

Notice of Meeting – Amended Agenda

Please note that this agenda replaces the meeting agenda published on 15 April 2019. This agenda has been amended to change the item order and attach item reports and annexes.



Surrey Local Pension Board

Date & time	Place	Contact	Chief Executive
Thursday, 25 April 2019 at 10.00 am	Ashcombe Suite, County Hall, Kingston upon Thames, KT1 2DN	Ben Cullimore Room 122, County Hall Tel 020 8213 2782 ben.cullimore@surreycc.gov.uk	Joanna Killian

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language, please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email ben.cullimore@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Ben Cullimore on 020 8213 2782.

Board Members

Nick Harrison (Chairman), Graham Ellwood (Vice-Chairman), Paul Bundy (Surrey Police), Tina Hood (Surrey LGPS Members), Paresh Rajani (Surrey LGPS Members), David Stewart (Surrey LGPS Members) and Trevor Willington (Surrey LGPS Members)

TERMS OF REFERENCE

The role of the local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:

- (a) to secure compliance with:
 - (i) the scheme regulations;
 - (ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
- (b) to ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and substitutions.

2 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

3 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (17 April 2019).
2. The deadline for public questions is seven days before the meeting (18 April 2019).
3. The deadline for petitions was 14 days before the meeting and no petitions have been received.

4 MINUTES FROM THE PREVIOUS MEETING: 17 JANUARY 2019

(Pages 7
- 16)

To agree the minutes as a true record of the meeting.

5 ACTION TRACKER

(Pages
17 - 24)

The Board is asked to review its actions tracker.

6 FORWARD PLAN

(Pages
25 - 28)

The Board is asked to review its forward plan.

7 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 8 FEBRUARY 2019

(Pages
29 - 40)

The Pension Fund Committee met on 8 February 2019. This report provides a summary of this meeting and any resolutions made.

- 8 ADMINISTRATION UPDATE (1 JANUARY 2019 TO 31 MARCH 2019)** (Pages 41 - 82)
- The Board has previously requested to be kept updated on progress relating to a number of key administration projects and planned improvements which may have an impact on members of the pension fund and the purpose of this report is to provide an update on the current status and progress against any specific target dates.
- 9 ADMINISTRATION PERFORMANCE REPORT (1 JANUARY 2019 TO 31 MARCH 2019 - QUARTER FOUR)** (Pages 83 - 90)
- The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.
- 10 RISK REGISTERS 2018/19 (QUARTER FOUR)** (Pages 91 - 96)
- The Board is asked to note the content of this report and the Fund Risk Register (shown as Annex 1 in the report) and Administration Risk Register (shown as Annex 2 in the report) and make recommendations to the Pension Fund Committee (Committee) if required.
- 11 TRAINING POLICY** (Pages 97 - 108)
- Surrey Pension fund recognises the importance of providing appropriate training to Pension Fund Committee, Local Pension Board members and officers in relation to the operation of the Pension Fund. This report introduces the pension fund training policy as set out in Annex 1, which was approved by the Pension Fund Committee on 8 February 2019.
- 12 COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE OF PRACTICE NO. 14** (Pages 109 - 206)
- The paper outlines how Surrey County Council (SCC) Pension fund complies with the Pensions Regulator's (TPR) Code of Practice 14 in Annex 2, which sets out of the requirements and expected standards for the governance associated with the administration of public sector pension schemes.
- 13 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2018/19 (QUARTER FOUR)** (Pages 207 - 212)
- The Board is asked to note the content of this report.
- 14 RECENT DEVELOPMENTS IN THE LGPS** (Pages 213 - 214)
- This paper presents a brief outline of recent developments in pensions and it is intended to help Board members develop a broader understanding of the issues.
- 15 MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) - STATUTORY GUIDANCE ON ASSET POOLING** (Pages 215 - 236)
- The Board is asked to note the content of this report.

16 EXCLUSION OF THE PUBLIC

Recommendation: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

PART TWO – IN PRIVATE

17 BORDER TO COAST UPDATE

(Pages
237 -
264)

The Board is asked to note the content of this report.

Confidential: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

18 PUBLICITY OF PART 2 ITEMS

To consider whether the items considered under Part 2 of the agenda should be made available to the press and public.

19 DATE OF THE NEXT MEETING

The next meeting of the Surrey Local Pension Board will be held on 18 July 2019.

Joanna Killian
Chief Executive
Published: 17 April 2019

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that those attending the meeting can be made aware of any filming taking place.

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It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

Thank you for your co-operation.

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MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 17 January 2019 at County Hall, Kingston upon Thames, KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Thursday, 25 April 2019.

(* present)

Elected Members:

- * Mr Nick Harrison (Chairman)
Mr Graham Ellwood (Vice-Chairman)
- * Paul Bundy
Tina Hood
- * Paresh Rajani
David Stewart
Claire Williams-Morris
- * Trevor Willington

71/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from David Stewart, Tina Hood and Graham Ellwood. Notice was given that Claire Williams-Morris had resigned and there would be recruitment for her replacement.

