

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 20 September 2017
<b>Report Subject</b>	Compliance with the Pension Regulator's Code of Practice
<b>Report Author</b>	Pension Fund Manager

### 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. Following an initial assessment against the requirements by Karen McWilliam, the Fund's Independent Adviser, with her colleagues from Aon Hewitt in the winter of 2015/16, the management of Clwyd Pension Fund now carry out ongoing assessment against these requirements. The results of latest review carried out over the summer of 2017 are summarised within this report and the attachment.

The Fund is largely compliant with the COP, and has identified a number of areas where actions can be taken to result in greater compliance. These areas will be collated into a separate action plan for ongoing development.

### RECOMMENDATIONS

1	That the Committee consider the findings of the review and provide any comments.
2	That the Committee note officers will collate a separate action plan for areas of ongoing development.
3	That the Committee note the officers will carry out further self-assessment during 2018 against this compliance checklist 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 includes powers for TPR in areas such as :</p> <ul style="list-style-type: none"><li>• Pension Board knowledge and skills and</li><li>• Internal controls.</li></ul> <p>It 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>
1.02	<p>The COP is split into 10 key areas, and overall there are around 90 requirements or areas of 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 were reported to the Pension Fund Committee and Pension Board in March 2016.</p>
1.03	<p>At that meeting it was agreed that the officers of the Fund should carry out ongoing checks against the COP and Scheme Advisory Board guidance, reporting back to the Committee and Board at least once a year. The results of the latest review are attached as Appendix 1 to this report. The third page of the Appendix includes a summary dashboard for fast identification of the areas which are not fully compliant. The results are explained further in the following paragraphs and any numbers shown in brackets relate to the results of the review presented to the Committee and Board in March 2016.</p>
1.04	<p>This review illustrates that the Fund is fully compliant in 71 (65) out of the 99 areas tested. Of the remaining 29 (34) areas:</p> <ul style="list-style-type: none"><li>• 1 (3) is not relevant to the Fund,</li><li>• 3 (9) are cases where the full evidence is not readily available and there is ongoing work investigating that area to determine whether the Fund is compliant or not.</li><li>• Excluding the above, 4 (7) areas are considered to be non-compliant with the requirements or best practice.</li><li>• The remaining 20 (15) are partially compliant, with 2 of these being employer responsibilities, rather than Fund responsibilities.</li></ul>
1.05	<p>The results clearly show an improvement in some areas since the last review, albeit it is important to recognise that some measures may be more significant than others, for example, some may be required by law whereas others are best practice, or some may have a greater level of risk with not being compliant than some of the other checks.</p>

1.06	The results illustrate that the management of Conflicts of Interest in the Fund is a particularly strong area with all measures in that area being fully compliant.
1.07	<p>The key areas for development included actions in the final column of the tables in the Appendix. These include the following areas, and those marked with an * are already included within the existing business plan::</p> <ul style="list-style-type: none"> <li>• Knowledge and Skills B10 – carrying out a form of self-assessment or training needs analysis to consider whether training has been effective so that the Committee and Board have the key skills and knowledge expected for their roles</li> <li>• Knowledge and Skills B12 – completing the TPR training modules as part of future Committee meetings</li> <li>• Publishing Information D2 and D4 – including further information on the Pension Board on the Fund's new website which will be launched in the autumn of 2017*</li> <li>• Managing Risk and Internal Controls E7 – ongoing documenting of internal procedures*</li> <li>• Maintaining Accurate Member Data F1 and F9 – ongoing work to clear existing backlogs (and implementing i-Connect) will improve data accuracy, and existing data improvement plans are being refined.</li> <li>• Maintaining Contributions G (various) – documenting procedures for collecting contributions, checking receipt and escalating payment failures, and ensuring the ongoing effectiveness of the procedure.</li> <li>• Providing Information to Members H (various) – ongoing work to clear existing backlogs will assist in meeting legal timescales. There are some standard scheme communications that require small changes to meet legal requirements.</li> <li>• Internal Dispute Resolution I (various) – small tweak to be made to leaflet explaining resolution process and some standard letters need updated to ensure they mention the process. A process also needs to be put in place to ensure legal timescales are met.</li> <li>• Breaches J3 – ongoing work to tighten up the identification of breaches of the law.</li> </ul> <p>These areas and the other areas of improvements identified will be collated into a separate action plan for ongoing development.</p>
1.08	<p>It is important that the Fund continues to assess itself against the TPR COP as TPR is taking a much greater interest on the administration and management of public service pension schemes. TPR is currently particularly focussing on the following parts of its COP:</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>A particular area of responsibility for the Pension Board, as detailed in the Public Service Pensions Act, is "to assist in ensuring compliance with TPR requirements". The results of this review are on the agenda for the next Pension Board and we expect this will be a regular agenda item at future meetings, as well as coming back to the Committee at least annually for consideration.</p>

<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 were tabled at the last Clwyd Pension Fund Pension Board and are on the next meeting's agenda for more detailed consideration.

<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	<p>(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</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the</p>

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.