

Report for: Pensions Committee – 11 April 2016

Item number: 12

Title: **Compliance with the Pensions Regulator (TPR) Code of Practice**

Report authorised by: Tracie Evans – Chief Operating Officer.

Lead Officer: Neville Murton – Lead Finance Officer
020 8489 3176 neville.murton@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** N/A

1. Describe the issue under consideration

- 1.1. The Pensions Regulator (TPR) was given some oversight responsibility for LGPS under the Public Service Pensions Act 2013. The Regulator issued Code of Practice No 14 “Governance and administration of public service pension schemes” in April 2015. The code of practice sets out the legal requirements for public service pension schemes together with practical guidance and standards of conduct expected.
- 1.2. The Code was discussed at the September 2015 meeting of the Pensions Committee and a number of actions were agreed to achieve the standards set out in the code. This report sets out progress towards implementing the required actions. Although compliance with the Code of Practice in its entirety is not a legal requirement, departures from the code may well result in challenge and examination by the Regulator.

2. Cabinet Member Introduction

- 2.1. Not Applicable.

3. Recommendations

- 3.1. The Committee is asked to:
 - (a) Note progress on meeting the requirements of The Pension Code of Practice.
 - (b) Agree to commission the Independent Advisor to undertake a Governance Review at an estimated cost of £4,500, prior to signing of the 2016 annual accounts.

4. Reasons for decision

- 4.1. It is important for the Committee to keep under review its performance in respect of items expected by the regulator under the Pension Code of Practice and take steps to ensure that compliance can be demonstrated.

5. Alternative options considered

- 5.1. The Committee could choose to adopt the activities under the Code of Practice over alternative timeframes but it is considered to be in the Pension Fund's overall interest to undertake this work as soon as possible subject to resources.
- 5.2. The Governance Review could be commissioned from an alternative source however, given the relatively low cost involved and the experience of the Independent Advisor in undertaking reviews for other Pension Funds and his existing knowledge of the Haringey Pension Fund arrangements it is considered to be sensible to commission this work from the Independent Advisor.

6. Background information

- 6.1. The progress against each of the actions agreed at the September meeting is summarised:

- a) Internal controls around key processes of the fund are set out in a single document and that key risks and mitigating controls are documented and discussed annually by the Committee.

A draft risk register has been prepared and is included elsewhere on this agenda (item 13). No substantive progress has been made to document and evaluate processes and internal controls.

- b) A report on the performance of the administration function e.g. collection of contributions, payment of benefits and responses to scheme members enquires is presented to the Committee on a quarterly basis. Also included would be the operation of the internal disputes resolution procedures and breaches of the law.

The 3 quarter Performance report is included elsewhere on the agenda (item 9) and Reporting on Breaches of the law (item 14).

- c) Internal Audit is requested to review the operation of the internal controls and the identification of key risks and provide annual reports to the Committee.

Internal Audit is waiting for progress on issues (a) and (b) above before conducting a review of controls over pension fund activities.

- d) Annually, the Committee review training undertaken and agree training plans for the next 12 months in light of the requirements of the code.

At its meeting on 14 March 2013 the Corporate Committee adopted the recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and also received a paper from the Independent Advisor which included a description and explanation of the CIPFA guidance on training for Pension Committees and proposals for training. Since 2013 the Independent Advisor has provided a range of training to the Corporate Committee (until 2014) and the Pensions Committee (since 2014).

At its July 2015 meeting the Pensions Committee considered its approach to training and agreed that further training should be requested from the Independent Advisor and that details of external training also be circulated to Committee members

It is suggested however that the Independent Advisor be requested to prepare an updated paper on training to include details of developments to the CIPFA recommended approach since 2013 and specific training proposals for the financial year 2016-17.

- e) A listing is maintained of laws, regulations and scheme documentation that the committee should be familiar.

Not prepared.

- f) Preparation of a conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest.

A conflicts policy was approved at the January 2016 meeting. Subsequently declarations have been circulated to Members of the Committee for completion.

- g) A report is prepared on events that may require notification to the Regulator e.g. late payment of contributions, failures to provide information to scheme members etc.

A report summarising the policy on Breaches of the Law is included elsewhere on this agenda (item 14) with any further reporting on any actual breaches being reported to the next relevant meeting of the Pensions Committee.

- h) An Annual Governance review is undertaken by a suitably qualified person.

It is recommended that the Independent Advisor be requested to undertake a governance review and identify departures from best practice. The review to take place before the completion of the 2015/16 draft financial statements.

- i) All employers in the London Borough of Haringey Fund are sent a copy of the Code of Practice.

The Code of Practice has been circulated to all employers.

- 6.2. Although good progress has been made in the last six months, much remains to do in order to meet the governance and administration requirements as set out in the code of practice. A lack of resources, particularly within the Pensions Administration team, is the main factor behind the limited progress to date. Achieving processes and controls in line with best practice can only be achieved and maintained if additional resources are applied to the Pension fund. Plans to appoint a Head of Pensions, a full time Pensions Accountant and an additional person to the administration team will provide the additional resources required to address the outstanding issues.

7. Contribution to strategic outcomes

- 7.1. It is important that the Committee understands and has confidence in the range of activities that provide assurance of performance against the Pension Code of Practice. In this way there can be some assurance that the strategic outcomes of the Pension Fund are being delivered effectively.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 8.1. Chief Finance Officer

8.1.1. The Governance Review falls outside of the scope of the work of the Independent Advisor and so there will be an additional cost for this piece of work estimated at £4,500. The cost of the Governance Review by the Independent Advisor is below the threshold for formal tender procedures and the Chief Finance Officer considers that the cost provides value for money.

8.2. Assistant Director of Corporate Governance

8.2.1. The Assistant Director of Corporate Governance has been consulted on the content of this report. The work being done on the Pension Code of Practice would enhanced the administering authority's duty to manage and administer the Scheme however members should note the slow progress and the reasons set out in the report.

8.2.2. The Committee has the authority under Part Four Section J of the Council's Constitution to authorise the appointment of the contractor set out in recommendation 3(1)(b).

9. Use of Appendices

9.1. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable