

**Lancashire Local Pension Board**

Meeting to be held on Tuesday, 23 January 2024

Electoral Division affected:  
N/A;

**The Pensions Regulator - Public Service Pension Schemes: Governance and Administration Research 2022-23**

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**Brief Summary**

This report provides the Local Pension Board with a summarised position of the Pension Regulator's (TPR) survey findings in relation to governance and administration practices among public service pension schemes (PSPS).

**Recommendation**

The Board is asked to review and comment on the report.

**Detail**

The Pensions Regulator Public Service Governance and Administration Survey is an annual survey undertaken by the Regulator.

The primary objective of the survey is to track governance and administration practices among public service pensions schemes, including the approach to risk management, annual benefit statements and breaches of law.

This survey has been undertaken regularly since 2016 with 2022 being the only year the survey was not conducted.

For the 2023 iteration there have been new areas included which covers:

- Data Management Plans
- Investment in data management and technology
- TPR Codes of Practice
- TPR's new-look enforcement policy
- Pension board diversity



Of the 204 public service pension schemes 191 schemes participated in completing the survey (94%). The pensions team submitted a response on behalf of the Fund.

The full report can be accessed through the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2023.ashx>

## Summary

- **Cyber Risk** – this is now a top risk for most LGPS funds as 51% of funds put this into their top three risks. In comparison to other PSPS's this a considerable growth from 23% of LGPS funds in 2020/21. The second highest is the Police Pension Scheme with 22% of respondents claiming it as their top risk.
- **Recruitment, Training and Retention** – This is the 2<sup>nd</sup> highest governance and administration risk for LGPS funds as 49% mentioned it as a risk. 60% of all LGPS Funds indicate this as a barrier to improving governance and administration.
- **Structure of the LGPS** - The multi-employer structure is causing challenges to 92% of LGPS funds, with only 8% of LGPS funds having monthly data submitted by all employers on time.
- **Members** – 72% of LGPS funds are likely to increase investment in administration/technology and automation over the last two years. 95% of LGPS funds said they did this to deliver an improved service to members.

## Key Findings:

Overall, the survey focuses on 12 areas:

- **Key processes**

81% of all LGPS funds had all six processes that TPR monitors as indicators for PSPS performance. These cover:

- Breaches – Having procedures in place to assess & report breaches of law
- Contributions – having a process in place to resolve contribution payment issues
- Knowledge and understanding – Access to knowledge, understanding and skills needed to properly run the scheme
- Assessing/Managing risk – documented procedures for assessing and managing risks
- Completeness of Data – process for monitoring accuracy of records
- Conflicts of Interest – documented policy to manage board members' conflicts of interest

- **Scheme Governance**

79% of all LGPS Funds held four or more Local Pension Board meetings in the last year compared to 33% in 2021. Most schemes consider that their pension board and managers had the required knowledge and capabilities. Almost a quarter of PSPS members were in a scheme that did not have sufficient time and resources to run the



scheme properly, but 86% of LGPS funds did have sufficient time and resources and the same proportion carried out an evaluation of knowledge and skills at least annually.

- **Managing Risk**

There was evidence of improved risk management across PSPS's. The top three risks for LGPS funds were:

- Cyber Risk
- Staff recruitment and retention
- Record keeping

- **Administration and Record Keeping**

Administration was a topic covered by most Local Pension Boards. Only 8% of funds stated that they received data on time in the last 12 months with 9% stating all employers had provided accurate and complete data.

- **Annual Benefit Statements (ABS)**

97% of active members received their annual benefit statements by the statutory deadline. Where the ABS's hadn't been produced on time only a few funds reported it to the regulator as it impacted on so few members.

- **Reporting breaches**

Only 4% of funds have reported breaches to the regulator with 45% of those reported relating to late or non-payment of contributions.

- **Addressing Governance and Administration Issues**

The top three barriers for funds to improve their governance and administration over the next 12 months were reported as being:

- Recruitment, retention of staff and knowledge
- McCloud remedy
- Volume of legislative changes

Improvements in governance and administration in the last 12 months were primarily attributed to a better understanding of the risks facing the scheme and increased resource allocation to risk.

