

Compliance with the Pension Regulator Code of Practice No.14

Purpose of the Report

1. The purpose of this report is to outline the high level assessment on compliance with the Pension Regulator (tPR) Code of Practice No.14 undertaken by officers of the Fund.

Background

2. From the 1 April 2015, tPR have assumed responsibility for the governance and administration of all public sector pension schemes. To assist schemes in understanding tPR's expectations they have issued a Code of Practice No. 14 that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to the legal requirements. This guidance can be viewed on the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

3. The practical examples in the Code are only guidance, although Funds must ensure the legal requirements are met.

Key Considerations for the Board

4. Officers have carried out an assessment of each area of the Code of Practice No 14 in terms of both the legal requirements and the practical guidance. The Annex summarises this assessment, taking a risk based approach to achieving compliance and proposing further actions to be undertaken to mitigate any risks of non-compliance with the Code.
5. The Code of Practice examines the governance and administration of the Fund in the following 4 areas:
 - Governing your scheme
 - Managing risks
 - Administration
 - Resolving issues
6. The Annex suggests the Fund meets all the legal requirements of the Code for 3 out of the 4 sections. Within Administration further actions need to be implemented to ensure the Fund mitigates the potential risk of non-compliance. The areas highlighted are:

i. Scheme Record Keeping

The Fund is currently reviewing data against the Records Keeping Act, as part of its on-going data cleansing process. The formal monitoring of performance against the targets in the act need to be formalised along with data improvement plans currently being worked on. There is also a need for a more formal approach to employer data audits to ensure the accuracy and timeliness of the information being received by employers and measuring this against the targets set out in the Pension Administration Strategy.

ii. Provision of information to scheme members

The issuing of Annual Benefit Statements by the 31 August remains a challenging deadline and work continues to ensure this statutory date will be met. The format of the deferred statement needs to be tweaked to ensure it meets the legal requirements under the Regulations and a project implemented to ensure all member types receive a statement. The Fund is also trying to implement Key Performance Indicators (KPIs) to allow the more accurate monitoring of workloads and compliance with the timeframes outlined in the Disclosures Regulations.

7. The Annex also shows the actions being implemented with the anticipated timeframes.
8. In summary, the Code of Practice represents good practice for a Pension Fund and the main activities covered will not be unfamiliar or new areas of work to the majority of Funds. The main change is the requirement for more formalised processes and the implementation of additional checks, reconciliations and regular review procedures.
9. The propose timeframes for the additional actions would suggest a further review is undertaken at the end of the year to review the implementation of the required changes.

Financial Considerations & Risk Assessment

10. There is no direct financial cost from undertaking this review of the Code of Practice. However, consideration is needed to the resource implications of implementing any changes. As far as possible, these have been factored into the 2016-17 administration budget.
11. The purpose of this assessment is to reduce the risk on non-compliance with tPR's requirements on governance and administration standards. This risks highlighted in this report will be added to the Fund's Risk register.

Legal Implications and Environmental Impact of the Proposal

12. The failure to meet the minimum legal requirements of the Code of Practice could mean a statutory breach occurs and this would need to be considered as part of the breaches framework.
13. There are no environmental impacts of these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications at this time.

Reasons for Proposals

15. All public sector pension schemes should be assessing their compliance with the Code. This review provides an initial evaluation and proposed action plan to ensure the Fund achieves this compliance.

Proposals

16. The Board is asked to note the outcome from this review of the tPRs Code of Practice No. 14 and recommend the implementation of the proposed actions to the Pension Fund Committee to ensure the Fund secures compliance with this guidance.

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Unpublished documents relied upon in the production of this report:

Detailed Officers Analysis of the Code of Practice – Head of Pensions, 28 March 2016