

## REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

<b>The Pensions Regulator Code of Practice Compliance Checklist</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> <b>One</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	
<b>Pensions Committee</b> <b>10<sup>th</sup> September 2019</b>		

### 1. INTRODUCTION

- 1.1 From 1<sup>st</sup> 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 1<sup>st</sup> 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 Committee is recommended to:**
  - **Note the Code of Compliance Checklist and where further work is required and being undertaken.**

### 3. RELATED DECISIONS

- Pensions Committee 4<sup>th</sup> December 2017 – Pension Fund Risk Register
- Pensions Committee 11<sup>th</sup> September 2017 – TPR Code Compliance Checklist
- Pensions Committee 27<sup>th</sup> June 2017 - Employer Data Audit

### 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 Committee was last provided with the completed checklist in September 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 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 IDRPs. 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. The Fund has entered in to a formal engagement with the Regulator on this issue and is providing regular updates on progress.
- 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.

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## **Appendices**

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