



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 October 2019
Classification:	General Release
Title:	Governance and administration risks in public service pension schemes: an engagement report from The Pensions Regulator
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptringgs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 This paper provides the Pension Fund Committee with a summary of the Pension Regulator's (tPR) engagement with ten LGPS funds to understand a sample of scheme managers' approaches to a number of key risks and includes their suggested improvements that could be made.
- 1.2 The engagement took place between October 2018 and July 2019.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the report and make appropriate comments.

3. THE ENGAGEMENT REPORT

- 3.1 The report was based on the following areas of focus:
 - Record-keeping
 - Internal controls

- Administrators
- Member communication
- Internal dispute resolution procedure (IDRP)
- Local Pension Board
- Employers and contributions
- Cyber security
- Internal fraud and false claims

3.2 Overall, tPR found some areas requiring improvement but commended others where good practice was demonstrated relating to the various risks. The key improvement areas are summarised below.

- Key person risk: While most scheme managers demonstrated good knowledge, many funds have a lack of comprehensive documented policies and procedures.
- Local Pension Board: Engagement levels varied, with concern being raised about the frequency in which some boards meet and their appetite to build their knowledge and understanding.
- Fraud: Some evidence of scheme managers learning from wider events and taking steps to secure scheme assets.
- Employers: Considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency.

3.3 The report can be found at Appendix 1.

4. PROPOSED tPR CODE OF PRACTICE

4.1 Work is now underway to draft and implement a pension scheme Code of Practice for governance, applicable to all public service schemes. There are significant differences between the LGPS, other public sector and private sector schemes. If the combined code is able to filter the variables, then such a Code could be of great benefit.

4.2 The governance within the LGPS, with its layers of delegation, means the answer is not always straightforward. With regard to the LGPS, MHCLG defines administering authorities (e.g., county councils and London Boroughs) as Scheme Managers, but these delegate governance responsibility to a Pensions Committee (Section 101 committee). The question must be asked as to how Local Pensions Boards (part of the governance framework) fit within this definition. Acknowledging the distinct roles will be critical in achieving unambiguous guidance.

4.3 In this regard, officers are engaging with tPR and the Pensions and Lifetime Savings Association (PLSA) to progress the Code of Practice and will report back to the Committee at a later date.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Mat Dawson 0207 641 1075

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Governance and administration risks in public service pension schemes: an engagement report