TO ANSWER

Do the scheme manager and pension board have sufficient time and resources to run the scheme properly?

Please select one answer only

1. Yes
2. No
3. Don't know

A5. EVERYONE TO ANSWER

Do the scheme manager and pension board have access to all the knowledge, understanding and skills necessary to properly run the scheme?

Please select one answer only

1. Yes
2. No
3. Don't know

A6. EVERYONE TO ANSWER

How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?

Please select one answer only

1. At least monthly
2. At least quarterly
3. At least every six months
4. At least annually
5. Less frequently
6. Never
7. Don't know

A7. EVERYONE TO ANSWER

On average, how many hours of training per year does each pension board member have in relation to their role on the pension board?

Please write in the number below

..... hours per year

A8. EVERYONE TO ANSWER

Does the pension board believe that in the last 12 months it has had access to all the information about the operation of the scheme it has needed to fulfil its functions?

Please select one answer only

1. Yes
2. No
3. Don't know

A9. EVERYONE TO ANSWER

Is the pension board able to obtain sufficient specialist advice on the following matters when it needs to?

Please select one answer per row

	Yes	No	Don't know
a) Administration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Cyber security	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Legal	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A10. EVERYONE TO ANSWER

Focusing on the composition of your pension board, please tell us the following:

Please write in the number for each of a-d below

- a) Number of current board members
- b) Number of vacant positions on the board
- c) Number of members that have left the board
in the last 12 months
- d) Number of members that have been appointed
to the board in the last 12 months

A11. EVERYONE TO ANSWER

Does the scheme have a succession plan in place for the members of the pension board?

Please select one answer only

- 1. Yes
- 2. No
- 3. Don't know

A12. EVERYONE TO ANSWER

Has the scheme manager delegated the responsibility for making the day-to-day decisions needed to run the scheme to another person?

Please select one answer only

- 1. Yes
- 2. No
- 3. Don't know

SECTION B – MANAGING RISKS

The next set of questions is about managing risks.

B1. EVERYONE TO ANSWER

Does your scheme have its own documented procedures for assessing and managing risk?

Please select 'No' if your scheme relies on your local authority's documented procedures for assessing and managing risk.

Please select one answer only

- 1. Yes
- 2. No
- 3. Don't know

B2. EVERYONE TO ANSWER

Does your scheme have its own risk register?

Please select 'No' if your scheme relies on your local authority's risk register.

Please select one answer only

- 1. Yes
- 2. No
- 3. Don't know

B3. EVERYONE TO ANSWER

In the last 12 months, how many pension board meetings reviewed the scheme's exposure to new and existing risks?

Please write in the number below

.....

B4. EVERYONE TO ANSWER

To what do the top three governance and administration risks on your register relate? If you do not have a risk register, please tell us to what the top three governance and administration risks facing your scheme relate.

Please select up to three options below

1. Funding or investment
2. Record-keeping (i.e. the receipt and management of correct data)
3. Guaranteed Minimum Pension (GMP) reconciliation
4. Securing compliance with changes in scheme regulations
5. Production of annual benefit statements
6. Receiving contributions from the employer(s)
7. Lack of resources/time
8. Recruitment and retention of staff or knowledge
9. Lack of knowledge, effectiveness or leadership among key personnel
10. Poor communications between key personnel (board, scheme manager, administrator, etc.)
11. Failure of internal controls
12. Systems failures (IT, payroll, administration systems, etc.)
13. Cyber risk (i.e. the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its IT systems and processes)
14. Administrator issues (expense, performance, etc.)
15. Other (please specify):
16. Don't know

SECTION C – ADMINISTRATION AND RECORD-KEEPING PROCESSES

The next set of questions is about administration and record-keeping.

C1. EVERYONE TO ANSWER

Does the scheme have an administration strategy?

Please select one answer only

1. Yes
2. No
3. Don't know

C2. EVERYONE TO ANSWER

Which of the following best describes the scheme's administration services?

Please select one answer only

1. Delivered in house
2. Undertaken by another public body (e.g. a county council) under a shared service agreement or outsource contract
3. Outsourced to a commercial third party
4. Other
5. Don't know

C3. EVERYONE TO ANSWER

Which of the following do you use to measure the performance of your administrators (whether in-house or outsourced)?

Please select all the options that apply

1. Performance against a service level agreement or service schedule
2. Member satisfaction ratings
3. 'Right first time' statistics
4. Testing the accuracy of calculations
5. Analysis of errors
6. Complaints volumes and trends
7. Volumes of rework required
8. Assessing project delivery against initially agreed time and cost
9. Benchmarking against the market
10. Auditing administration functions and systems
11. None of these
12. Don't know

C4. EVERYONE TO ANSWER

To what extent are the following processes automated?

A process is automated if it is completed through the use of technology, for example through a software platform, with minimal human intervention.

Please select one answer per row

	Fully automated	Mainly automated with some manual intervention	Mainly done manually	All done manually	Don't know
a) Verification and input of employer data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Reconciliation of contributions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Reporting – data quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Reporting – complaints and issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Benefit value calculations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Transfer value calculations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Production of benefit statements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Monitoring workload and resourcing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

C5. EVERYONE TO ANSWER

What, if any, barriers do you face to automating more of the scheme's processes?

Please select all the options that apply

1. Lack of suitable technology
2. Difficulty in integrating it with the scheme's existing systems
3. The initial set-up costs involved
4. Securing the necessary internal approval
5. Internal resistance to (further) automation
6. Lack of knowledge/expertise about how to implement this
7. Poor quality of the data
8. Other (please specify):
9. No barriers to automating more of the scheme's processes
10. Don't know

C6. EVERYONE TO ANSWER

In the last 12 months, how many pension board meetings had administration as a dedicated item on the agenda?

Please write in the number below

.....

C7. EVERYONE TO ANSWER

Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?

Please select one answer only

1. Yes
2. No
3. Don't know

C8. EVERYONE TO ANSWER

Does the scheme have an agreed process in place with the employer(s) to receive, check and review data?

Please select one answer only

1. Yes
2. No
3. Don't know

C9. EVERYONE TO ANSWER

Is your scheme single employer or multi-employer?

Please select one answer only

1. Single employer scheme (i.e. used by just one employer)
2. Multi-employer scheme (i.e. used by several different employers)

C10. ANSWER IF SINGLE EMPLOYER SCHEME (C9=1)**Does your participating employer...***Please select one answer per row*

	Yes	No	Don't know
a) Always provide you with timely data?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Always provide accurate and complete data?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Submit data to you monthly?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Submit data to you electronically?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

C11. ANSWER IF MULTI-EMPLOYER SCHEME (C9=2)**What proportion of your scheme's employers...***Please write in the percentage (from 0% to 100%) for each of a-d below. If you do not know exactly, please give an approximate percentage.*

- a) **Always provide you with timely data?** %
- b) **Always provide accurate and complete data?** %
- c) **Submit data to you monthly?** %
- d) **Submit data to you electronically?** %

C12. EVERYONE TO ANSWER**Does the scheme have a process in place for monitoring the payment of contributions?***Please select one answer only*

1. Yes
2. No
3. Don't know

C13. EVERYONE TO ANSWER**Does the scheme have a process in place for resolving contribution payment issues?***Please select one answer only*

1. Yes
2. No
3. Don't know

SECTION D – CYBER SECURITY

The next set of questions is about your scheme's cyber security.

D1. EVERYONE TO ANSWER

Which, if any, of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?

By 'cyber risk' we mean the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Please select all the options that apply

1. Roles and responsibilities in respect of cyber resilience are clearly defined and documented
2. Cyber risk is on the risk register and regularly reviewed
3. Assessment of the vulnerability to a cyber incident of the key functions, systems, assets and parties involved in the running of the scheme
4. Assessment of the likelihood of different types of breaches occurring in the scheme
5. Access to specialist skills and expertise to understand and manage the risk
6. System controls (e.g. firewalls, anti-virus and anti-malware products and regular updates of software)
7. Controls restricting access to systems and data
8. Critical systems and data are regularly backed up
9. Policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working
10. Policies on data access, protection, use and transmission which are in line with data protection legislation and guidance
11. An incident response plan to deal with any incidents which occur
12. The scheme manager has assured themselves of third party providers' controls (including administrators)
13. The scheme manager receives regular updates on cyber risks, incidents and controls
14. The pension board receives regular updates on cyber risks, incidents and controls
15. None of these
16. Don't know

D2. EVERYONE TO ANSWER

Have any of the following happened to your scheme, including at your administration provider, in the last 12 months?

Please select all the options that apply

1. Computers becoming infected with ransomware
2. Computers becoming infected with other viruses, spyware or malware
3. Attacks that try to take down your website or online services
4. Hacking or attempted hacking of online bank accounts
5. People impersonating your scheme in emails or online
6. Staff receiving fraudulent emails or being directed to fraudulent websites
7. Unauthorised use of computers, networks or servers by staff, even if accidental
8. Unauthorised use or hacking of computers, networks or servers by people outside your scheme
9. Any other types of cyber security breaches or attacks
10. None of these
11. Don't know

D3. ANSWER IF EXPERIENCED ANY CYBER SECURITY BREACHES IN THE LAST 12 MONTHS (D2=1-9)

Thinking of all the cyber security breaches or attacks experienced by your scheme in the last 12 months (including at your administration provider), which, if any, of the following happened as a result?

Please select all the options that apply

1. Software or systems were corrupted or damaged
2. Personal data (e.g. on members, beneficiaries or staff) was altered, destroyed or taken
3. Permanent loss of files (other than personal data)
4. Temporary loss of access to files or networks
5. Lost or stolen assets, trade secrets or intellectual property
6. Money was stolen
7. Your website or online services were taken down or made slower
8. Lost access to any third-party services you rely on
9. None of these
10. Don't know

SECTION E – DATA REVIEW

The next set of questions is about your scheme's approach to reviewing and improving its data.

E1. EVERYONE TO ANSWER

When did your scheme last complete a data review exercise?

Please select one answer only

1. Within the last 12 months
2. More than 12 months ago
3. Never completed one
4. Don't know

E2. ANSWER IF SCHEME HAS EVER COMPLETED A DATA REVIEW EXERCISE (E1=1 OR 2)

Did your scheme's most recently completed data review exercise identify any issues or problems with the following?

Please select one answer per row

	Yes	No	Don't know
a) National insurance number	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) First name	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Surname	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) Expected retirement age	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) Anticipated income at retirement (based on expected retirement age)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
l) Other data item(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

E3. ANSWER IF REVIEW IDENTIFIED ISSUES WITH ANY OF THE SPECIFIC DATA ITEMS (YES AT ANY OF E2a-k)

Focussing just on the specific data items that you identified issues or problems with in your most recently completed data review, approximately what percentage of the scheme memberships were affected by each one?

*Please select one answer per row
(just for those selected at E2)*

	% of memberships affected					
	<1%	1-9%	10-19%	20-29%	30%+	Don't know
a) National insurance number	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) First name	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Surname	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) Expected retirement age	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) Anticipated income at retirement (based on expected retirement age)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

E4. ANSWER IF DATA REVIEW IDENTIFIED ISSUES WITH ANY DATA ITEMS (YES AT ANY OF E2a-l)

Has any action been taken to address the issues or problems identified with the data?

Please choose one answer that most closely describes the action your scheme has taken to date

1. An improvement plan is in development
2. An improvement plan is in place but rectification work is not yet complete
3. An improvement plan has been put in place and rectification work has been completed
4. Rectification work has been undertaken without an improvement plan
5. No improvement plan has been developed and no work has been undertaken
6. Don't know

SECTION F – ANNUAL BENEFIT STATEMENTS

The next set of questions is about members' annual benefit statements.

F1. EVERYONE TO ANSWER

In 2019, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in the percentage below. If you do not know exactly, please give an approximate percentage.

..... %

F2. ANSWER IF DEADLINE WAS MISSED FOR ANY MEMBERS (F1=0-99%)

Was the missed deadline for issuing active member statements reported to TPR?

Please select one answer only

1. Yes - and Breach of Law report made
2. Yes - but decided not to make a Breach of Law report
3. No - not reported
4. Don't know

F3. ANSWER IF MISSED DEADLINE WAS NOT REPORTED TO TPR (F2=3)

What was the main reason for not reporting the breach?

Please select one answer only

1. Not material - few statements affected
2. Not material - very short delay
3. Other reason (please specify):
4. Don't know

F4. EVERYONE TO ANSWER

What proportion of all the annual benefit statements the scheme sent out in 2019 contained all the data required by regulations?

Please write in the percentage below. If you do not know exactly, please give an approximate percentage.

..... %

SECTION G – RESOLVING ISSUES

The next set of questions is about resolving issues or complaints the scheme has received.

G1. EVERYONE TO ANSWER

Does the scheme have a working definition of what constitutes a complaint?

Please select one answer only

1. Yes
2. No
3. Don't know

G2. EVERYONE TO ANSWER

Focusing on the complaints you have received in the last 12 months from members or beneficiaries in relation to their benefits and/or the running of the scheme, please tell us the following information.

Please write in the number for each of a), b) and c) below. The number at b) should be equal to or lower than the number at a). The number at c) should be equal to or lower than the number at b).

