

	Pension Board 22 October 2019
	Report from the Director of Finance
The Pensions Regulator	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

- 1.1 This report presents the outcome of The Pensions Regulator's engagement sessions with Local Authorities.

2.0 Recommendation(s)

- 2.1 The board is asked to note the report.

3.0 Background

- 3.1 As previously reported to the Pensions Board, in Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds, one of which was the Brent Pension Fund. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews were to be completed at a high level and were, in the main, based on the Code of Practice 14: Governance and administration of public service pension schemes. Each Fund completed five meetings with TPR on various risk areas:

- Administration, data and communication
- Internal controls and complaint handling
- Contributions, employer compliance and funding affordability
- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest

- Fraud, mitigation of scams and cyber security

3.2 These meetings gave TPR a strong insight into current governance and administration practice and standards at LGPS funds. A number of recommendations are made across each element covered as part of TPR's engagement with funds, and the key points are summarised below.

- **Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.
- **Internal controls** – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks
- **Administrators** – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.
- **Member communication** – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.
- **Internal dispute resolution** – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.
- **Pension Boards** – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.
- **Employers and contributions** – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.
- **Cyber security** – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.
- **Internal fraud and false claims** – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

- 3.3 The Brent Fund welcomes the report and endorses TPR's recommendations. Following the conclusion of the engagement sessions, the Fund has implemented all of the recommendations. The full report can be found on TPRs website:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

4.0 Financial Implications

- 4.1 There are no specific financial implications associated with noting this report.

5.0 Legal Implications

- 5.1 None arising directly from this report

6.0 Equality Implications

- 6.1 None arising directly from this report

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable for this report.

8.0 Human Resources/Property Implications (if appropriate)

- 8.1 None arising directly from this report

Report sign off:

Minesh Patel
Director of Finance