

Lancashire Local Pension Board
Meeting to be held on 18 January 2016

Electoral Division affected: All

Compliance with The Pension Regulator Requirements - Update
(Appendix 'A' refers)

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Executive Summary

The Government has extended the role of The Pensions Regulator (TPR) to provide independent oversight of public service pension schemes. This was in response to recommendations made by the Independent Public Service Pensions Commission.

As part of its new role, TPR is required to issue a code of practice covering specific matters relating to public service pension schemes. Consequently, 'Code of Practice No. 14: Governance and administration of public service pension schemes' has been issued and has effect from 1 April 2015.

A Lancashire County Pension Fund (LCPF) Compliance Statement has been drafted and is attached at Appendix 'A'.

The Statement reflects that LCPF is largely compliant with TPR's new requirements for public service pension schemes. However, the Fund continues to place the upmost importance upon maintaining up to date and accurate Scheme data and further work is being undertaken to improve the data flow from employers to the Fund. In addition, further consideration will be given to undertaking an exercise to improve address data in respect of deferred scheme members.

Recommendation

The Board is asked to consider the draft Compliance Statement as attached at Appendix 'A'.

Background and Advice

Code 14 provides practical guidance in relation to the exercise of functions under relevant pension's legislation and sets out the standards of conduct and practice expected from those who exercise those functions.

A detailed compliance document has been drafted summarising the legal requirements placed upon pension schemes by various legislation and TPR's associated guidance. A self-assessment has been undertaken to assess how the Fund measures in terms of compliance with the code. This self-assessment does not contain a line-by-line compliance commentary but instead aims to assess the Fund in line with the various sections of the code.

The self-assessment indicates that the Fund largely complies with 'Code 14' as detailed at Appendix 'A'. It is important to note that the Fund was already compliant with the relevant legislation prior to the formal introduction of the code.

However, the self-assessment has highlighted a number of areas where, although the Fund appears to satisfy Code 14, it is clear that further work could be undertaken (some of which has already been planned to take place during 2016).

In terms of data quality TPR has specified that a scheme's 'common data' be at least 95% accurate. LCPF is just ahead of this target at 96.3%. However, for a significant number (5,205) of deferred members, i.e. members not currently working for scheme employers, and with whom ongoing contact is notoriously difficult, address details are known to be inaccurate. As outlined in the compliance statement, regular attempts are made to contact these members, many of whom are years away from claiming their pensions.

Attempts at contacting and updating records are resource-intensive and relatively costly, and the Fund will need to consider both the relative importance of such and how much resource it can put into obtaining up to date data which is most likely to change again, before retirement. Nonetheless, the numbers involved are significant and further consideration will be given to undertaking an exercise to improve address data in respect of deferred scheme members.

The Fund's new data collection portal has been successfully implemented to cater for the monthly collection of data from participating employers. This new development has been instrumental in enabling the production of 98.6% of annual benefit statements within a new statutory deadline of 31 August. It is also important to have up to date and accurate data in order to properly assess the liabilities of the Fund. Work is ongoing to ensure the continued submission of monthly data files from employing organisations in readiness for the 2016 Actuarial Valuation.

Further system and process improvements will be made during 2016 which will assist employers. In addition the Fund makes ongoing efforts to support employers and spells out, explicitly, what is required regarding:

- Frequency of data remittance
- Content of data remittance
- Payment of contributions

However, there are a small number of employers who take up significant administrative resource to ensure the Fund's data collection and contribution

reconciliation timescales are met. During 2016, the Fund intends to take a more assertive line with the minority of employers who do not make reasonable efforts to comply with these requirements. This may include reporting this small number of employers to The Pensions Regulator.

Overall, the results of this initial self-assessment are encouraging with no significant areas for concern. The Board is asked to consider the draft Compliance Statement as attached at Appendix 'A'.

Consultations

N/A

Implications:

N/A

Risk management

There are no significant risk management implications.

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

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A