

Lancashire Local Pension Board

Meeting to be held on Tuesday, 5 July 2022

Electoral Division affected: N/A;

Lancashire County Pension Fund – The Pension Regulator Single Code of Practice Gap Analysis

(Appendix 'A' Refers)

Contact for further information:

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Executive Summary

The Pensions Regulator published a draft of the new Single Code of Practice in March 2021 which covers occupational, personal, and public service pension schemes. It provides draft guidance in relation to exercise of the functions under relevant pensions legislation and sets out draft standards and conduct and practice expected from those who exercise each function.

The Fund Officers have undertaken a gap analysis to understand and identify the areas which will require attention once the final version of the Single Code of Practice is published.

Recommendation

The Board is asked to comment on both the report and gap analysis document attached at Appendix 'A'.

Background and Advice

The Pensions Regulator published a draft Single Code of Practice document in March 2021 which will replace 10 of the existing codes of practice. One of the reasons behind implementing the Single Code of Practice was due to several Codes of Practice (CoP) being out of date and duplication of content between some CoPs and guidance. Importantly, the Pensions Regulator has confirmed that the new Single Code of Practice will be an 'evolution, not revolution' and so the gap analysis attached at Appendix 'A' is intended to be a working document that will be updated as developments occur.

The Local Government Pension Scheme (LGPS) currently assesses compliance against the Code of Practice 14 (CoP14) which will be superseded by the Single Code of Practice when the final document is published which is expected around summer 2022.

Code of Practice 14

The current CoP14 covers the following 4 main sections with the associated sub-sections:

1. Governing your scheme:
 - a. Knowledge and understanding required by pension board members;
 - b. Conflicts of interest and representation;
 - c. Publishing information about schemes
2. Managing risks:
 - a. Internal Controls;
3. Administration:
 - a. Scheme record-keeping;
 - b. Maintaining contributions;
 - c. Providing information to members;
4. Resolving issues:
 - a. Internal dispute resolution;
 - b. Reporting breaches of the law.

Single Code of Practice

The Single Code of Practice modules will replace the CoP14. The Single Code of Practice applies to governing bodies of occupational, personal, and public service pension schemes. Once this comes into effect it is expected that the previous Codes of Practice will be revoked in their entirety.

Out of the 51 modules in the new Single Code of Practice Fund Officers have identified 38 potential modules that apply to the Local Government Pension Scheme.

This Single Code of Practice is split into the following sections.

1. The Governing Body – 15 sub sections relevant to the LGPS
2. Funding and Investment – 2 sub-sections relevant to the LGPS
3. Administration – 10 sub-sections relevant to the LGPS
4. Communications and Disclosure – 7 sub-sections relevant to the LGPS
5. Reporting to tPR – 4 sub-sections relevant to the LGPS

From the initial analysis Fund Officers have identified several areas where there are potential gaps. At this stage it is unclear as to whether some of the gaps highlighted may apply to Local Government Pension Scheme though this will be clarified once the final Single Code of Practice document has been published.

Of the 38 modules identified as applicable to the Fund, there are a number of modules that are not required, however, they are considered to be best practice for Public Service Pension Schemes.

The areas identified as potential gaps are as follows:

1. The Governing Body
 - The Role of the Governing Body
 - Remuneration Policy*
 - Value for Money
 - Managing Advisers and Service Providers
2. Funding and Investment
 - Investment Governance* – Still under assessment
 - Investment Monitoring*
3. Administration
 - Administration
 - Financial Transactions
 - Transfers
 - Maintenance of IT systems
 - Cyber Controls
 - Receiving Contributions
4. Communications and Disclosure
 - General Principles of Member Communications
 - Audit Requirements
5. Reporting to the tPR
 - No gaps identified

*Denotes best practice module

The gap analysis at Appendix 'A' can be broken down into the following sections:

1. Modules which are new requirements with potential gaps.
2. Existing requirements which incorporate new guidance within the module.
3. Existing or New requirements with no gaps identified.

There are some areas within the analysis which will require assurance that the requirements continue to be met once the final Code of Practice document is published.

The analysis at Appendix 'A' highlights actions required once the Single Code of Practice is published.

The full draft of the new Code of Practice can be found by accessing the link below:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>

The initial consultation document which highlights the areas applicable to the Public Service Pension Schemes can be found on the link below:

<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/new-code-of-practice/annex-2-where-the-new-code-of-practice-modules-come-from>

Consultations

Pension Fund Officers
Lancashire County Council Finance Team
Local Pensions Partnership Administration – Consulted when CoP14 compliance statement was produced for January 2022 Local Pension Board

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective compliance with the Pension Regulators' Code of Practice.

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

Paper	Date	Contact/Tel
The Pensions Regulator - Consultation Document – The new code of practice	March 2021	Junaid Laly 01772 532767
The Pensions Regulator – Full draft of the new code of practice	March 2021	Junaid Laly 01772 532767
Reason for inclusion in Part II, if appropriate		
N/A		