- a) **Total number of complaints received**
- b) **Number of these complaints that have entered the Internal Dispute Resolution (IDR) process**
- c) **Number of these complaints that were upheld by the IDR process**

G3. ANSWER IF ANY COMPLAINTS ENTERED THE IDR PROCESS IN THE LAST 12 MONTHS (G2b>0)

To what did the top three types of complaint going through the IDR process relate?

Please select up to three options below

1. Slow or ineffective communication
2. Inaccuracies or disputes around pension value or definitions
3. Delays to benefit payments
4. Disputes or queries about the amount of benefit paid
5. Delay or refusal of pension transfer
6. Inaccurate data held and/or statement issued
7. Pension overpayment and recovery
8. Eligibility for ill health benefit
9. Other (please specify):
10. Don't know

SECTION H – REPORTING BREACHES

The next set of questions is about the scheme's approach to dealing with any breaches of the law.

H1. EVERYONE TO ANSWER

Does the scheme have procedures in place to allow the scheme manager, pension board members and others to identify breaches of the law?

Please select one answer only

1. Yes
2. No
3. Don't know

H2. EVERYONE TO ANSWER

In the last 12 months, have you identified any breaches of the law that are not related to annual benefit statements?

Please select one answer only

1. Yes
2. No
3. Don't know

H3. ANSWER IF ANY BREACHES OF THE LAW NOT RELATED TO ANNUAL BENEFIT STATEMENTS HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (H2=1)

What were the root causes of the breaches identified?

Please select all the options that apply

1. Systems or process failure
2. Failure to maintain records or rectify errors
3. Management of transactions (e.g. errors or delays in payments of benefits)
4. Failure of the employer(s) to provide timely, accurate or complete data
5. Late or non-payment of contributions by the employer(s)
6. Other employer-related issues (please specify):
7. Something else (please specify):
8. Don't know

H4. EVERYONE TO ANSWER

Are there procedures in place to assess breaches of the law, and report these to TPR if required?

Please select one answer only

1. Yes
2. No
3. Don't know

H5. ANSWER IF ANY BREACHES OF THE LAW NOT RELATED TO ANNUAL BENEFIT STATEMENTS HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (H2=1)

In the last 12 months, have you reported any breaches to TPR as you thought they were materially significant? Please do not include any breaches that related to annual benefit statements.

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION I – GOVERNANCE AND ADMINISTRATION

The next set of questions is about your progress in addressing governance and administration issues.

I1. EVERYONE TO ANSWER

What do you believe are the top three factors behind any improvements made to the scheme's governance and administration in the last 12 months?

Please select up to three options below

1. Improved understanding of underlying legislation and standards expected by TPR
2. Improved engagement by TPR
3. Improved understanding of the risks facing the scheme
4. Resources increased or redeployed to address risks
5. Administrator action (please specify):
6. Scheme manager action (please specify):
7. Pension board action (please specify):
8. Other (please specify):
9. No improvements made to governance/administration in the last 12 months
10. Don't know

I2. EVERYONE TO ANSWER

What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

Please select up to three options below

1. Lack of resources or time
2. Complexity of the scheme
3. The volume of changes that are required to comply with legislation
4. Recruitment, training and retention of staff and knowledge
5. Lack of knowledge, effectiveness or leadership among key personnel
6. Poor communications between key personnel (board, scheme manager, administrator, etc.)
7. Employer compliance
8. Issues with systems (IT, payroll, administration systems, etc.)
9. The McCloud judgement
10. Other (please specify):
11. There are no barriers
12. Don't know

SECTION J – PERCEPTIONS OF TPR

The final set of questions is about your views of TPR.

J1. EVERYONE TO ANSWER

Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) Tough	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Efficient	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Visible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Fair	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Respected	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Evidence-based	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Decisive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Clear	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Approachable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

J2. EVERYONE TO ANSWER

Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

Please select one answer only

1. Very effective
2. Fairly effective
3. Neither effective nor ineffective
4. Not very effective
5. Not at all effective
6. Don't know

J3. EVERYONE TO ANSWER

To what extent do you agree or disagree with the following statements?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) TPR is effective at bringing about the right changes in behaviour among its regulated audiences	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) TPR is proactive at reducing serious risks to member benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

SECTION K – ATTRIBUTION

Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments. Before you submit your answers, there are just a few more questions about your survey responses.

K1. EVERYONE TO ANSWER

Which of the following best describes your role within the pension scheme?

Please select one answer only

1. Scheme manager*
2. Representative of the scheme manager
3. Pension board chair
4. Pension board member
5. Administrator
6. Other (please specify):

**In this survey 'scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department.*

K2. EVERYONE TO ANSWER

What other parties did you consult with to complete this survey?

Please select all the options that apply

1. Scheme manager
2. Representative of the scheme manager
3. Pension board chair
4. Pension board member
5. Administrator
6. Other
7. Did not consult with any other parties

K3. EVERYONE TO ANSWER

To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your scheme name would not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?

Please select one answer only

1. Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR for this purpose
2. No, I would like my responses to remain anonymous

K4. EVERYONE TO ANSWER

And would you be happy for the responses you have given to be linked to your scheme name and shared with the relevant scheme advisory board? This is to help inform the advisory boards of areas for improvement and to further their engagement with pension boards.

Please select one answer only

1. Yes, I am happy for my responses to be linked to my scheme name and shared with the relevant advisory board
2. No, I would like my responses to remain anonymous

K5. EVERYONE TO ANSWER

TPR may conduct some follow up research on this topic to improve their advice and engagement with schemes such as yours. Would you be willing for us to pass on your name, contact details and relevant survey responses to them so that they, or a different research agency on their behalf, could invite you to take part?

You may not be contacted and, if you are, there is no obligation to take part. Your contact details will be stored for a maximum duration of 12 months, before being securely destroyed.

Please select one answer only

1. Yes, I am happy to be contacted for follow-up research
2. No, I would prefer not to be contacted for follow-up research

K6. EVERYONE TO ANSWER

Please record your name below. This is just for quality control purposes and will not be passed on to TPR (unless you have agreed that they can contact you for follow-up research).

Please write in below

.....

K7. EVERYONE TO ANSWER

Finally, please use the space below if you have any other comments or would like to clarify/ explain any of the answers you have given.

Please write in below if applicable

.....

.....

.....

.....

.....

.....

.....

Thank you. Please now submit your responses through the [online survey link](#) contained in your invitation email. If you have any queries or technical issues please contact James Murray (Director, OMB Research) at james.murray@ombresearch.co.uk or on 01732 220582.

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
London CIV Update Pensions Board 18th November 2019	Classification PUBLIC	Enclosures None AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 This report provides the Pensions Board with an overview of recent developments at the London CIV, including the requirement to recruit a new Chief Investment Officer (CIO) and the introduction of a new workstream to consider Responsible Investment (RI). A representative of the London CIV will be in attendance at the Board to provide a verbal update and take questions from Board members.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
- Note the report

3. → RELATED DECISIONS¶

- 3.1 Pensions Board 29th November 2018 - London CIV Governance Update
3.2 Pensions Committee 23rd July 2018 - London CIV Update

4. → COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.2 Regular engagement with the London CIV helps the Board to understand the impact of pooling on the Fund's investment governance. This in turn ensures the Board is able to support the Fund in its decision-making and delivery of its investment objectives, helping to ensure the long term financial health of the Fund and that of its stakeholders, including the Council.
- 4.3 There are no immediate financial implications arising from this report.

5. → COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

- 5.2 Regular engagement with the London CIV helps the Board to understand the impact of pooling on the Fund's investment governance. This helps demonstrate that the Board is meeting its regulatory requirement to ensure the effective and efficient governance of the Fund. As the Fund's chosen asset pool, the London CIV is integral to the delivery of the Fund's investment strategy; it is vital that the Fund understands the impact of the CIV on its decision making and is able to hold the pool to account accordingly.
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and the impact of the London CIV on the Fund's investment governance, the consideration of this report would appear to properly fall within the Board's remit

6. → **BACKGROUND TO THE REPORT**

- 6.1 The London Collective Investment Vehicle (CIV) was the first LGPS pool to be set up, to help the London LGPS funds benefit from bigger scale and cost savings. Initially established prior to the introduction of mandatory pooling for LGPS funds by the Government, the CIV became the first pool to receive FCA authorisation in 2015.
- 6.2 Despite good early progress, the CIV has faced a number of challenges over the past 2.5 years. Having initially been set up as voluntary pool, the CIV encountered difficulties with the introduction of mandatory pooling, with its large number of stakeholders and previous voluntary nature resulting in a lack of clarity around its vision and strategy.
- 6.3 The CIV has also experienced high staff turnover; early high profile departures included the Chief Executive (CEO), Chief Investment Officer (CIO) and Assistant Director, Client Relations. A new permanent CEO, Mike O'Donnell, was appointed in early 2019 and has brought about a number of changes to the way in which the CIV engages with the London Local Authorities (LLAs). A new CIO, Mark Thompson, was appointed in summer 2019 and took up the role in September; he tendered his resignation after a few weeks in the role citing personal and family reasons. Aside from staffing, significant other challenges also remain, including maintaining the rate of growth of assets under management, and the complexity of fund launches, which has resulted in delays.
- 6.4 Despite ongoing significant challenges, the CIV has made progress in recent months. 50% of London fund assets are now pooled, either via the CIV's Authorised Contractual Scheme (ACS) platform or via life funds with oversight from the CIV. 5 additional permanent hires have now been made and 2 new sub-funds (global equity core and infrastructure) have been filed with the FCA and are open for subscriptions. The CIV has also embarked on a new programme of work to assess client expectations around responsible investment and look at how the CIV can assist funds in terms of both sustainable investing and stewardship of assets. More details on this work are set out in Section 8.

7. → **GOVERNANCE REVIEW**

- 7.1 A review of the CIV's governance arrangements was commissioned from Willis Towers Watson and carried out during late 2017. The review found that the CIV needed to refresh its governance arrangements and clarify its future direction. Taking into account the findings of the governance review, the CIV launched a stakeholder consultation to engage with the Boroughs across 3 key areas; governance, client relations and investment.

- 7.2 One of the key outcomes of the consultation was the approval of proposals to change the governance structure of the London CIV. The original governance structure used the Pensions Sectoral Joint Committee (PSJC), a Committee of London Councils, as the key forum for shareholder engagement. The PSJC included representatives from all 32 London funds and was run as a formal Committee of London Councils. The consultation proposal, which was approved by Boroughs, disbanded the PSJC and replaced it with a Shareholder Committee to act on behalf of the Shareholders as a consultative body.
- 7.3 The new Committee consists of 12 members: 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. The Shareholders Committee meets at two General Meetings of London CIV each year, one to approve the budget, and an AGM.
- 7.4 The new corporate governance framework has now been in place for 12 months. The LLAs are now asked to review the framework to assess how it can be improved further, in particular to improve its effectiveness in achieving collaboration and an effective working relation between London CIV and its 32 shareholders collectively. A questionnaire has been distributed to all 32 shareholders to be returned by 30th November.

8. → **RESPONSIBLE INVESTMENT REVIEW**

- 8.1 One key area for the London CIV at present is to improve its offer in terms of Responsible Investment. Pooling represents a significant opportunity for the LLAs to both improve stewardship of assets and potentially increase the extent to which financially material environmental, social and governance (ESG) factors can be integrated into investment decision-making. Working collaboratively can help deliver better value for money by allowing funds to access options, such as engagement services, that might prove too costly to consider individually.
- 8.2 The CIV's review will focus on the following factors:
- Increased resourcing
 - Improved reporting, including reporting esg factors for each sub-fund manager and engagement reporting at the pool level
 - Improved stewardship e.g. via improved processes on shareholder litigations and class actions
 - Wider range of funds, for LLAs to be able to implement their own RI policies
- 8.3 An initial scoping exercise is now being carried out to help identify LLA expectations and priorities, with initial feedback due by the end of 2019.

Ian Williams

Group Director, Finance & Corporate Resources

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Data Improvement Update Pensions Board 18th November 2019	Classification PUBLIC	Enclosures None AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 This report provides the Board with an update on progress made on issuing the 2018/19 Annual Benefit Statements (ABSs) to active members of the Fund. The report also covers actions taken to help improve in the longer term the quality of data provided by the Council as an employer and to cleanse the data currently held on the pension administration system in relation to Hackney Council and schools' staff.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
- Note the actions taken to improve data provision from the Council, in respect of those employees who are members of the LGPS, to the pension administrators

3. → RELATED DECISIONS¶

- 3.1 Pensions Board 20th March 2019 - Data Improvement Update
- 3.2 Pensions Board 29th November 2018 – Data Improvement Update
- 3.3 Pensions Board 21st March 2018 - ABS Breach Reporting and 2017/18 Year End Data

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 The standard of monthly and year end contribution data provided by the Council to the Pension Fund has declined in recent years, as the 2014 scheme changes and introduction of auto-enrolment have made the provision of adequate data more challenging.
- 4.2 The financial implications of poor quality data for the Pension Fund are considerable; not only does it raise the risk that member benefits will not be calculated in accordance with scheme regulations, but could also reduce the accuracy of the Fund's actuarial valuation and lead to inefficient management of investment risks.
- 4.3 This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances. The involvement of the Pension Regulator (TPR) in this area also raises the risk of financial penalties and reputational damage.
- 4.4 The introduction in 2017 of a new payroll provider for the Council, the Fund's main employer, created additional risks around data provision but also provided opportunities for improvement. Some additional cost, such as the provision of new

reporting, is inevitable; however, this is negligible in comparison to the financial risks posed by failing to act.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The Pension Fund is required, under Section 4 of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 to hold certain information about its members. Failure to maintain complete and accurate records could result in the Fund failing to pay benefits in accordance with scheme regulations, inefficient management of investment risk and potentially excessive or insufficient contribution rates for employers.
- 5.2 Failure to adhere to the overriding legal requirements could therefore 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 issuing an enforcement action notice or imposing a substantial financial penalty against the Fund.
- 5.3 The role of the Pension Board is prescribed by Section 106 of the LGPS Regulations 2013 and includes the following: Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme
- 5.4 Taking into account the role of the Pension Board as set out in the Regulations, reviewing the progress made towards compliance with statutory record-keeping requirements clearly falls within the remit of the Pension Board.

