

Non-Executive Report of the: Pensions Committee 24 July 2018	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund	

Originating Officer(s)	Tim Dean, Pensions Team Leader
Wards affected	All wards

Executive Summary

From 1st April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1st April 2015 and all schemes must now consider whether they comply with the Code.

This report covers an updated Compliance Checklist for the London Borough of Tower Hamlets Pension Fund.

Recommendations:

The Pensions Board is recommended to:

Note the Code of Compliance Checklist and where further work is required and being undertaken.

1. REASONS FOR THE DECISIONS

- 1.1 There has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of Local Pension Boards and focus on increased training are just two areas of the greater focus. The Pension's Regulator (TPR) now has greater legal powers of oversight that extend this further and the Code of Practice is a useful means to understand what good practice looks like in respect of pension funds.
- 1.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund.

Any costs associated with delivering the requirements of this Code and the related legal changes are not material in the context of the Pension Fund and any such costs are recharged to the Pension Fund.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options.

3. DETAILS OF THE REPORT

3.1 Although following the code itself is not a regulatory requirement, should TPR identify a situation where the legal requirements are being breached, the code will be used as a core reference document when deciding appropriate action.

3.2 In recent years there has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of local Pension Boards and focus on increased training are just two areas of the greater focus. TPR's greater legal powers of oversight extend this further and the Code of Practice is a useful means to understand what good practice looks like in these areas.

3.3 The Pensions Regulator's Policy on compliance and enforcement sets out the powers and the consequences of not meeting the requirements under the Code which could have financial consequences and could in extreme cases lead to financial penalties.

3.4 The matters covered by Code 14 are:

- knowledge and understanding for members of pension boards;
- conflicts of interest;
- publication of information about pension boards, governance and administration;
- internal controls;
- record-keeping;
- late payment of employer and employee contributions;
- information about member benefits and disclosure of information to members;
- internal dispute resolution, and
- reporting breaches of the law.

3.5 In light of the legal powers that have now been placed with TPR and the increasing focus on the governance of public service pension schemes, it is appropriate to consider whether the management of the London Borough of Tower Hamlets Pension Fund meets the overriding legal requirements and the recommended ways of working outlined in TPR's Code of Practice.

3.6 An updated checklist as at July 2018 is attached at Appendix 1 for review and comment by the Board. The Fund is generally able to demonstrate good levels of compliance with the Code and these are highlighted in green. Two areas that stood out at the last review of this document whereby had more items that need further attention which are highlighted in red were Internal Dispute Resolution and Providing Information to Members Others.

- 3.7 The items in respect to Internal Dispute Resolution (IDRP) relate largely to the need to update the IDRP notes and application form to ensure they include all required and additional helpful information. These documents have now been updated.
- 3.8 A number of items requiring attention in Section H: Providing Information to Members and Others. The principal areas of concern at the last review of this section relate to the content of the Annual Benefits Statements. A review of the content of this year's statements will be completed before they are issued.
- 3.9 Most of the items requiring attention in Section H are now in progress as they relate to the source and format of information. New procedures have been put in place to ensure that new members are provided with the required information. A further review of how information is circulated to members is being undertaken.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 There are no specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This is a noting report. There are no specific financial implications arising from the contents of this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Pensions Regulator Code of Practice for Public Sector Pensions came into force on the 1st April 2015. The Code introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator. Codes of practice provide practical guidance in relation to the exercise of functions under relevant pension's legislation and set out the standards of conduct and practice expected of those who exercise the functions. It is essential the Pensions Committee undertakes regular monitoring of the management and performance of the fund and use of the compliance checklist will assist with this.

- 7.2 The regulator is required under section 90(2) of the Pensions Act 2004, to issue one or more codes of practice covering specific matters relating to public service pension scheme. The Code is not a statement of the law and there are no penalties for failure to comply with its provisions. However the Authority must ensure that it complies with the underlying legal duties in respect of those matters specified in section 90(2). It is possible to adopt an alternative approach to that set out in the Code, however any such approach must meet any underlying legal duties of the scheme manager. Failure to do so may result in a penalty being imposed and the regulator also has the power to issue an improvement notice under section 13 of the Pensions Act 2004. The notice may be drafted with reference to the code of practice.
- 7.3 When exercising its functions, the Pensions Board, must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
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- State NONE if none.

Appendices

- Appendix 1 – LBTH Compliance Checklist as at July 2018

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- The Pensions Act 2004
- The Pensions Regulator’s Code of Practice

Officer contact details for documents:

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