

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

The Pensions Regulator Code of Practice Compliance Checklist	Classification PUBLIC	Enclosures One AGENDA ITEM NO.
	Ward(s) affected ALL	
Pension Board 20th March 2019		

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 Pension Board is recommended to:
 - Note the Code of Compliance Checklist and where further work is required and being undertaken.

3. RELATED DECISIONS

- Pensions Committee 12th September 2018 – TPR Code 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

- 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 Pension 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 were last provided with the completed checklist in November 2018, showing where the Fund was able to demonstrate Compliance with the Code.

- 6.5 The full updated checklist is attached for review by the Board. 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, as officers are currently undertaking a full review of training policy implementation.
- 6.6 There is one area where the Fund is failing to meet the requirements of the Code, which relates to the issuance of Annual Benefits Statements to active scheme members. Statements to deferred members were produced and issued by the deadline of 31st August. However, only 627 statements to actives were issued by the deadline, with 3,616 sent in early November, leaving approximately 1,600 still to be issued. The primary cause of the breach was a failure by the Council, as the Fund's main employer, to submit an adequate year end return. The vast majority of active statements for other employers were sent out by the deadline.
- 6.7 A breach report was submitted to tPR in November 2018 and officers have continued to liaise with the Regulator. The in house administration team has undertaken significant data cleansing on the 1600 queried records to ensure delivery of the remaining statements as soon as possible. Further details of the work undertaken are provided in the 'Data Update' report provided as part of this agenda pack.
- 6.8 The issue of payment of AVC contributions has been upgraded from 'non-compliant' to 'partially compliant' thanks to the introduction of new reconciliation processes by the in house administration team. Further work remains to ensure that additional contributions are correctly classified by the Council and that any warnings over non-payment are followed up in a timely fashion, hence the classification as 'partially compliant'.

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List of appendices:

Appendix 1- The Pensions Regulator's Code of Practice – Compliance Checklist

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