72/19 MINUTES FROM THE PREVIOUS MEETING: 23 OCTOBER 2018 [Item 2]

The minutes were agreed as an accurate record of the meeting.

73/19 ACTIONS AND RECOMMENDATIONS TRACKER [Item 3]

Declarations of interest:

None.

Witnesses:

Neil Mason, Head of Pensions
Ayaz Malik, Pension Accountant Advisor

Key Points raised during the discussion:

1. The Chairman requested that all 'completed' items be removed from the tracker except item 36/18 which was not complete.
2. The Head of Pensions reported that the Cipfa benchmarking data should be available for the next meeting.
3. The Chairman requested that the Pension Accountant Advisor organise another workshop to discuss and improve the set of Key Performance Indicators

Actions/further information to be provided:

- a) That all 'completed' items be removed from the tracker.
- b) That item 36/18 be reinstated on the tracker.

- c) That officers organise another workshop to discuss and improve the set of Key Performance Indicators. These would be presented at the next Board meeting.

Resolved:

The Board noted its action tracker.

74/19 DECLARATIONS OF INTEREST [Item 4]

There were none.

75/19 QUESTIONS AND PETITIONS [Item 5]

There were none.

76/19 CYBER SECURITY PRESENTATION [Item 6]

This presentation was deferred until the next meeting of the Board.

77/19 GOVERNANCE REVIEW [Item 7]

Declarations of interest:

None.

Witnesses:

Neil Mason, Head of Pensions
Ian Colvin, Hymans

Key Points raised during the discussion:

1. The Head of Pension explained to the Board how the Pension Committee had given authority for a governance review provider to review pension fund governance. As a result Hymans were the provider and Ian Colvin, Hymans attended to give a presentation to the Board.
2. Hymans presentation detailed the context of the governance review and that due to significant changes in the LGPS there was a need to ensure governance was still fit for purpose. He explained the process and timelines to the Board. He also explained that he would be sending Board Members an electronic questionnaire to get their views and encourage all to complete these. He would also arrange for one-to-one meetings with Board Members.

Actions/further information to be provided:

Board Members to engage with the governance review.

Resolved:

The Board noted the report.

78/19 PENSION COMMITTEE UPDATE (SUMMARY PAPER) [Item 8]

Declarations of interest:

None.

Witnesses:

Neil Mason, Head of Pensions

Key Points raised during the discussion:

The Head of Pensions provided the Board with a summary of the Pension Fund Committee's meeting of 18 November 2018. The Board strongly supported the work to look at tailored investment strategies for different employers.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

79/19 BORDER TO COAST UPDATE REPORT [Item 9]

Declarations of interest:

None.

Witnesses:

Neil Mason, Head of Pensions

Key Points raised during the discussion:

1. The Head of Pensions updated the Board on the BCPP Joint Committee resolution to restrict member representatives on to the Joint Committee to one member representative, to be selected from current member representatives on the local boards of partner funds. The Committee were now seeking nominations for a scheme member representative and a standing member substitute. Nominations had to be in by 31 January 2019. The role description was attached as an annex to the report. The pension fund team will circulate the nomination process to member representatives of the Board. The member representatives on the Board would need to coordinate between themselves on how to cast their vote on candidates.
2. It was confirmed that as a public meeting the substitute could attend the BCPP Joint Committee meetings.
3. In response to Member queries the Head of Pensions would get clarification on:
 - whether the Fund would fund the substitute in terms of travel and expenses, and

- whether there would be officer support for providing annual report and any other admin.
4. The Chairman highlighted the BCPP approach to climate change in their Responsible Investment Policy attached as an annex to the report.
 5. The Head of Pensions highlighted that the transition of the UK active equity portion of the Surrey Pension Fund portfolio to the BCPP national pool had been completed.

Actions/further information to be provided:

Officers to provide clarification on whether the Fund would fund the substitute in terms of travel and expenses, and whether there would be officer support for providing annual report and any other admin.

Resolved:

The Board noted the report.

80/19 ADMINISTRATION UPDATE REPORT [Item 10]

Declarations of interest:

None.

Witnesses:

Simon Pollock, Assistant Director of Commercial Operations
 Clare Chambers, Pensions Service Delivery Manager
 Tom Lewis, Pensions Support and Development Manager

Key Points raised during the discussion:

1. The Assistant Director of Commercial Operations addressed the Board, following the departure of the Lead Pensions Manager.
2. He reported that a detailed service review by the outgoing Lead Pensions Manager had identified profound weaknesses in the delivery of pension administration. These included:
 - Unmanaged backlogs
 - Systems constraints in the interface between payrolls and the administration
 - Poor data quality
 - Insufficient roll-out of self service
 - Process delivery bottlenecks
 - Lack of planning for 'scheme events'
 - Insufficient delegation and accountability
 - Limits in technology
 - Insufficient management information
 - Lack of effective use of automated workflow
3. The Board were advised that senior management had compiled an analysis of a number of areas that require immediate attention and set out a series of strategic milestones to be achieved over each of the next four years in order to address them. This would be included in a comprehensive recovery plan which will be costed and shared with

pension fund officers, the Board and the Pension Committee where appropriate.