- **TPRs codes and guidance**

Most LGPS funds (94%) are aware that the TPR is soon to introduce the new General Code of Practice with 63% agreeing that it would improve how their scheme is governed. Most funds expect it will result in additional work to meet TPRs expectations.



- **TPRs enforcement policy**

Just over 50% of schemes were aware of TPRs new look enforcement strategy and hardly any schemes have made changes because of it.

- **Climate Change**

Nine in ten LGPS funds had allocated time or resources to assessing any financial risks and opportunities arising from climate change, and there was evidence of increased climate-related action since 2020/21.

- **Pensions Dashboard**

Awareness of pensions dashboards was near universal, and more schemes knew that they would be required by law to provide data to savers through dashboards than in 2020/21.

- **Equality, diversity and inclusion**

Only 9% of public service pension schemes recorded any diversity data about pension board members. The most common reason for not collecting pension board diversity data was that they hadn't thought about doing so (39%). However, a third (31%) indicated that they already consider or assess pension board diversity but don't formally record this.

## **Lancashire County Pension Fund Specific Commentary**

This section of this report is intended to provide commentary on the Funds response to the survey compared to (i) other funds responses in 2023 and (ii) LCPF responses to the 2021 survey.

Lancashire County Pension Fund (LCPF/the Fund) is consistent with the majority of other funds as we hold key processes in the 6 areas which the TPR monitors for performance indicators.

The Fund holds board meetings on a quarterly basis and has sufficient time to run the Fund.

LCPF top risks differ slightly in comparison to other funds as when responding to the questionnaire the top risks were documented as:

- Cyber Risk
- Administrator issues (expenses and performance)
- Other (inflation, change of pension admin system)

LCPF does not have an active data management plan however LPPA are starting a data management project to improve the quality of the data that LPPA hold for members. LCPF responded to the survey stating it is expected to increase its budget for data management in the near future to support improvement in data management. The Fund's Cyber security project activity outlines the data and asset



mapping process that the Fund will undertake. This was shared with the Local Pension Board at the October 2023 meeting.

LCPF were in line with most other funds in relation to ABS submissions for 2021/22 with 97% of the members receiving a statement ahead of the statutory deadline.

With regard to breaches, Lancashire's biggest breach was the production of ABS as opposed to the contributions, however, this was not reported due to limited members being affected.

For governance and administration issues, TPR codes and guidance, TPR's enforcement policy, climate change and pensions dashboard LCPF is consistent with other funds.

The Fund does consider equality, diversity and inclusion regarding membership of the Pension Board but does not formally record this.

In comparison to the 2020/21 survey the Fund has increased the number of times that it reviews exposure to new and existing risks and a report is now presented to the Board on a quarterly basis.

Naturally due to progression with publishing of the regulations since 2021 the fund has undertaken more activity around the McCloud ruling.

There has been a decrease in employers submitting data on time from 100% down to 85.2%, primarily due to the transition to the new administration system at the time of submitting the questionnaire.

In 2020 all LCPF ABS were issued by post compared to 80% receiving them electronically in 2022.

## **Conclusion**

The Fund overall fares very well in this Governance and Administration Survey and is in line with, or exceeds, most other funds.

The research outlines a limited number of changes which are on the horizon however the Fund is aware of these changes and has incorporated them into its business planning activities. Many of these have been referenced within the 2023/24 strategic plan and will be carried through into the 2024/25 strategic plan to be presented to the Pension Fund Committee at its meeting in March 2024. For example:

- pensions dashboard has been an item for the Fund to consider for a number of years and will feature of the Fund's strategic plan with focused activity outlines;
- The Fund is well into its activity to manage its biggest risk with Cyber Security;
- The Fund has undertaken detailed analysis of the Code of Practice;



- Climate change was considered as part of the 2022 Actuarial Valuation report and will be covered within the Taskforce on Climate Related Financial Disclosure (TCFD) project in the forthcoming year; and
- In addition, resourcing on the pensions team has been considered and requirements have been identified.

### **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              |
|--|--------------|--------------------------|
| Public service pension schemes: governance and administration research 2022-23 | October 2023 | Junaid Laly/01772 532767 |

Reason for inclusion in Part II, if appropriate

N/A