6. BACKGROUND TO THE REPORT¶

- 6.1 Submitting good quality data to the Pension Fund has been an ongoing problem for the Council for a number of years. The increased complexity of the 2014 CARE scheme and the introduction of auto-enrolment have made the provision of accurate data more challenging; the quality of the data held by the Fund has significantly declined sharply 2013. The Fund has experienced particular issues with the quality, completeness and timeliness of data provided by its largest employer, the London Borough of Hackney
- 6.2 This issue poses significant financial and reputational risks to both the Pension Fund and the Council itself. Clearly, inaccurate contribution data raises the risk that member benefits will be calculated incorrectly but could also reduce the accuracy of the Fund's actuarial valuation. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances
- 6.3 The issue also impacts the provision of information to scheme members. The Fund has a statutory duty to provide active and deferred members with an Annual Benefit Statement (ABS) by 31st August each year. Failure of employers to provide adequate membership data can delay the production of ABSs, breaching the Fund's statutory duty and necessitating a declaration to the Pensions Regulator.
- 6.4 The Pensions Regulator (TPR), has oversight of the governance and administration of local government pension funds. It has a number of regulatory tools at its disposal to help ensure the compliance of scheme managers with their statutory duties and

obligations; these include improvement notices and financial penalties. The Fund has a legal requirement to report breaches of the law under section 70 of the Pensions Act 2004. It has been required to make four reports to the Regulator concerning failure to issue annual benefit statements, raising the risk of financial penalties and reputational damage.

- 6.5 In early 2019, the Regulator commenced a programme of engagement with the Fund to help resolve this long-standing issue. An initial update to the Regulator was provided via conference call in March 2019, during which progress towards rectifying the breach and preventing recurrence in the future was discussed. Following the call, the Regulator requested that the Fund provide copies of all data improvement plans, evidence of the Fund invoking its pension administration strategy levies and expected delivery dates to comply with legislation.
- 6.6 TPR requested a further meeting with officers of the Fund, the Council's s151 officer and representatives of the Fund as an employer in June 2019. The Fund's plans for rectification were considered in further detail as the Regulator sought reassurance that timescales and resourcing were sufficient to both address the underlying causes of the issues and rectify the significant record-keeping issues resulting from them.
- 6.7 To help respond to the regulator's request, the Fund sought additional project management support from its benefit consultant (Aon) to help develop a specific action plan to issue 2018/19 ABSs and further develop the Fund's existing data improvement plan. The Fund agreed with the Regulator that the majority of ABSs would be sent out by 31st August 2019, but acknowledged that late submission of data by Hackney Council was likely to reduce the time available to address queries and complex cases. It was therefore agreed that statements not sent by 31st August would be sent by 31st October, with updates being provided to TPR at the end of each month.

7. PRODUCTION OF 2018/19 ANNUAL BENEFIT STATEMENTS

- 7.1 By 31st August 2019, the Fund had sent out 6,664 statements to deferred members with 1,622 statements withheld, plus 5,779 statements to active members with 466 members withheld. This represents a very significant improvement relative to 2017/18. The key driver of this improvement was the receipt of high quality year end data files from Hackney Council and Hackney Learning Trust; although submitted late, the data was of good quality and allowed the majority of active statements to be sent.
- 7.2 Between August and October 2019, Equiniti and the internal Pensions Administration team carried out a significant data cleansing exercise to help rectify errors and omissions and resolve complex cases to allow the outstanding statements to be sent out. This work required significant internal resourcing from the Pensions Administration team as well as additional work by Equiniti. Where appropriate, additional costs have been met by Hackney Council as the employer.
- 7.3 By 31st October 2019 the Fund had sent out statements to all but 30 active members. 160 deferred statements remain outstanding. These more complex cases are currently being investigated by Equiniti and statements will be sent out as soon as possible. The Fund has provided regular monthly updates to the Regulator, who has now responded to confirm that there are no further questions for the Fund at this time and no further regulatory action will be taken. The Regulator does, however, reserve the right to review this decision if appropriate.

8. NEXT STEPS

- 8.1 We are very pleased to note the improvement in the quality of data being submitted by Hackney Council and Hackney Learning Trust, and the subsequent significant improvement in the number of ABSs sent by the deadline. The significant improvement in data quality has also lessened the impact of delayed submission of 2019 valuation data to the actuary, by shortening the period required for review. It is vital that these improvements are sustained and we have set out below the next steps for both the Fund and the Council to ensure that 2019's good progress is maintained.
- 8.2 The Council has set up a Payroll Board to consider and address the issues around payroll that have affected both the accounting and pensions functions as well as the payroll team itself. The Board aims to understand the problems and their underlying causes before agreeing and implementing an improvement plan.
- 8.3 One key focus of the Board is ensuring that the payroll and ICT functions are adequately resourced and retain the right mix of skills to ensure that good quality reporting is delivered. Significant improvements have been made in this area but we are aware that key person risk remains an issue. The Council needs to ensure that this is addressed and that proper succession planning is put in place.
- 8.4 Another key item for the Board will be ensuring that robust processes are put in place and that pensions reporting is properly integrated into monthly and annual timescales. As part of the overall data improvement project, the Fund is aiming to move to automated monthly data collection via an employer portal; the Council will need to have sufficient resources available within payroll/ICT to manage this process on a monthly basis.
- 8.5 As set out above, the Fund is looking to move to automated monthly data collection for the Council, to help reduce dependence on manual processes and a single year report. The Fund has a timetable in place to go live with the new process during Q4 2019/20; however, it is also vital that contingency plans are in place to allow delivery of the 2019/20 benefit statements if the go live date is delayed. The Fund is working with Equiniti to draw up potential timescales, and will make arrangements with the Council for a 2019/20 year end report to be produced.

Ian Williams

Group Director, Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Juliet Babb ☎020-8356 6183

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
TPR Code Compliance Checklist Pensions Board 18th November 2019	Classification PUBLIC	Enclosures One AGENDA ITEM NO.
	Ward(s) affected ALL	

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 Code of Compliance Checklist and where further work is required and being undertaken

3. → RELATED DECISIONS¶

- 3.1 Pensions Board 20th March 2019 - TPR Compliance Checklist

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 In recent years there has been much greater focus on the standard of governance within LGPS funds. This increased focus can be seen in The Pensions Regulator's (TPR) recently introduced powers of oversight, as well as in the introduction of local pension boards. TPR's Code of Practice no. 14, for public service pension schemes, is a useful guide to the standards of governance expected by the Regulator; measuring the Fund's compliance with it on a regular basis helps to ensure that good practice is understood and maintained.
- 4.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although the greater powers of oversight granted to TPR should ultimately benefit schemes through driving improvements in governance, ensuring compliance with the updated requirements results in additional work for officers and advisers of the Fund. Whilst delivering the requirements of the Code of Practice and the related legal changes are therefore associated with increased costs, these are immaterial in comparison with the risks of failing to ensure that scheme governance is of a high standard and compliant with all necessary regulation and guidance.

- 4.3 The risks of non-compliance include both financial penalties issued by TPR, which can be considerable, and the longer term costs to the Council likely to ensue in the event of poor management of the Pension Fund, including a potentially increased employer contribution rate.

5. **COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES**

- 5.1 The Public Service Pensions Act (2013) introduced a legal framework for the governance and administration of public service pension schemes and provided for extended regulatory oversight by TPR. The 2013 Act requires TPR to issue one of more Codes of Practice setting out the legal requirements in respect of the management of the schemes; the Regulator has discharged this duty by issuing the Code of Practice for Public Service Pension Schemes.
- 5.2 The Code of Practice is not a statement of the law and there is no penalty for failing to comply with it. However, any alternative approach to that appearing in the Code will need to meet the underlying legal requirements of the Public Service Pensions Act 2013 and a penalty may be imposed by the Regulator if those requirements are not met.
- 5.3 The Code of Practice contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements. It is therefore appropriate for both the Pensions Committee and the Pensions Board to consider the Hackney Pension Fund's adherence to the Code of Practice at regular intervals.

6. **BACKGROUND TO 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 powers of oversight granted to TPR and the increased focus on the governance of public service pension schemes, it is appropriate to assess if the management of the London Borough of Hackney Pension Fund meets the requirements of the Public Service Pensions Act 2013 and the recommended ways of working outlined in TPR's Code of Practice. The Board was last provided with the completed checklist in March 2019, showing where the Fund was able to demonstrate Compliance with the Code.
- 6.5 The full updated checklist is attached for review by the Committee. As can be seen in many areas, the Fund is generally able to demonstrate good levels of compliance with the Code and these are highlighted in green. This has improved from the previous update, largely thanks to improvements in scheme documentation e.g. around IDRP. There are still a number of areas associated with the Pensions Board

showing as yellow – in many cases these are areas associated with training, a review of training policy implementation is still underway.

- 6.6 The section concerning the issuance annual benefit statements has been upgraded from 'non-compliant' to 'partially compliant'. The Fund has experienced well documented issues with the provision of ABSs for a number of years; these issues have not been fully resolved but we have seen significant improvements in the timeliness and accuracy of data provision, which is reflected in a significant increase in the number of statements issued by the deadline. During 2019, the Fund entered into a formal engagement with the Regulator on this issue, providing evidence of how problems with member data were being addressed and the quality of data supplied by employers improved. The Regulator has now confirmed that no further regulatory action will be taken at this time; however, it is crucial that the improvements made during 2019 are sustained and built on to allow the Fund to reach full compliance.
- 6.7 Significant improvement can also be seen in the section concerned with publishing information. The Fund now has a new public website which has been updated with relevant details around the governance of the Fund and the Pensions Committee and Board. The new website represents a significant improvement on the previous version, and ongoing improvements are still underway.

Ian Williams

Group Director, Finance & Corporate Resources

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Appendices

Appendix 1 – TPR Code Compliance Summary

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The Pension Regulator’s and Scheme Advisory Board Compliance Checklist

Date of Completion: 30/08/2019

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.....

G - Maintaining contributions.....

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)”.

Page 100

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	Net yet relevant	Not yet relevant

Definitions:	
PSPA13	Public Service Pensions Act 2013
LGPS	Local Government Pension Scheme
TPR	The Pensions Regulator
TPR Code	The Pensions Regulator’s Code of Practice No 14 Governance and administration of public service pension schemes
Scheme Manager	For the London Borough of Hackney Pension Fund, this is Hackney Council.
Administering Authority	The LGPS specific term for Scheme Manager. For the London Borough of Hackney Pension Fund, this is Hackney Council.
IDRP	Internal Dispute Resolution Procedure
SAB	The national LGPS Scheme Advisory Board
PC	Pensions Committee
PB	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	Fully completed	Fully compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	In progress	Partially compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Fully compliant
B9	In progress	Partially 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	In progress	Partially 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	In progress	Partially 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	In progress	Partially compliant
F9	Fully completed	Fully compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Fully compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Fully compliant
G6	Fully completed	Fully compliant
G7	In progress	Employers - Partially compliant
G8	Fully completed	Fully compliant
G9	Fully completed	Fully compliant
Providing Information to Members and Others		
H1	In progress	Employers - Partially compliant
H2	Fully completed	Fully compliant
H3	Fully completed	Fully compliant
H4	In progress	Partially compliant

No.	Completed	Compliant
H7	Fully completed	Employers - Fully compliant
H8	In progress	Partially compliant
H9	Fully completed	Fully compliant
H10	Fully completed	Fully compliant
H11	Fully completed	Fully compliant
H12	Fully completed	Fully compliant
H13	Fully completed	Fully 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	Fully 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	In progress	Partially 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	In progress	Partially compliant
K6	Fully completed	Fully compliant
K7	In progress	Partially compliant
K8	Fully completed	Fully compliant
K9	In progress	Partially compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Fully compliant
K12	In progress	Partially compliant
K13	Fully completed	Fully compliant

H5	Fully completed	Fully compliant
H6	Fully completed	Fully compliant

K14	Fully completed	Fully compliant
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	Review Completed	Compliant	Notes	Action
A1	Is your scheme registered with the Pension Regulator?	New registration will only be required if a new LGPS is created that is deemed to be a separate scheme Check annually to see if new registration is required	Annual (March)	01/03/2019	Fully completed	Fully compliant		
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	Update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)	02/11/2018	Fully completed	Fully compliant	Last scheme return submitted to TPR 02/11/2018 TPR up-to-date with employer details & Pension Board member details (Nov 18)	
A3	Have you completed this latest Scheme Return in the required timescale?	TPR return to be submitted as and when needed	As and when received	02/11/2018	Fully completed	Fully compliant	Last scheme return submitted to TPR 02/11/2018 TPR up-to-date with employer details & Pension Board member details (Nov 18)	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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.	31/12/2018	Fully completed	Fully compliant	Last survey received and completed December 2018	

