

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Tuesday, 22 March 2016
<b>Report Subject</b>	Compliance with the Pension Regulator's Code of Practice
<b>Report Author</b>	Chief Executive

### **EXECUTIVE SUMMARY**

The Pensions Regulator's (TPR) Code of Practice (COP) number 14, for the governance and administration of public service pension schemes, came into force in April 2015.

The COP is split into 10 key areas, and overall there is around 90 key requirements or recommended best practice, which can be directly tested and evidence of compliance provided. Karen McWilliam, the Fund's Independent Adviser, with her colleagues from Aon Hewitt have carried out an initial review of the management of Clwyd Pension Fund against these requirements, the results of which are summarised within this report. The Fund's officers are currently in the process of reviewing the results provided by Aon Hewitt.

Aon Hewitt has determined that the Fund is largely compliant with the COP, and has identified a number of areas where relatively small changes in processes or documentation practice would result in greater compliance. Aon Hewitt has carried out a number of these reviews for a range of Funds to date and overall regarded the Fund's results as extremely positive.

### **RECOMMENDATIONS**

1	That the Committee consider the findings of the review and provide any comments.
2	That the Committee note officers will consider the findings and identify when and how improvements should be made.
3	That the Committee note the officers will carry out a self-assessment against this compliance checklist on an annual basis which will be reported back to the Committee and Pension Board.

## REPORT DETAILS

1.00	EXPLAINING THE RESULTS OF THE TPR COMPLIANCE REVIEW
1.01	<p>The Public Service Pensions Act 2013, which introduced the new LGPS, also included extended powers for TPR. Until then, TPR had very little involvement in the management of public service pension schemes. The powers include oversight of areas such as:</p> <ul style="list-style-type: none"><li>• Pension Board knowledge and skills and</li><li>• Internal controls.</li></ul>
1.02	<p>The Public Service Pensions Act also required TPR to issue a Code of Practice relating to the governance and administration of public service pension schemes. This Code of Practice (COP) number 14 came into force in April 2015. TPR has carried out, and intends to carry out further surveys of public service pension schemes to ensure that they are reviewing their management against the COP requirements.</p>
1.03	<p>The COP is split into 10 key areas, and overall there are around 90 key requirements or recommended best practice, which can be directly tested and evidence of compliance provided. Karen McWilliam, the Fund's independent adviser and her colleagues from Aon Hewitt visited the offices of Flintshire County Council in November 2015 in order to gather evidence and assess compliance against each of those requirements as well as some additional elements of good practice recommended by the national Scheme Advisory Board. The findings collated by Aon Hewitt are attached as an Appendix to this report. The results are still being reviewed by the Fund officers and were also shared with the Pension Board on 4 March 2016 given that one of the key areas of responsibility of the Board is to assist in ensuring compliance with TPR requirements.</p>
1.04	<p>Overall, Aon Hewitt is of the view that compared with many Funds, the Fund is to be congratulated on a strong level of compliance with the COP requirements and recommended best practice. Including the Scheme Advisory Board guidance, Aon Hewitt was able to determine that the Fund is fully compliant in 65 out of the 99 areas tested. The Appendix includes a summary dashboard for fast identification of the areas which are not fully compliant.</p>
1.05	<p>Of the remaining 34 areas:</p> <ul style="list-style-type: none"><li>• 3 were not yet relevant for the Fund at time of review,</li><li>• 9 are cases where the full evidence was not available at the time of the review, but there was enough evidence for partial compliance. It is likely some of these areas will be fully compliant but the evidence was not available at the time of review (for example in relation to AVC provider practices).</li><li>• Only 7 areas were considered to be non-compliant with the requirements or best practice.</li><li>• The remaining 15 are partially compliant. These are situations either where it is considered that only partial compliance with a recommended best practice is suitable for the Fund, or where Flintshire County Council have one or two small areas to develop</li></ul>

	before being considered fully compliant.
1.06	Aon Hewitt noted that the Fund is particularly strong in its compliance in the Governance areas, i.e. Knowledge and Understanding, Conflicts of Interest, Publishing information about the Pension Board, Risk and Internal Controls, and Reporting Breaches (as well as the Scheme Advisory Board Local Pension Board requirements). Given the amount of work that has been carried out in relation to governance matters in recent years, this is particularly welcoming.
1.07	<p>Aon Hewitt identified, with Flintshire officers, the key areas for development and these are included as actions in the attachment. These are primarily under the sections 'Maintaining contributions' and 'Providing information to Members and others'. The following are worth noting:</p> <ul style="list-style-type: none"> <li>• It is clear that the administering authority in many areas is carrying out adequate checks and that benefits are being administered correctly. However, in some areas the processes/procedures simply need to be formally documented as evidence; this will also reduce risk in the event of loss or absence of key staff.</li> <li>• There is also a recommendation to set out and monitor against KPIs to ensure legal and internal timescales for communication with members are met (item H9 of the appendix). This is already being progressed as part of the introduction of the Communications Strategy</li> <li>• Similarly, one item of non-compliance (item J3) was in relation to implementing our Procedure for Recording and Reporting Breaches of the Law. This will now be fully compliant due to progress made in recent weeks.</li> </ul>
1.08	Another area where recommendations have been made is in relation to the monitoring of compliance of the AVC providers. Although the Fund's AVC providers are required to administer their own systems, Flintshire County Council, as the administering authority, maintains responsibility for the proper administration of the Fund members' AVCs. As such, it should ensure it receives ongoing evidence that the AVC provider is meeting the appropriate standards, particularly in relation to record keeping, internal controls and disclosure of information.
1.09	The other areas are not considered to be of material risk to the Fund or its stakeholders and will be addressed in due course. It is envisaged that the Fund's officers will maintain this compliance checklist on an ongoing basis and it will be brought to the Pension Fund Committee and Pension Board at least annually.
1.10	<p>TPR has stated that following the results of their initial survey the focus for this year will be on:</p> <ul style="list-style-type: none"> <li>• internal controls,</li> <li>• record-keeping and</li> <li>• the provision of accurate and high quality communications to members.</li> </ul> <p>TPR plans to look at scheme's processes in these areas, focusing on their:</p> <ul style="list-style-type: none"> <li>• effectiveness in driving good outcomes</li> </ul>

	<ul style="list-style-type: none"> <li>• efficiency and reliability (or the processes themselves)</li> <li>• how good practice in one scheme can help inform others with poorer practices</li> </ul> <p>The results of this review will assist the Fund in demonstrating compliance in these areas.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	These results have been shared with the Clwyd Pension Fund Pension Board.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>Key risks to the Fund include:</p> <ul style="list-style-type: none"> <li>• Legal requirements and/or guidance are not complied with</li> <li>• Day to day responsibilities and services are not delivered</li> <li>• The fund's objectives are not met or are compromised (e.g. administration strategy).</li> </ul> <p>Carrying out this review now and on an annual basis is a useful means to mitigate against these risks.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Report on the Fund's compliance against each of the requirements in the COP.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>TPR Code of Practice and other resources - <a href="http://www.thepensionsregulator.gov.uk/public-service-schemes/further-resources.aspx">http://www.thepensionsregulator.gov.uk/public-service-schemes/further-resources.aspx</a></p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (f) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund
- (g) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (h) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (i) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (j) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.