

## Lancashire Local Pension Board

Meeting to be held on Tuesday, 15 October 2019

Electoral Division affected:  
(All Divisions);

### **The Pensions Regulator - Governance and administration risks in public service pension schemes – engagement report**

Contact for further information: Colin Smith 01772 534826, Technical Advisor, Lancashire County Pension Fund, colin.smith@lancashire.gov.uk

#### **Executive Summary**

To provide members of the Pension Board with a summarised position of the Pension Regulator's survey findings on their engagement with 10 local government funds in relation to governance and administration risks.

#### **Recommendation**

The Board are asked to review and comment on the contents of this update and the engagement report.

#### **Background and Advice**

As previously reported to the Board in October last year The Pensions Regulator had announced plans for "Proactive engagement" with LGPS funds for 2018 and 2019 concerning governance and administration matters including:

- the main risk areas scheme managers should already be focusing on
- what TPR's expectations are
- how those responsible for managing and running schemes can identify and mitigate such risks

As part of that engagement The Pension Regulator engaged with a small number of scheme managers to undertake deeper regulatory engagement into each risk area, to understand what the current status is, the challenges scheme managers face, the extent of mitigation and improvement plans and how they are being implemented.

On 19 September 2019 The Pensions Regulator published their engagement report on the findings of the recent survey of the governance and administration of the 10 LGPS Funds.

The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be

discussed in detail when the Scheme Advisory Board next meets on the 6 November 2019.

The Scheme Advisory Board have stated that:

*"In identifying examples of best practice as well as areas for further improvement the report will undoubtedly be of great assistance to LGPS funds in seeking to enhance their own governance and administration arrangements."*

A copy of the engagement report can be found at:-

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

The Pension Regulator concludes in their report that although many of the governance and administration policies and processes are heading in the right direction, there is always room for improvement. Specifically they highlight the following key areas for Funds to focus upon:

**Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring an administration strategy is in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.

**Internal controls** – 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.

**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** – communication should be 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 procedure** – 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.

**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 exit the scheme.

**Cyber security** – Funds should put this on their risk registers, carry out 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.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

No significant risks have been identified.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
-------	------	-------------

N/A

Reason for inclusion in Part II, if appropriate

N/A