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	Review 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 (Jun)	31/10/2018	Fully completed	Fully compliant	Adopted by Pension Board at its first meeting in July 2015. Training Policy reviewed Sept 2018	
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	In training policy. Responsibility delegated to the Group Director of Finance and Corporate Resources.	Ongoing (annual check - Jun)	31/10/2018	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 - Jun)	01/03/2019	In progress	Partially compliant	Full induction pack currently being developed as part of review of training needs currently underway	Complete development of induction pack - November 2019
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 - Jun)	31/10/2018	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 - Jun)	31/10/2018	Fully completed	Fully compliant	3 new board members made aware when recruited [completed during application process] 1st meeting with all 3 new members on 20th March 2017 - Discussed legal responsibilities	Legal responsibilities to be reviewed annually
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 - Jun)	31/10/2018	Fully completed	Fully compliant		
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 - Jun)	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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 - Jun)	31/10/2018	Fully completed	Fully compliant	Training sessions provided at each Board meeting	
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 - Jun)	01/03/2019	In progress	Partially compliant	Full induction pack currently being developed as part of review of training needs currently underway	Complete development of induction pack - November 2019
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 - Jun)	01/03/2019	In progress	Partially compliant	Training needs reviewed annually but new checklist to be developed for 2019/20 assessment	Develop new checklist - November 2019
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 - Jun)	01/03/2019	In progress	Partially compliant		Develop new checklist - November 2019
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 complete the ToolKit	Ongoing (annual check - Jun)	01/03/2019	In progress	Partially compliant	Pensions Board appointed and provided with information on TPR Toolkit. First Board meeting included breaches and conflict module.	Follow up to ensure TPR Toolkit has been completed by all Members

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.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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. Conflicts of interest register records conflicts of interest declared by PB & PC members	Annual (Jan)	31/01/2019	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?	PC & 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 (March)	01/03/2019	Fully completed	Fully compliant		
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 PC & PB member to complete a declaration on appointment and annually. The Head of PF Investments 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 (March)	31/08/2019	In progress	Partially compliant	Completed returns now due for 2019/20	
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 PF Investments has responsibility for ensuring the procedure is followed.	Ongoing (annual check - Jan)	31/01/2019	Fully completed	Fully compliant	Potential conflicts of interest have been highlighted by members of the Pensions Board - none have yet become actual conflicts	
C5	Is the conflicts policy regularly reviewed?	Every three years or earlier if considered appropriate	Triennially	01/03/2019	Fully completed	Fully compliant	Conflicts of Interest Policy last reviewed in 2015 - now due for review (every 3 years)	Conflicts of Interest Policy to be reviewed at March 2019 Pensions Committee

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	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. The information is incorporated in annual report and accounts and available on request. All declarations made at meetings will be recorded in the minutes which are public. Refer to policy – regularly reviewed (annual basis etc).	Ongoing (annual check - Jan)	31/01/2019	Fully completed	Fully compliant	Published annually in accounts but consider inclusion on website.	Review for inclusion on new website Q2 2019.
C7	Is appropriate information included in the register?	Register of interests updated on an ongoing basis but this will be reviewed annually to ensure it is being used correctly. Register includes all this information and is included as an appendix to the Conflicts policy.	Ongoing (annual check - Jan)	31/01/2019	Fully completed	Fully compliant		
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 - Jan)	31/01/2019	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 - Jan)	31/01/2019	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 - Sep)	30/09/2018	Fully completed	Fully compliant		
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	To be completed as part of appointment process and then reviewed annually to ensure this continues. Appointment Process completed including appointments panel interview to assess capacity of individuals to fulfil role as Pension Board Member.	Ongoing (annual check - Sep)	30/09/2018	Fully completed	Fully compliant	Pension Board members were required to submit statement outlining skills appropriate to their role on the Board. Interviews were 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

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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 - Jan)	31/08/2019	Fully completed	Fully compliant	Relevant information now published on new website	Ensure regular maintenance of website
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 - Jan)	31/08/2019	Fully completed	Fully compliant	Relevant information now published on new website	Ensure regular maintenance of website
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing (annual check - Jan)	31/08/2019	Fully completed	Fully compliant	Relevant information now published on new website	Ensure regular maintenance of website
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 - Jan)	31/08/2019	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	Review 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 (Dec)	31/12/2018	Fully completed	Fully compliant	Risk management policy agreed in 2015; policy is updated every 3 years - last updated at December 2018 Pensions Committee	
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 (Dec)	31/12/2018	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. Risk Register last reviewed at Pensions Committee meeting in January 2017.	Annual (Dec)	31/12/2018	Fully completed	Fully compliant	Form of risk register recently updated - move moved to updates at each Committee/Board meeting.	
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).	Annual (Dec)	31/12/2018	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.	Annual	31/12/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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.	Annual	31/12/2018	Fully completed	Fully compliant	Risks reviewed annually - next review due March 2019	Complete updates ahead of review by Committee/Board (Dec 2018 - Mar 2019)
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.	Annual (Dec)	31/12/2018	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.	Annual (Dec)	31/12/2018	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	Review 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/Equiniti. Hackney are currently investigating gaining access to view these AVC records.</p> <p>Data accuracy and completeness reports are also received via the triennial valuation, which cover some of these elements. In the autumn of 2015, Aon Hewitt carried out a audit of employer provided data. It highlighted a number of issues with the quality of data being provided by employers.</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>	Annual	31/08/2019	In progress	Partially compliant	<p>The member records held by Equiniti on behalf of the Hackney Pension Fund do not fully meet the requirements set out in the Record Keeping Regulations. The information provided by the Fund's main employer (Hackney Council) is not currently sufficient to allow records to be updated quickly and accurately. A full review of data provision and maintenance is now underway.</p> <p>The Triennial valuation 2016-17 is complete</p> <p>Access to AVC information has been partially gained as the Pru now provides monthly listings of new AVC contracts and any amendments to existing contracts.</p>	<p>Ongoing work on interface development project to improve processes at both Hackney Council and Equiniti</p> <p>Updated data improvement plan issued in March 2019</p>

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	The Fund's Pension Administration Strategy includes a list of all employer responsibilities and duties including timescales. Employer performance is measured against the PAS with appropriate action taken to ensure compliance.	Annual	31/12/2018	Fully completed	Fully compliant	PAS reviewed by Pensions Committee Dec 2018.	
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	<p>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).</p> <p>There is reconciliation between actual and expected costs with a quarterly update against budget in PC papers.</p>	Annual	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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.	Annual	31/10/2018	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 (R Cowburn) will monitor the situation.	Annual	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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.	Annual	31/10/2018	Fully completed	Fully compliant	Fully compliant as appropriate systems are in place. Discussions are in progress about the retention of data as the Council transitions payroll system	
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 (ad-hoc)	Annual	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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.	Annual	01/03/2019	In progress	Partially compliant	Both common and scheme specific data reporting carried out for 2018 Scheme Return. Awaiting full scheme specific data report from Equiniti.	Equiniti to provide LBH with a written report on the conditional data analysis
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 some elements of improvement are discussed and actions/timescales agreed. However, a clear statement of all improvement areas with a plan is not currently in place. Employers are charged an administration fee where they fail to meet standards.	Annual	01/03/2019	Fully completed	Fully compliant	Formal data improvement plan in place	
F10	Are processes and policies in place to reconcile scheme data with employer data?	Monthly and year end spreadsheets assist with reconciling data.	Annual	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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 but some staff have not received yet received 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 generally encrypted unless scheme member insists otherwise. 	Annual	31/10/2018	Fully completed	Fully compliant	New GDPR (Data Protection Reform) will have direct effect in May 2018 despite Brexit. LGPS Funds need to demonstrate in a meaningful way that both the overall governance structure for data protection compliance and the Processes updated for GDPR	DPA training to be arranged for all Hackney pension team staff members, including ensuring all understand the process if a breach occurs.

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

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
G1	Does the Fund have procedures and processes in place to identify payment failures?	<p>There is a master spreadsheet where all contributions received are entered and monitored by Equiniti.</p> <p>All payments are made by electronic transfer to reduce risk of payment failure.</p> <p>Hackney Council and Equiniti hold monthly meetings to determine how to deal with any issues arising.</p>	Annual	31/10/2018	Fully completed	Fully compliant	There has been an improvement in monitoring contributions by sample testing the data in supporting documents.	Further communication with employers to submit supporting documents in specified format.
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	<p>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.</p> <p>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.</p>	Annual	31/10/2018	Fully completed	Fully compliant	There is a robust monitoring process in place and the capability to receive interest on late contributions in the PAS. The PAS could be more strictly enforced	New charges within the PAS to be enforced on employers submitting poor data or late payments
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	<p>The process includes reconciliation with the payment received and shown in the financial system.</p> <p>No process is currently in place in relation to reconciling AVC payments with contributions record.</p>	Annual	31/08/2019	Fully completed	Fully compliant	New contribution reconciliation processes now in place	
G4	Are these procedures regularly reviewed to ensure they are effective?	<p>Payments are generally always on time.</p> <p>Monthly meeting between Equiniti and Hackney consider any late cases.</p> <p>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.</p>	Annual	31/10/2018	Fully completed	Fully compliant		
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	<p>For main scheme contributions, monitoring spreadsheet maintained by Equiniti and separately by Hackney Council. Identification and escalation process, however, needs to be formalised.</p> <p>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).</p>	Annual	31/10/2018	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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	Annual	31/10/2018	Fully completed	Fully compliant		
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	There is monitoring of the format that employers provide information and this is being checked against the PAS. Training is provided to employers but where information is not of sufficient quality employers may be charged or extreme cases reported to the pensions regulator	Annual	31/08/2019	In progress	Employers - Partially compliant	There are ongoing issues with employers not providing sufficient information on spreadsheets. This is all captured on the Equiniti spreadsheet including what action has been taken and whether escalated to the Council. Year-end returns were received from the majority of employers to verify the information, and queries responded to, to enable reconciliation of member contributions with service.	Ongoing work with employers to ensure data is received in accordance with requirements, including a long-term project to improve the quality of data submitted by the Council.
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 identify late payments, the PAS sets out processes in regards to late payments and the use of reporting breaches is available if required to report to the regulator.	Annual	31/10/2018	Fully completed	Fully compliant		
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.	Annual	31/10/2018	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.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Sent annually by Eauiniti following receipt of year end data returns from employers due each April. Process commences in February with reminders to Employers.	Annual	31/08/2019	In progress	Employers - Partially compliant	The Pension Fund has entered in to a formal enagement with the Regulator re: the 2018/19 statements. Issues not fully resolved but significant improvements made to year end data. Not all satatements due to be sent out by 31/08/2019 but the number is expected to improve significantly on previous years. Regular updates are being provided to the regulator	- Ongoing work with Hackney Council to improve data. A new payroll interface is currently in test - once live, a full data cleanse will need to be carried out on Compendia - Monitor issue of remaining active statements.
H2	Do these meet the legal requirements in relation to format?	A compliance review spreadsheet has been set up to monitor all areas under the legislation, which is being reviewed against the new ABS template	Annual	31/10/2018	Fully completed	Fully compliant	Statements meet the legal requirements in relation to format	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
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). Active statements issued by October 2016. Deferred statements issued August 2016. For 2017 statements are currently being run with target date of 31 August 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	31/10/2018	Fully completed	Fully compliant		
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.	Annual	31/10/2018	In progress	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?	The Prudential send annual AVC statements to all AVC members by post	Annual	31/10/2018	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	31/10/2018	Fully completed	Fully compliant		
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	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. Equiniti often identify cases from contribution spreadsheets and auto-enrolment reports to chase outstanding information from employers with a review to improving this process. Equiniti will also send out the new starter information to members once picked up from the contribution spreadsheets even if they have not yet received a starter form from the employer. From October 2016 the LBH pension team use a monitoring spreadsheet to track all new starters to ensure that the starter forms are going across within the set timescales and that Equiniti have actioned new starter information.	Annual	31/10/2018	Fully completed	Employers - Fully 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 new joiner information 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, what happens when a member leaves and the fact the scheme is registered by HMRC.	Annual	31/10/2018	In progress	Partially compliant		The joiner information is to be reviewed as part of the quality compliance review which is due to take place under the new administration contract. New members also need to be guided to the LBH Pension website once the improvements have been made to ensure all information is up to date and compliant.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
H9	Is all other information provided in accordance with the legal timescales?	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. Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling. All standard communications to members from Hackney Council and Equiniti provide the postal contact details and the pensions@hackney.gov.uk email address.	Annual	31/10/2018	Fully completed	Fully compliant	Equiniti have confirmed that Compendia automatically highlights the disclosure dates/requirements. The monthly Equiniti reports now have a statement saying they have not breached disclosure requirements, or if they have what. The Pru have confirmed that these requirements have been met for 2016-17 and that they inform members on an annual basis whether they are in the growth or accumulation phase of lifestyle via their annual benefit statement	Although compliant the disclosure reporting on the monthly report could be improved and this will be looked at.
H10	Is all other information provided in the format and methods required by law?	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. Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling.	Annual	31/10/2018	Fully completed	Fully compliant	Equiniti have confirmed that Compendia automatically highlights the disclosure dates/requirements. The monthly Equiniti report now has a statement saying they have not breached disclosure requirements, or if they have what. The Pru have confirmed that the requirements are met and that they inform members but inclusion on their website, enclosing an AVC leaflet with the main scheme ABSs for 2016-17.	Although compliant the disclosure reporting on the monthly report could be improved and this will be looked at.
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.	Annual	31/08/2019	Fully completed	Fully compliant	New starter forms updated with new website address	
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 2016-17 Induction sessions covered 417 New Employees and found that 98% found the presentation informative & engaging and that 94% now have a better understanding of being in the scheme.	Annual	31/10/2018	Fully completed	Fully compliant		Equiniti are planning further surveys with scheme members to gather wider feedback as part of their engagement strategy.
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 – tracing service used in summer 2016. Originally 1,600 unknown addresses have now been reduced to 473.	Annual	31/10/2018	Fully completed	Fully compliant		Tracing exercises will be carried out on a periodic basis

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	Review Completed	Compliant	Notes	Action
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	An IDRP procedure is in place with leaflets available setting out the process	Ongoing (annual check - Jun)	31/10/2018	Fully completed	Fully compliant	Leaflets are available on the website which set out the procedure	
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	An IDRP procedure is in place with leaflets available setting out the process, but does not currently include this information	Ongoing (annual check - Jun)	31/10/2018	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?	Member leaflet outlining IDRP procedure includes some of this information.	Ongoing (annual check - Jun)	01/03/2019	Fully completed	Fully compliant	IDRP member guide now updated	
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 February 2017. - PAS sent to employers in April 2017 which sets out need for stage 1 person to be included in their discretions policy.	Ongoing (annual check - Jun)	31/10/2018	Fully completed	Fully compliant	We have not been notified that any employers carry out their own process. Accordingly Equiniti act as stage 1 by default.	Once new Employer IDRP guide has been finalised this will be sent to Employers again
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 - Jun)	31/10/2018	Fully completed	Fully compliant	EQ have confirmed that timescales are still adhered too	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review Completed	Compliant	Notes	Action
I6	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 refund and death benefits) but all other benefit notification include it. The administration strategy, updated in 2017, includes IDRP information.	Ongoing (annual check - Jun)	01/03/2019	Fully completed	Fully compliant		
I7	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 - Jan)	31/10/2018	Fully completed	Fully compliant		
I8	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 - Jun)	31/10/2018	Fully completed	Fully compliant		
I9	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 - Jun)	31/10/2018	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	Review 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 - Sep)	31/10/2018	Fully completed	Fully compliant	Procedure in place and periodically reviewed	
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 (Sep)	31/10/2018	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 Pension Fund Investment and Actuarial Services will maintain a record of breaches and this is included in the quarterly PC governance update report including a comment on whether any breaches are systemic and action taken. Some details may need to be withheld for confidentiality reasons. Some concerns at the moment in relation to insufficient monitoring and recording of breaches at Equiniti.	Ongoing (annual check - Sep)	31/10/2018	In progress	Partially compliant	Both reported and unreported breaches are included within the Quarterly Report to Pensions Committee and provided to the PB.	- Ongoing work with Equiniti to ensure all breaches are identified, notified and recorded.

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	Review 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 - Jan)	31/01/2019	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 - Jan)	31/01/2019	Fully completed	Fully compliant		
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 (Jan)	31/01/2019	Fully completed	Fully compliant		
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 - Jan)	31/01/2019	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 - Jan)	31/08/2019	In progress	Partially compliant	Training plan in place - training to be provided to Pension Board members at PC meetings and separate PB training	PB & PC members to attend fundamentals training course if possible
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 - Jan)	31/01/2019	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 - Jan)	31/08/2019	In progress	Partially compliant	Training needs analysis included on Nov 2018 PB agenda - now developing personalised training plans for Board & Committee	A model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements.

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Review 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 (Mar)	01/03/2019	Fully completed	Fully compliant	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 - Jan)	31/08/2019	In progress	Partially compliant	Training plan in place - training to be provided to Pension Board members at PC meetings and separate PB training	PB members to attend fundamentals training course
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 - Jan)	31/01/2019	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 - Jan)	31/01/2019	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 - Jan)	31/08/2019	In progress	Partially compliant		Council's FOI policy to be provided to new PB 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 - Jan)	31/01/2019	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 (Summer)	31/01/2019	Fully completed	Fully compliant	PB Annual report published in 2017/18 accounts	
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 (Mar)	31/01/2019	Fully completed	Fully compliant	Statement carried forward to 2016/17 Annual Report	

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Risk Register Review Pensions Board 18th November 2019	Classification PUBLIC	Enclosures Three AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 This report provides the Pensions Board with a copy of the Fund's risk register, last updated in September 2019. The report outlines the Fund's approach to the monitoring of risk, provides an overview of the risk register and indicates key changes to the Fund's risks since the last update. The report also outlines changes made to the risk register and risk reporting as a result of recommendations from the Pensions Regulator.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
- Note the report

3. → RELATED DECISIONS¶

- 3.1 Pensions Board 20th March 2019 - Pension Fund Risk Register and Policy

4. → COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 The attached risk register highlights the importance of effective risk management to the financial performance of the Pension Fund. Given the importance of the Pension Fund to the Council's finances, failure to effectively manage the risks associated with the Fund could have a significant negative impact on the Council's financial performance.
- 4.2 There are no direct financial consequences arising as a result of this report

5. → COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

- 5.2 Further details of the suggested functions of local pension boards are provided by statutory guidance ((Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales). This guidance suggests that reviewing the pension fund risk register might be included by administering authorities within the remit of their local pension board
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and statutory guidance, the consideration of the risks associated with administering the Pension Fund would appear to properly fall within the Board's remit

6. → **RISK REGISTER¶**

- 6.1 The Pension Fund Risk Register highlights the key risks faced by the Pension Fund and the measures that can and have been put in place to control those risks. The register is Pension Fund specific, although its content is drawn from the full Financial Services Risk Register drawn up in conjunction with the Council's risk management team. Risks are therefore monitored from the perspectives of both the Pension Fund and the Council as a whole, as the materialisation of risks associated with the Pension Fund will ultimately impact upon the Council.
- 6.2 The magnitude of risks within the register is assessed along two dimensions: Likelihood – the probability that a risk will materialise Impact – the consequences if the risk were to materialise These are scored on a matrix, which indicates overall levels of risk as follows: High risk (red) – need for early action / intervention where feasible, Medium risk (amber) – action is required in the near future Low risk (green) – willing to accept this level of risk or requires action to improve over the longer term
- 6.3 Following recommendations made by the Pension Board in 2018, a new presentation template for the pension fund risk register has now been introduced. The changes present the Fund's risks in a more visual way, assessing risks relative to the target level of risk which the Fund is willing (or required) to accept. The intention is to ensure that monitoring of risk is aligned more closely with the Fund's business plan to ensure that developing or worsening risk areas are highlighted early on.
- 6.4 The Pensions Regulator (TPR) has also made recommendations in relation to risk reporting for LGPS funds. The Regulator recommends that funds' full risk registers should be a standing item on Pensions board and Committee agendas. As such, the Board will receive a copy of the full Pension Fund risk register at each meeting, rather than the high level summary initially recommended.

7. → **RISK BREAKDOWN¶**

- 7.4 **Key risks** - the Fund's key risks are as follows:
- Asset risk - failure to meet objectives through poor asset performance
 - Funding risk - the growth rate of liabilities outstrips that of assets
 - Poor membership data - poor administration or employer data provision resulting in inaccurate member records
- The Fund's key risks are mostly unchanged since the previous review; however, the likelihood rating of 'Poor membership data' has improved from 'almost certain' to 'likely'
- 7.5 **New/emerging risks** - No new risks have been added since the previous review. However, the wording and actions on 'Reliance on external systems' have been changed to better reflect the risk of cybercrime and the actions to be taken to prevent

it. This change has been made in line with recommendations from the Pensions Regulator

- 7.6 **Deteriorating risks** - no risk ratings have deteriorated since the previous review
- 7.7 The Fund's full risk register (broken down by governance, funding & investment and administration & communications risks can be found at Appendix 1 to this report. The register assesses risks relative to the target level of risk which the Fund is willing (or required) to accept. The risk register was last updated in September 2019.

Ian Williams

Group Director, Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Juliet Babb ☎020-8356 6183

Appendices

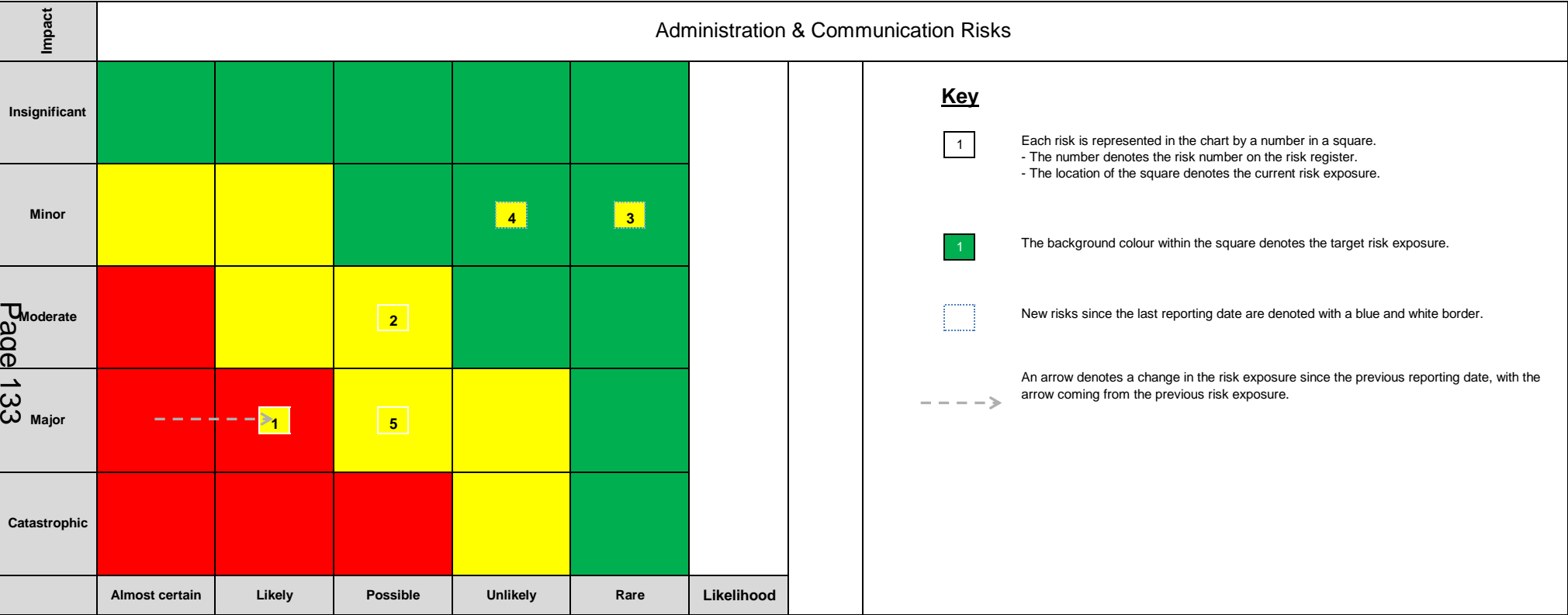
Appendix 1a - Risk Register - Admin & Comms

Appendix 1b - Risk Register - Funding & Investment

Appendix 1a - Risk Register - Governance

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Administration and Communication Risks Heat Map and Summary



Hackney Pension Fund - Control Risk Register

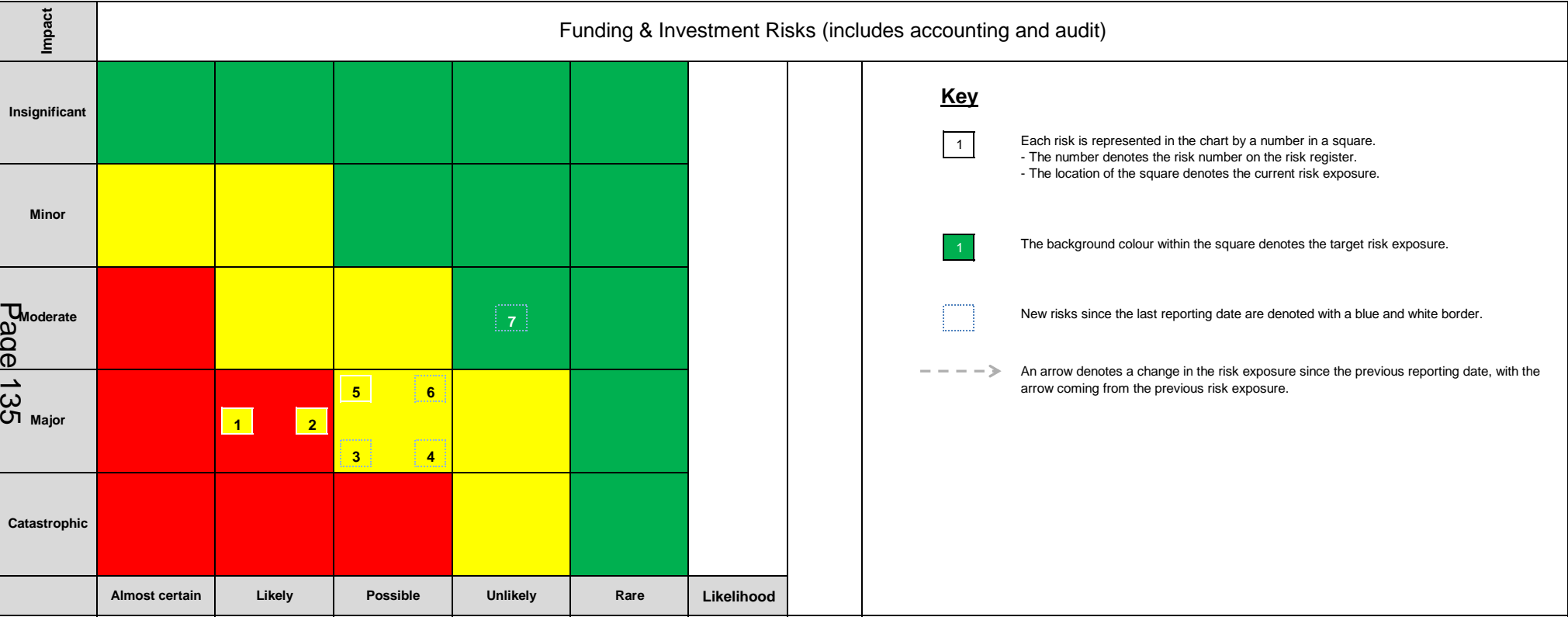
Administration & Communication Risks

Objectives extracted from Administration Strategy (03/2017) and Communications Strategy (04/2016):

- A1 Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- A2 Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- A3 Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- A4 Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- A5 Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members
- C1 Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits
- C2 Communicate in a plain language style
- C3 Ensure the Fund use the most appropriate means of communication, taking into account the different needs of different stakeholders
- C4 Look for efficiencies in delivering communications including greater use of technology
- C5 Evaluate the effectiveness of communications and shape future communications appropriately

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Poor Membership Data	Poor administration and/or provision of data result in inaccurate data giving rise to financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc.	A4	Major	Likely		1 - annual monitoring of membership records, valuation checks, external data validations 2 - Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied 3 - Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance. 4 - Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information	Moderate	Possible		☹️ Current impact 1 too high Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Promise completion of development work on interface (RC) 2 - Roll out employer portal to all employers (JS) 3 - Develop and roll out data improvement plan (JS/RC) - DONE 4 - liaise with Hackney payroll team to roll out new contribution monitoring report (RC) 5 - Ensure equiniti roll out employer strategy in line with contract (JS)	Julie Stacey/Rachel Cowburn	31/12/2019	30/09/2019
2	Stakeholder Engagement	Poor communication with stakeholders (e.g. member communications late or incomplete, poor explanation of scheme) giving rise to disaffection, poor understanding amongst members and employers and actions against Council	A3, C1-5	Moderate	Possible		1 - Range of communication options for members and employers 2 - Provision of employer support to new or struggling employers	Moderate	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Roll out member self service (JS) 2 - Roll out employer portal (JS) 3 - Carry out scheme member satisfaction surveys (JS)	Julie Stacey	31/12/2019	30/09/2019
3	Pension Overpayments - increased costs through failure to cease pension payments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	A2	Minor	Rare		1 - Management of NFI matches and follow up. NFI exercises to identify checks 2 - Write to pensioners each year over age 80 and overseas seeking confirmation of ongoing pension entitlement.	Minor	Rare		😊			1 - Existence checks to be carried out (JS)	Julie Stacey	31/12/2019	30/09/2019
4	Discretionary Policies - insufficiently robust policies expose Fund to higher costs	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Excessively generous or insufficiently robust policies of the Pension Fund and employers exposed to higher costs and reputational risks.	A2, A3	Minor	Unlikely		1 - Controls – Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee. 2 - Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Minor	Unlikely		😊				Julie Stacey	31/12/2019	30/09/2019
5	Poor delivery of administration service	Risk that third party administrator does not deliver in accordance with contractual requirements	A1-5	Major	Possible		1 - Strict service standards and SLAs in place 2 - Appointment through robust procurement exercise 3 - Expert contract management team in place 4 - Regular monitoring of KPIs 5 - Regular service review meetings	Major	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Ensure contract requirement are met 2 - Early identification and escalation of issues	Julie Stacey	31/12/2019	30/09/2019

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary



Hackney Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement and Investment Strategy Statement:

- F1 To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- F2 To ensure that employer contribution rates are reasonably stable where appropriate
- F3 To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers)
- F4 To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years
- F5 To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations
- I1 Have a strategic asset allocation benchmark for the Fund that has the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Asset risk - failure to meet objectives through poor asset performance	Asset risks include the following: Concentration - over allocation to a single asset class Illiquidity - insufficient liquid assets Currency risk - underperformance of asset currency ESG Risk - ESG related factors reduce the Fund's ability to generate long-term returns. Manager Underperformance	I1	Major	Likely		1 - Investment in a diversified range of asset classes 2 - Regular cash flow monitoring 3 - Currency hedging policy 4 - ESG and climate risk policy in place 5 - Multiple managers & performance monitoring	Major	Possible		☹️ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Complete planned investment strategy changes and associated transitions (RC) 2 - Align cash flow monitoring to business objectives (RC)	Rachel Cowburn	31/03/2020	30/09/2019
2	Funding risk - growth rate of liabilities outstrips that of assets	Funding Risks include: Inflation risk - Price and pay inflation more than anticipated Changing demographics - longevity improvements Systemic risk - interlinked and simultaneous failure of several asset classes	F1	Major	Likely		1 - Monitoring of asset allocation and investment returns 2 - Some investment in bonds assists in liability matching 3 - Stabilisation modelling at whole Fund level allows for the probability that risk free returns on govt bonds will fall 4 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations	Moderate	Likely		☹️ Current impact 1 too high	01/12/2018	Dec 2020	1 - Reassess liabilities and requirement for matching assets at triennial valuation (RC)	Rachel Cowburn	31/03/2020	30/09/2019
3	Other provider risk - loss of value resulting from external providers	Other provider risks include: Transition risk - unexpected costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty	I1	Major	Possible		1 - Regular scrutiny of providers 2 - Monitoring and management (may be delegated to investment managers in certain situations e.g. custody risk in relation to pooled funds). 3 - Seek appropriate advice where necessary (e.g. during a significant transition) 4 - The Pensions Committee has the power to replace a provider should serious concerns exist.	Major	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment of new providers) (RC)	Rachel Cowburn	31/03/2020	30/09/2019
4	Asset pooling risk - pooling prevents the Fund achieving its objectives	Asset pooling risks include: Transition risk - excessive additional cost through transition to the pooled arrangement. Concentration and capacity risks - excessive concentration of assets amongst relatively few large institutions. Political risk - central Government's infrastructure aspirations present conflict of interest for the Fund in setting its asset allocation strategy. Reputational risks - failure of a pooled arrangement could have significant consequences for the LGPS. Strategy risk - the Fund's chosen asset pool does not deliver suitable investment strategies to allow the fund to meet its objectives	I1	Major	Possible		1 - Monitor development/respond to consultations - Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. 2 - Relationship Management - Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements. 3 - Transition Planning - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes. 4 - Pensions Committee Chair and S151 officer members of Shareholder Committee	Major	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment of new providers) (RC) 2 - Ensure more frequent formal catch up with senior LCIV staff (IW/MH/RC) 3 - Ensure LCIV aware of Hackney business plan to understand timing requirements (IW/MH/RC)	Rachel Cowburn	31/03/2020	30/09/2019
5	ESG Risk - ESG factors negatively impact Fund performance	ESG risk is the risk that financially material ESG factors have a negative impact on the Fund's performance. ESG factors include (but are not limited to) carbon risk, which is the risk that the implementation of COP21 political commitments dramatically reduces the proportion of fossil fuel reserves that can be used, with a subsequent impact on the business models and valuations of fossil fuel companies.	I1	Major	Possible		1 - Monitoring and management of the Fund's exposure to fossil fuel reserves and power generation to assess level of risk. Initial assessment carried out in July 2016. 2 - Inclusion of a policy statement setting out the Fund's approach to climate risk within the Investment Strategy Statement 3 - Active engagement with managers to understand sources of ESG risk	Major	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Ongoing development of monitoring of fossil fuel risk (formal review of target summer 2019) 2 - Liaise with managers and LCIV to improve wider ESG risk reporting	Rachel Cowburn	31/12/2019	30/09/2019
6	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulation requires major changes to the operation of the Fund	I1, F1	Major	Possible		1 - Asset liability modelling to ensure the Fund's Investment Strategy helps the Fund meet its objectives under a range of economic conditions 2 - Horizon scanning to ensure awareness of potential future risks and prepare	Moderate	Possible		☹️ Current impact 1 too high	01/12/2018	Dec 2020	1 - Complete Investment strategy updates to improve fund resilience - re-review at triennial valuation	Rachel Cowburn	31/03/2020	30/09/2019
7	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Employer deficit on termination Highly variable/rapidly increasing employer contribution rates	F4	Moderate	Unlikely		1 - Valuation and inter-valuation monitoring 2 - Monitoring of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Contribution rate stabilisation where appropriate	Moderate	Unlikely		😊				Rachel Cowburn	31/03/2020	30/09/2019

All Fund Risk Heat Map and Summary of Governance Risks



Hackney Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy

- G1 All staff, Pensions Committee and Pension Board Members charged with financial administration, decision-making or oversight with regards to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- G2 The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- G3 All relevant legislation is understood and complied with
- G4 The Fund aims to be at the forefront of best practice for LGPS funds
- G5 The Fund manages Conflicts of Interest appropriately

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Recruitment and Retention - Insufficient experienced staff to meet Fund objectives	Restrictions on local authority salaries make it challenging for the fund to recruit and retain suitably qualified and experienced staff.	G1, G3, G4	Moderate	Likely		1 - Salaries benchmarked, supplements paid where appropriate 2 - Policies and procedures in place 3 - Staff able to cover other roles where possible 4 - Develop robust succession planning approach	Moderate	Unlikely		☹️ Current likelihood 2 too high	01/12/2018	Jun 2020	1 - Develop succession planning approach (MH/RC/JS) 2 - Further development of training programme - increase focus on mid level staff (RC/JS)	Julie Stacey/Rachel Cowburn	31/12/2019	30/09/2019
2	Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management	Failure to provide to suitable training and to ensure that all Committee Members are able to attend with sufficient regularity could result in the Fund failing to meet its objectives as a result of insufficient knowledge and skills amongst those charged with its management	G1, G3, G4	Moderate	Possible		1 - Improvements being made to both induction and ongoing training 2 - Regular review of training offered and its effectiveness 3 - Knowledge and Skills Policy/training plan in place	Moderate	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Review of training programme and requirements underway (MH/RC)	Rachel Cowburn	31/12/2019	30/06/2019
3	Conflicts of Interest - actual conflicts of interest permitted to materialise	Failure to adequately monitor and disclose conflicts of interest results in potential conflicts not being managed	G5	Insignificant	Unlikely		1 - Conflicts of interest policy and register maintained 2 - Standing item requesting disclosure at all Committee/Board meetings 3 - Annual update to declarations required	Insignificant	Unlikely		☺️				Rachel Cowburn	31/03/2020	30/09/2019
4	Internal Fraud - financial loss resulting from actions of employee	Pensions team involved with the management of significant financial resources - potential for internal fraud	G4	Moderate	Unlikely		1 - Segregation of duties for key roles 2 - Regular scrutiny from internal audit 3 - Annual external audit of the Pension Fund	Moderate	Unlikely		☺️				Rachel Cowburn	31/03/2020	30/09/2019
5	Data Protection - failure to adequately protect member details	Non-compliance with the GDPR results in a failure to adequately protect member details, with a potential financial impact on members	G4	Moderate	Possible		1 - Compliance with the Council's ICT policy 2 - Use of encrypted email for sensitive data 3 - Use of confidential waste disposal 4 - Use of secure courier to transmit sensitive hard copy files 5 - Appropriate access control measures 6 - Redaction of personal information where required 7 - Tailored training to be provided to Financial Services staff, Pensions Committee and Pension Board Members Contracts with third party suppliers acting as joint data processors must ensure that: 1 - Third parties are GDPR compliant 2 - Secure methods of transfer for sensitive data transmission/storage built into contract 3 - Appropriate risk sharing between the Council and the third party supplier is in place.	Moderate	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Ensure all pensions team staff fully trained on GDPR 2 - Ensure TLS links in place with third party suppliers where possible - DONE 3 - Roll out employer portal to ensure more user friendly secure data transmission 4 - explore further secure email options as current offer not user friendly - DONE	Julie Stacey/Rachel Cowburn	31/12/2019	30/06/2019
6	Reliance on external systems - potential for system failure or cybercrime	Heavy reliance on external systems including following systems: Cedar (accounting), HSBCnet (custodian), LloydsLink, Compendia could result in a failure to take appropriate action in the event of system failure b) insufficient protection against cybercrime	G4	Moderate	Possible		1 - All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. 2 - The Pension Investments and Pensions Administration Business Continuity Plans detail actions to take in the event of system failure	Moderate	Unlikely		☹️ Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Internal training required on cybercrime risk - DONE 2 - Understand Council's approach to cybercrime prevention 3 - Receive written assurances from all suppliers re: management of cybercrime 4 - Develop written cybercrime policy statement	Julie Stacey/Rachel Cowburn	31/12/2019	30/06/2019

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Actuarial Valuation & Investment Strategy Setting – Progress Update Pensions Board 18th November 2019	Classification PUBLIC	Enclosures None AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 This report provides the Board with an introduction to the 2019 valuation process and sets out progress to date and the expected timetable. It also provides an overview of the process the Fund will follow to set its investment strategy once the outcome of the valuation is known.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
 - Note the report

3. → RELATED DECISIONS¶

- 3.1 Pensions Committee 26th March 2019 - Pension Fund Actuarial Valuation 2019 - Introduction
- 3.2 Pensions Committee 29th March 2017 - Pension Fund Actuarial Valuation 2016 – Valuation Report

4. → COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 The triennial valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation, and the membership data used; significant variations to either the assumptions or the data used could impact the Fund's financial position. Given the relationship between the Pension Fund and the Council, the inputs to the triennial valuation can therefore directly impact on the level of resources available for other Council services.
- 4.2 It is therefore critical that both the Pensions Committee and Pension Board have a sound understanding of the valuation process and the assumptions used.
- 4.3 There are no direct financial implications arising from this report

5. → COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:

- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
- Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

5.2 Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain: an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards; a report by an actuary in respect of the valuation; and a rates and adjustments certificate prepared by an actuary.

