

**REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES****Review of the Pensions Regulator's Work – Update and Training****Pensions Board  
18<sup>th</sup> November 2019****Classification  
PUBLIC**

Ward(s) affected

**ALL****Enclosures  
Three****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 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.

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**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