


Non-Executive Report of the: Pension Board Monday, 6 September 2021	 TOWER HAMLETS
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
The Pensions Regulator (TPR) Single Code Consultation Update	

Originating Officer(s)	Miriam Adams
Wards affected	None

Executive Summary

The Pensions Regulator (TPR) has drafted a new single code of practice (COP) for all UK pension schemes. The purpose of this single code is to merge the ten existing COPs into one single document, which should be easier to navigate, understand and keep up to date.

Recommendations:

The Pensions Board is recommended to:

1. To note the report
2. To note that a review of the Fund against the TPR draft Code of Practice and LGPS Good Governance 3 Guidance has been commissioned.

1. REASONS FOR THE DECISIONS

- 1.1 Whilst the new Code of Practice does not extend TPR's powers in the LGPS beyond its existing remit on governance and administration, it is good practice to benchmark the Fund against the Code of Practice.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to this report.

3. DETAILS OF THE REPORT

- 3.1 The Public Service Pensions Act 2013 ("the 2013 Act") introduced changes to the pension arrangements for public sector employers, including employers in local government. From 1 April 2014 in England the benefits provided by the Local Government Pension Scheme (LGPS) changed, moving from a scheme

basing benefits on a member's final salary to one based on the average pay over their career.

- 3.2 The 2013 Act also included provisions relating to the governance and administration of public sector pension schemes, and at the same time extended the remit of the TPR to oversee those governance and administration changes across those schemes.
- 3.3 The requirements were set out in Code of Practice 14 – *Governance and administration of public service pension schemes*. Code of Practice 14 (“the Code”) was published in April 2015 and covered:
 - Pension Board knowledge & understanding;
 - Conflicts of interest;
 - Managing risks, including systems of internal control;
 - Scheme administration, including record keeping and data improvement;
 - Maintaining contributions; and
 - Breaches of the law.
- 3.4 While not a statement of the law, except in certain circumstances set out in legislation, the Code set out TPR's expectations for the conduct and practice of those responsible for managing and administering the public sector schemes.

TPR has produced a number of different Codes over the years. Those other Codes primarily, but not exclusively, impacted private sector pension schemes.
- 3.5 The Pensions Regulator has now drafted a new single code of practice for all pension schemes in the UK, replacing the ten current COPs mentioned above. The main purpose of the single code is for all pension schemes to be held to a comparable standard. The transition to a single code will be phased, with a review project of guidance aligned with the new code, planned to take place in late 2021.
- 3.6 The consultation also incorporated changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. These relate to effective systems of governance and own risk assessment. Following the consultation, TPR will consider any representations and make any appropriate changes to the code before setting before Parliament. There is currently no deadline for completion of these works.
- 3.7 The draft code is made up of 51 modules. The requirements of the code are expected to apply to Pensions Committee as well as the Pensions board in terms of reference to Governing Body.
- 3.8 The new single code of practice will replace the existing codes, as follows:
 - Reporting breaches of the law
 - Early leavers
 - Reporting of late payment of contributions to occupational pension schemes

- Reporting of late payment of contributions to personal pension schemes
- Trustee knowledge and understanding
- Member nominated trustees and member nominated directors
- Internal controls
- Dispute resolution
- Governance and administration of the occupational trust based schemes providing money purchase benefits
- Governance and administration of public services

3.9 Once the new code comes into practice, the COPs that are being replaced will be revoked in their entirety. It is expected that the new COP will set comparable standards for schemes of all types including those in the public sector. It also seeks to simplify the manner in which TPRs expectations are laid out.

3.10 New modules covering topics such as cyber security and ESG have been included. Although achieving Net Zero by 2050 is already law in the UK and the resulting decarbonisation of the economy is already impacting on pension schemes. TPR has been clear that schemes need to view ESG consideration in the context of an investment strategy as financially material. In the new COP, Trustees therefore need to explain, as part of their effective governance of the scheme, how they have taken into account the risks.

Other new requirements

3.11 For schemes with 100 or more members the Regulations contain requirements for key functions such as risk management, internal evaluation of adequacy and effectiveness of the system of governance (internal audit) and actuarial.

3.12 TPR have indicated that they expect the final version to be issued in November 2021.

3.13 The Fund has since commissioned a review of its compliance against the draft COP and LGPS Scheme Advisory Board Good Governance 3 guidance. The final COP is not expected to differ significantly from the draft.

4. **EQUALITIES IMPLICATIONS**

4.1 There are no equalities implications with this report.

5. **OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further 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. Examples of other implications may be:

- Best Value Implications,

- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct financial implications associated with this report. Any future costs to monitor compliance with the Pensions Regulator Code of Practice will be met by the Fund.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The report demonstrates that the fund is managed in a manner consistent with the prevailing law. Otherwise there are no direct legal implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE.

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

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

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

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