5.3 Taking into account the role of the Pensions Board in securing compliance with the Local Government Pension Scheme Regulations 2013 and statutory guidance, the consideration of the triennial valuation would appear to properly fall within the Board's remit.

6. → **TRIENNIAL VALUATION UPDATE¶**

6.1 The Pension Fund is required to undertake a formal actuarial valuation every 3 years to establish its funding position and to set the contribution rate for the following three years. The last formal actuarial valuation of the London Borough of Hackney Pension Fund was carried out as at 31st March 2016, which showed an improvement in the funding level from 70% to 77% and set the contribution rates for the three years commencing 1st April 2017. The funding position of 77% was based on the Fund having assets of £1,172.3m and liabilities of £1,577.1m, with a monetary deficit amount of £404.9m

6.2 The Fund's actuary, Hymans Robertson, is now undertaking the formal valuation as at 31st March 2019. The Fund would generally have expected to provide valuation data to the actuary by August 2019; however, the provision of data has been delayed by late receipt of employer data from the Council and the subsequent need to undertake a significant data cleansing exercise.

6.3 A full cut of data was submitted by Equiniti in mid October. This has now been checked by Hymans Robertson and in general is considered to be of high quality. This represents a significant improvement relative to 2016, when although the Fund was able to submit data in line with the original timetable, issues with data quality meant that a significant period of revision was required to ensure the data was fit for purpose. The higher quality of the 2019 data has resulted from the receipt of improved employer data from the Council, and significant data cleansing work undertaken by both Equiniti and the in house pensions administration team.

6.4 Equiniti are now working with Hymans Robertson to resolve a small number of outstanding queries. At present, it is estimated that this work will be completed in time for initial whole fund results to be considered at the December 2019 Pensions Committee meeting. Whilst the delay to data submission has compressed the valuation timetable significantly, it is expected that employers will receive results early in the new year, permitting a suitable period of consultation prior to approval of the final valuation report by 31st March 2020.

6.5 A further verbal update on progress will be provided at the Pensions Board meeting.

7. → **APPROACH TO INVESTMENT STRATEGY SETTING¶**

- 7.1 Once the results of the whole fund valuation are known, the Fund will commence a formal review of its investment strategy to ensure that its investment approach remains appropriate to help close the deficit and achieve the funding target.
- 7.2 The updated strategy will be developed through a consultative process between officers, Members and the Fund's advisers; the Pension Board will have oversight of the process and are encouraged to attend Committee where possible. A consultation meeting is being considered for early in the new year to allow the Committee to consider its investment beliefs in addition to changes in the funding level following the 2019 valuation, the economic outlook over the period and the key risks affecting both current and potential future strategies.
- 7.3 The Fund's new investment strategy will need to be set out in an updated Investment Strategy Statement (ISS). The ISS must be updated at least every 3 years, with the last formal update taking place in 2017.
- 7.4 The LGPS (Management and Investment of funds) Regulations 2016 prescribe that certain items must be included within the ISS. These include:
- a requirement to invest fund money in a wide variety of investments;
 - the authority's assessment of the suitability of particular investments and types of investments;
 - the authority's approach to risk, including the ways in which risks are to be assessed and managed;
 - the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
 - the authority's policy on the exercise of the rights (including voting rights) attaching to investments
- 7.5 In setting the investment strategy, the Committee will consider the Fund's approach to each of the points above. In addition to considering the Fund's strategic asset allocation, approach to risk and approach to pooling, the Committee will also give formal consideration to the Fund's Responsible Investment policy, considering both the active stewardship of assets and how ESG factors can be taken into account in investment decision making. The Fund has a formal target in place to reduce its exposure to carbon reserves; consideration of this target will also form a formal part of the investment strategy.

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Review of the Work of the Pensions Committee Pensions Board 18th November 2019	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.

1. → INTRODUCTION ¶

- 1.1 The purpose of this report is for the Pensions Board to consider the work undertaken by the Pensions Committee at its meetings in the period from March 2019 to September 2019 and to note items that are relevant to the work of the Pension Board. It also includes a forward look at the upcoming work of the Committee during 2020.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
 - Note the report

3. RELATED DECISIONS¶

- 3.1 Pensions Committee (10th September 2019)
- 3.2 Pensions Committee (25th June 2019)
- 3.3 Pensions Committee (26th March 2019)

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 Understanding the remit of and decisions taken by the Pensions Committee helps the Pension Board to assist Hackney Council as the administering authority in ensuring the efficient and effective governance and administration of the Fund, in line with its statutory duties. Good governance of the Fund helps to ensure its long term financial health and that of its stakeholders, including the Council.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
 - Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

- 5.2 Reviewing the work and decision-making processes of the Pensions Committee helps the Board to ensure that decisions are being taken in line with the Local Government Pension Scheme Regulations 2013 and other relevant legislation, and that the scheme's governance and administration processes are efficient and effective.
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations, the consideration of the work of the Pensions Committee would appear to properly fall within the Board's remit.

6. **BACKGROUND TO 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. The links below provide members with access to the Pensions Committee papers from the March, June and September 2019 meetings.

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=4438>

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=4704>

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=4785>

- 6.2 At its March, June and September 2019 meetings, the Pensions Committee considered reports covering a wide range of issues including the Fund's triennial valuation, the annual report and accounts, exposure to fossil fuels and updates from the London CIV. Where Pensions Committee work has specific relevance to the Pension Board and where the subject matter is such that it would be helpful for the Board to consider it in greater detail, 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 relevance to the Board.
- 6.3 As a standing item on the Pensions Committee agenda, the quarterly monitoring report provides both the Pensions Committee and the Board with an update on the key facts pertaining to the Pension Fund. Updates are provided on funding, investment performance, budget monitoring, responsible investment, pensions administration and reporting of breaches. 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 receives regular updates a number of issues covered by statute. Of particular relevance to the Board are the sections on administration performance and reporting breaches.
- 6.4 One key item from the March 2019 meeting is a report on the 2019 actuarial valuation process. The report covers measures discussed with the Fund actuary to address potential timetabling issues resulting from late data provision and summarises the latest developments with regards to the use of the LGPS Scheme Advisory Board and Treasury Cost Cap mechanisms. It summarises the approach taken by the actuary to assist the Fund in setting appropriate financial assumptions for the valuation, setting out how different discount rates are modelled. It also describes how the 2019 valuation was expected to be affected by the LGPS Scheme Advisory Board cost cap mechanism.
- 6.5 Cost control mechanisms are in place across all the public service pension schemes and it was widely expected that reductions in member costs would lead to these being triggered prior to the 2019 valuation. For the LGPS, however, the process was paused as the result of the McCloud court case, and remains on hold. Updated

information on this issue can be found in the Actuarial Valuation and Investment Strategy update report included as part of the Board's agenda.

- 6.6 The Committee also considered a report on the implementation of the Fund's carbon reduction target. The report provides an overview of the introduction of the target in 2016/17, considers how changes to the Fund's asset allocation since 2016/17 have helped to reduce exposure and sets out plans for a formal review of progress during 2019. The Fund's exposure has now been formally reassessed by Trucost, who carried out the initial audit; the results are due to be considered at a special meeting of the Pensions Committee on 20th November.
- 6.7 At its June 2019 meeting, the Committee considered the Pension Fund budget for 2019/20, which sets income and expenditure from various sources and the impact on these for the Pension Fund in the next financial year. Performance against budget is recorded in the quarterly update report at each meeting of the Pensions Committee.
- 6.8 At the same meeting, the Committee also reviewed a report on the progress of the Fund's data improvement project. As this is a key area of interest for the Fund, an updated report including information on the 2018/19 Annual Benefit Statements is included on the Pensions Boards agenda.
- 6.9 A key item from the September 2019 meeting is the consideration of the Pension Fund annual report and accounts for 2018/19. The report and accounts sets out the financial position of the Pension Fund as at 31st March 2019 and acts as the basis for understanding the financial wellbeing of the Pension Fund. It enables Members to manage and monitor the Scheme effectively, helping to ensure that they are able to fully understand the financial implications of the decisions they make.
- 6.10 The Fund's auditors, Mazars, issued an unqualified opinion, without modification, on the Pension Fund financial statements included within the Council's accounts. A draft certificate has been issued; the certificate cannot be formally issued until the auditors have completed their review of the annual report, which will be carried out in autumn 2019. This final review has been delayed to allow the Fund to include additional information in relation to pooling, which is required to comply with new guidance for 2018/19. The information required has now been supplied by the London CIV.

7. UPCOMING WORK

- 7.1 Over the coming months, the focus of the Committee will move towards the completion of the 2019 valuation and subsequent investment strategy review. The Committee must approve the actuary's final valuation report and rates and adjustments certificate no later than 31st March 2020. The development of the Fund's investment strategy will take place alongside the final stages of the valuation. It is anticipated that the Committee will first review its investment beliefs and the strategy setting process via a workshop in early 2020, before making formal decisions around the investment strategy at its meetings in March and June 2020.
- 7.2 A special meeting of the Pensions Committee has been arranged for 20th November for the Committee to consider the results of an updated carbon risk audit carried out over the summer. The audit was commissioned to review performance against the Fund's target to reduce exposure to carbon reserves by 50% by 2022. With a full valuation cycle having passed since the introduction of the target, the Committee requested an interim assessment to review performance and assist in decision making for the Fund's new investment strategy.
- 7.3 The Committee will also be considering a number of policy updates over the coming months. Updates are due to the Pensions Administration Strategy (PAS) and

Communications Policy in March 2020, as well as to the Business Plan at the June 2020 meeting.

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Good Governance Consultation Update Pensions Board 18th November 2019	Classification PUBLIC	Enclosures One AGENDA ITEM NO.
	Ward(s) affected ALL	

1. → INTRODUCTION ¶

- 1.1 The purpose of this report is for the Pensions Board to consider the work on good governance undertaken by Hymans Robertson on behalf of the LGPS Scheme Advisory Board. It sets out the background to and context of the work, considers the good governance report produced by Hymans Robertson and sets out the expected next steps for the project.

2. → RECOMMENDATIONS¶

- 2.1 The Pensions Board is recommended to:
 - Note the report

3. → RELATED DECISIONS¶

- 3.1 N/A

4. → COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES¶

- 4.1 A sound understanding of governance across the wider Local Government Pension Scheme (LGPS) helps the Pension Board to assist Hackney Council as the administering authority in ensuring the efficient and effective governance and administration of the Fund, in line with its statutory duties. Good governance of the Fund helps to ensure its long term financial health and that of its stakeholders, including the Council.
- 4.2 There are no immediate financial implications arising from this report.

5. → COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES¶

- 5.1 The role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:
 - Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
 - Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
 - Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

- 5.2 The aim of the Scheme Advisory Board's (SABs) good governance project is to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward. It aims to identify ways of strengthening governance in the face of new challenges, such as oversight by the Pension Regulator, Asset Pooling and the increasing complexity of scheme administration. The project aims to set standards that all funds should achieve, drawing on current best practice and without placing unnecessary burdens on administering authorities.
- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and statutory guidance, the consideration of the SAB/Hymans Robertson report on good governance in the LGPS would appear to properly fall within the Board's remit.

6. → **BACKGROUND TO THE REPORT**

- 6.1 Governance in the LGPS is evolving to accommodate new developments, including oversight by The Pensions Regulator, the introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments, which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.
- 6.2 The SAB commissioned the good governance survey and report from Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen scheme governance going forward. Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by taxpayers, the SAB specified that any models considered must maintain strong links to local democratic accountability.
- 6.3 Hymans Robertson initially engaged with funds and other stakeholder groups via an online survey and various other methods, setting out four potential governance models:
- Model 1: improved practice. Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
 - Model 2: Model 1 plus greater ring-fencing. Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
 - Model 3: joint committee. Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
 - Model 4: separate Local Authority body. An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

The models are described qualitatively, recognising that some of the characteristics attributed to one model could also be replicated in another and that the solution may draw on the features of more than one model.

