



# South Tyneside Council

## Local Pension Board

Date: 17<sup>th</sup> October 2018

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## Code of Practice 14 – Governance and Administration of the Public Services Pension Schemes

(for information and discussion)

Report of the Head of Pensions

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### **Purpose of Report**

1. The report sets out background to the role of the Pensions Regulator and Code of Practice Number 14 – Governance and Administration of the Public Services Pensions Schemes.
2. The report also sets out the Fund's compliance with this code as assessed by Internal Audit.

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Contact Officer: Ian Bainbridge, Head of Pensions, Tel 424 4112

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## The Pensions Regulator

3. The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK.
4. Oversight of public sector schemes by the Pensions Regulator began in April 2015 following the implementation of the Public Service Pensions Act 2013. Previously its role was largely restricted to the private sector, for which it operates the Pensions Protection Fund.
5. In general, the Regulator's statutory objectives are to:
  - Protect benefits of pension scheme members
  - Promote and improve understanding of the good administration of work-based pension schemes
  - Ensure compliance with the duties and safeguards of the Pensions Act
  - Reduce the risk of insolvency.
6. The role of the Regulator in respect of the Local Government Pension Scheme is focussed on governance and pensions administration and does not directly include funding strategy and investment strategy.
7. The Regulator has a number of regulatory tools at its disposal, including issuing codes of practice to enable it to meet its objectives.
8. Codes of practice provide practical guidance and set out the standard of conduct and expected practice in order to comply with legal requirements. They are not statements in law.
9. However, where the Regulator considers legal requirements are not being met or have been contravened in circumstances which make it likely that the breach will continue or be repeated, it may issue an improvement notice or Regulatory Intervention Report
10. The main Code of Practice which the regulator has issued in relation to Public Services Pension Schemes is Code of Practice Number 14 - Governance and Administration of the Public Service Pension Schemes.

## Code of Practice 14

11. The Code was introduced to tie in with the requirement to set up pension boards and the Pensions Regulator taking over oversight of all public sector schemes.

12. In addition to the LGPS, it is aimed at all public sector schemes, including Police, Fire and NHS, and includes significant reference to pension boards.
13. It should be noted that the LGPS structure is unique, with Pensions Committees acting as quasi trustees and Local Boards having an assisting role. The guide in its widest sense is aimed at all those involved in administering the LGPS.
14. The Local Pension Board and the Pensions Committee received a training session on Code of Practice 14 at the training event in Edinburgh in February 2018.
15. The Code can be broken down into four main areas:
  - Governing Your Scheme
  - Managing Risks
  - Administration
  - Resolving Issues.

#### **Compliance with Code of Practice 14**

16. The Audit programme for 2017/18 included an audit of the Fund's approach to Code of Practice 14 and an independent assessment of compliance.
17. The report concluded that "The Pension Fund has sound arrangements and controls in place to comply with the key requirements of Code of Practice No. 14."
18. The overall assurance level was assessed as "Substantial". This is the second highest level of assurance and is defined as "There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved."
19. A copy of the audit report was presented to the Local Board at its meeting in July 2018. The Local Board considered the report and the recommendations made and asked that a follow up report be brought back to this meeting setting out the progress in implementing the recommendations.
20. In addition, the Local Pensions Board has asked for an annual report on compliance against Code of Practice 14.
21. These recommendations and the action taken are set out below.

<b>Recommendation</b>	<b>Comment and Action Taken</b>
<p>The Pension Fund's compliance with Code of Practice No. 14 to be reported to the Pensions Committee to ensure members are kept abreast of progress. Compliance with the Code to be shared with Pensions Team officers to further develop awareness and identify any training opportunities.</p>	<p>The outcome of this audit report and compliance was reported to the Pensions Committee and Local Pension Board at the training in February 2018.</p> <p>Further detail on compliance was reported to the Committee at the meeting in June 2018 and the Local Pension Board in July 2018.</p> <p>The Committee has delegated the monitoring of compliance against the code to the Local Pensions Board. The Local Board has requested an annual report setting out the extent to which the Fund is complying.</p> <p>An email has been circulated to staff in the Pensions Service to outline compliance against the code.</p>
<p>The review of policies, procedures and information held on the Fund website to be undertaken annually to ensure all documentation information is current.</p>	<p>A review of the documentation on the website has been undertaken and where appropriate all documentation has been updated.</p> <p>All documents should be updated as and when required. However, as a catch all, an annual update review will be undertaken.</p>
<p>A register to be maintained and reviewed annually of:</p> <ul style="list-style-type: none"> <li>- The Disclosable Pecuniary Interests of members and co-opted members of the Pensions Committee, and</li> <li>- Conflicts of interest of Local Pension Board members.</li> </ul>	<p>The annual review undertaken as part of the compilation of the Report and Accounts was undertaken based on the latest available information provided by the members of Pensions Committee and the Local Pension Board.</p> <p>All new members of the Committee and the Local Pension Board have completed their conflicts of interest forms.</p>

22. Action against all of these recommendations has been undertaken.

### **Recommendation**

23. The Local Pension Board is recommended to note the report.

**Reason for Recommendation**

24. To ensure that the Local Pension Board is able to fulfil the remit of assisting in the good governance of the Fund.

## Local Pension Board

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Public Service Pensions Act 2013 <a href="http://www.legislation.gov.uk/ukpga/2013/25/contents">http://www.legislation.gov.uk/ukpga/2013/25/contents</a>	N/a	Head of Pensions Office, South Shields Town Hall
Local Government Pension Scheme Regulations	N/a	Head of Pensions Office, South Shields Town Hall