- 6.4 Respondents were asked to assess each of the 4 models against the following criteria for assessing governance arrangements:
- Standards

- Consistency
 - Representation,
 - Conflict Management
 - Clarity of Roles
 - Responsibilities and Cost.
- 6.5 Responses to the survey indicated a preference for Model 2, followed by Model 1, with a recognition that independent monitoring would be required to ensure that standards were consistently applied and upheld. The responses also provided existing examples of good practice that demonstrated some of the features of models and 2.
- 6.6 Few respondents favoured Model 3, on the grounds that it offered no benefits over existing arrangements but would result in considerable added complexity. Some did favour Model 4, including one trade union, although for most the value of this model was overshadowed by the very significant additional costs and weakening relationships with Councils. Model 4 would pose particular difficulties in London, where funds are generally smaller and more closely integrated into their host authorities.
- 6.7 Hymans Robertson drew the following conclusions from the work undertaken:
- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
 - Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
 - Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
 - Respondents emphasised that independent review is needed to ensure consistency in application of standards.
- 6.8 Hymans Robertson's full report can be found at Appendix 1 to this report. The report sets out additional details on each model and breaks down the survey responses received by model and criterion.
- 6.9 The SAB Secretariat and the Hymans Robertson project team are now working with stakeholders to develop a detailed plan to be presented to the Board at its November meeting. The Board has confirmed that stakeholders will be given the opportunity to comment on the Board's recommended implementation plan before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance.

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Appendices

Appendix 1 – Hymans Robertson Good Governance Report

Good governance in the LGPS

July 2019



Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

Contents

Executive summary1

1. Introduction.....3

2. Process.....4

3. Survey results.....6

4. Survey themes.....9

5. Examples of best practice13

6. Proposals14

Appendix A: Scheme Advisory Board Good Governance Survey..... 22

Appendix B: Abbreviations 29

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Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents
to our online survey



one-to-one
conversations



153 attendees at
interviews and seminars



discussions with
CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
 - (a) robust conflict management including clarity on roles and responsibilities for decision-making;
 - (b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
 - (c) explanation of policy on employer and scheme member engagement and representation in governance; and
 - (d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.



Governance in the LGPS is evolving to accommodate developments in the last decade...

2. Process

The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

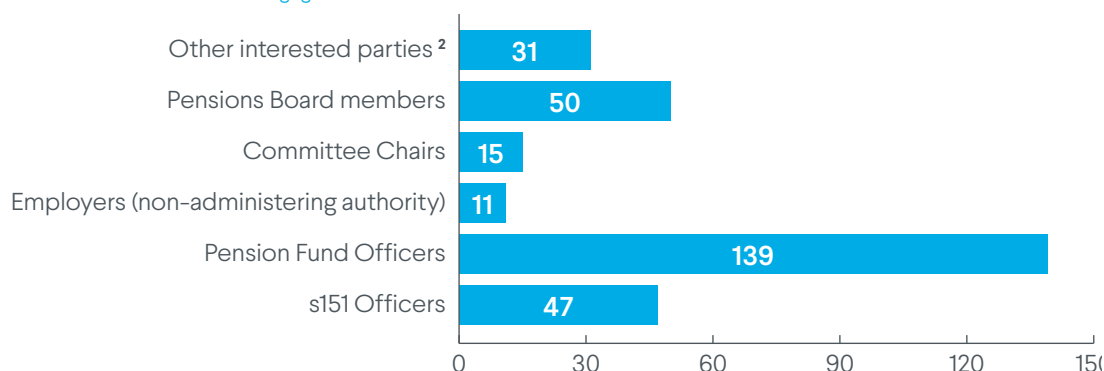
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1	Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2	Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3	Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4	Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5	Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6	Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.



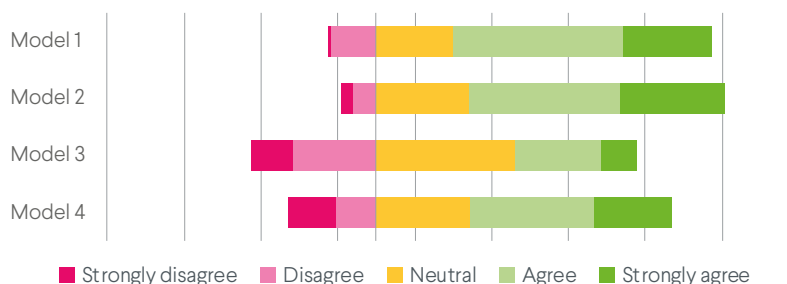
2. Survey results (continued)

The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

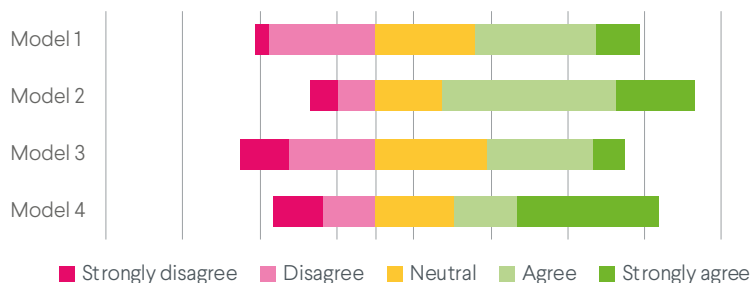
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

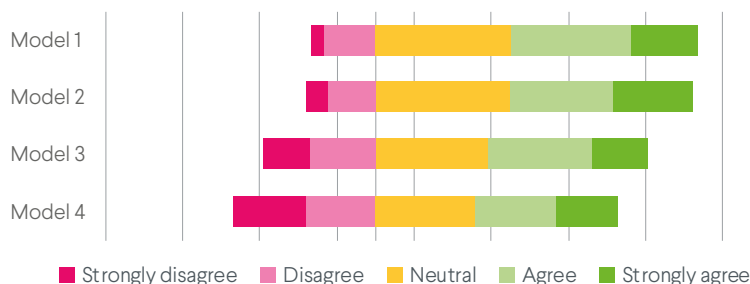
The model enables funds to meet the required standards



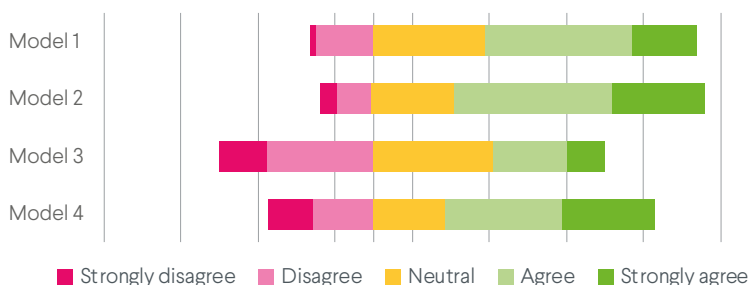
The model minimises conflicts between the pension function and the host local authority



The model allows for appropriate involvement in decision-making for key stakeholder

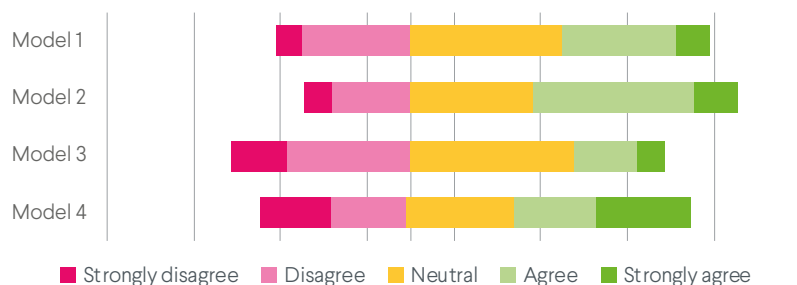


The model delivers clarity of accountability and responsibility for each relevant role

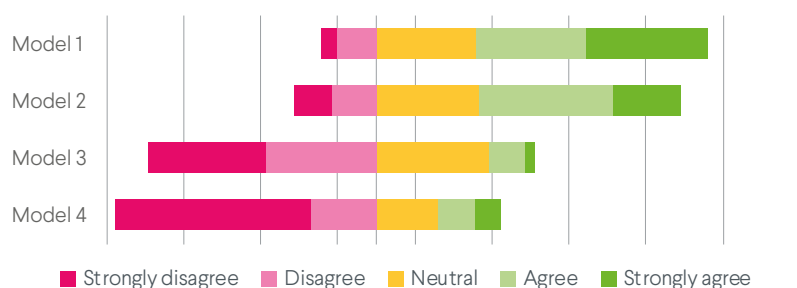


2. Survey results (continued)

The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



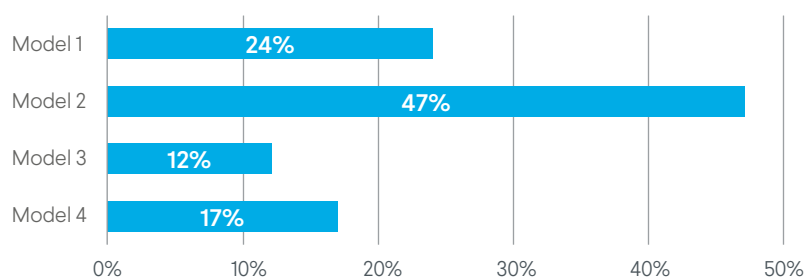
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

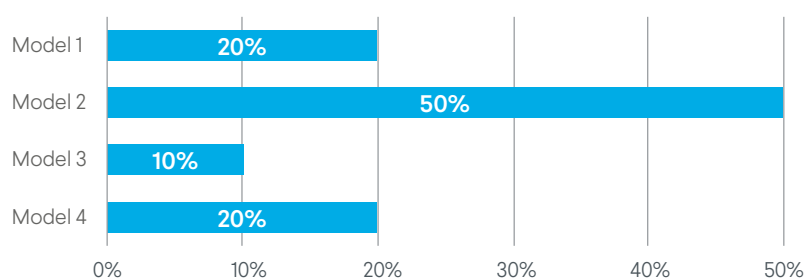
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union



Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

"It is a perversion that LPB members require a higher degree of training than elected members."

Officer, LB

"[The] biggest issue is stability at elected member level. Too much turnover."

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

"Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc."

Officer, CC

"[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't."

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **"Some decision-making conventions are lost in the mists of time."**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

"My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the 'wrong way'".

Officer, CC

"Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions."

Officer, CC

4. A number of respondents stated that "Statutory/ fiduciary duty clarity would be useful."



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees. although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ul style="list-style-type: none"> a. Robust conflict management including clarity on roles and responsibilities for decision making. b. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. c. Explanation of policy on employer and scheme member engagement and representation in governance. d. Regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ul style="list-style-type: none"> i. SAB should consult on: <ul style="list-style-type: none"> • Desirable features and attributes of LGPS governance arrangements; • The outcomes governance arrangements should be expected to deliver; and • How each administering authority might evidence that its own governance model displays the required attributes. ii. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).

Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the 'outcomes-based' model</p> <p>to include:</p> <ol style="list-style-type: none"> Robust conflict management. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an 'outcomes-based' model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> Published conflicts policy. Protocols for setting and managing budgets. Schemes of delegation. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ul style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any 'outcomes-based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ol style="list-style-type: none"> CIPFA to develop a CPD module for s151 practitioners in the LGPS. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ol style="list-style-type: none"> CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and CLG's statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ol style="list-style-type: none"> CIPFA to review and update guidance for s151s in respect of LGPS governance. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts from administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.




Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an 'outcomes-based' model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an 'outcomes-based' governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a 'Good Administration' review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide 'assurance' that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: ‘Outcomes-based’ model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> Conflicts policy. Scheme of delegation or decision matrix setting out who makes what decisions. Transparent process for approving budgets. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> Benchmarking. External expert advice. Internal or external audit. Review by LPB with appropriate expert advice. Process for setting administration budget. Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> Internal or external audit assessment; or Scrutiny by Local Pension Board; or External expert / consultant; or Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> Reviewing policies, meeting minutes. Reviewing committee efficacy in decision-making, etc.

The background of the page is a photograph of a forest path. The path is made of dirt and fallen leaves, leading into the distance. On the left, there are tall, straight tree trunks. On the right, there are trees with bright green foliage. The lighting is dappled, with sunlight filtering through the leaves. Overlaid on the image are several diagonal stripes in shades of teal and green, starting from the bottom left and extending towards the top right.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. The survey closed on 31 May 2019.

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 – New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but policies over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator



Pensions Board Agenda - Forward Look

March 2020

Risk Register Review
TPR Code of Practice Compliance Checklist
Review of Pensions Committee Work
Data Improvement Update
Equiniti - Contract Implementation and Performance Review
GMP Update
Knowledge and Skills Self-assessment
Actuarial Valuation - Update

October 2020

Risk Register Review
TPR Code of Practice Compliance Checklist
Review of Pensions Committee Work
Investment Strategy - Delivery in a Pooled Environment
London CIV Update
Cyber Security Review
Internal Controls review
Communications review (to include development of employer and member self-service)

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