4. The Board required that a working party, including members of the pension fund team, Local Pension Board and senior management of the pension administration team be convened to monitor progress against the recovery plan.
5. There was some discussion around the Guaranteed Minimum Pension (GMP) reconciliation and that officers were confident that they were getting all queries submitted. It was reported that responses would be delayed due to HMRC. It was also confirmed that any legal steer for the Board would be down to the Council's legal team to provide.
6. There was discussion around the possible impacts of equalisation of GMP and of gender equalisation. With regards to gender equalisation officers were awaiting further information before they could confirm if there would be any impact.

Actions/further information to be provided:

A workshop is to be convened for officers and representatives of the Local Pension Board to consider the proposed improvement plan prepared by the former Pensions Manager. A report will be presented to the Board at its next meeting on 25 April 2019.

Resolved:

The Board noted the report.

81/19 ADMINISTRATION PERFORMANCE REPORT [Item 11]

Declarations of interest:

None.

Witnesses:

Simon Pollock, Assistant Director of Commercial Operations
Clare Chambers, Pensions Service Delivery Manager
Tom Lewis, Pensions Support and Development Manager

Key Points raised during the discussion:

1. The Chairman requested that the annex be made simpler for future reports. There was a consensus that the figures do not measure the volume of work being performed accurately and officers had suggested an alternative method of reporting KPIs for comparison at October's meeting. Officers explained that the administration team had insufficient time to prepare the alternative figures but they had presented a draft template for review.
2. The Chairman questioned the deadlines for both the Pension Board and the Pension Committee and officers confirmed that the Committee were open to moving dates in the future.
3. In response to a Member query regarding capital strain invoices, officers stated that it was a priority to look at the whole system to see how far back this problem goes. Process improvements were highlighted. Staff were

working on the initial stages with districts and borough councils and if successful would roll out.

4. The Chairman reiterated that he would write to all Fund employers who had failed last year to provide information in time to allow the preparation of annual benefits statements by 31 August, re-stating the requirements for them to submit data.
5. That the annual calendar of events show deadlines.

Actions/further information to be provided:

- a) That officers draft a letter for the Chairman to send to Fund employers who had failed last year to provide annual benefit information in time, requesting they ensure they provide data requested.
- b) That an annual calendar be presented to the next meeting and for it to show deadlines.

Resolved:

The Board noted the report.

82/19 RISK REGISTERS 2018/19 QUARTER 3 [Item 12]

Declarations of interest:

None.

Witnesses:

Ayaz Malik, Pension Accountant Advisor

Key Points raised during the discussion:

1. The Chairman requested that a risk only be reduced if an ameliorating action was in place and not before. Also, that risk A20 needed to be amplified. The Administration risk register was to be amended accordingly before it was presented to the Pension Committee.
2. There were a few amendments needed and queries on the main register:
 - number 19 should also include the Board under 'mitigating action'
 - number 24 – 2nd mitigating action should read 'or' rather than of
 - to reflect the points raised for the administration register in the main register
 - that a further risk be added to the main register regarding the 'overall operation'
 - number 16 could be given a broader description in that as a cyber related risk the whole service could be at risk.
3. In relation to risk number 12 it was asked if hedging was being considered given the volatility of sterling. Officers reported that it had been looked at but advised that the current approach was appropriate.

Actions/further information to be provided:

- a) That the Main risk register be amended as above before it goes to the Pension Committee.
- b) That the Main register is amended as per the notes given above.

Resolved:

The Board noted the report.

83/19 THE DISCRETIONS EXERCISE REPORT [Item 13]

Declarations of interest:

None

Witnesses:

John Smith, Pension Senior Advisor

Key points raised during the discussion:

1. There was some discussion about the disappointing lack of completed policies following a large exercise by officers. It was reported that there were now 16 completed discretions policies. It was suggested that one more exercise be undertaken by officers to try to elicit better engagement before the Chairman writes to key people of each organisation.
2. The Board noted that SCC had not yet been updated following regulatory changes and should lead by example. Officers reported that a policy was in place but had not been updated.

Actions/ further information to be provided:

- a) That officers draft a letter for the Chairman to send to employers if needed.
- b) Officers ensure that SCC's policy is updated.

Resolved:

The Board noted the report.

84/19 THE ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) GOVERNANCE REVIEW EXERCISE [Item 14]

Declarations of interest:

None

Witnesses:

John Smith, Pension Senior Advisor

Key points raised during the discussion:

Officers reported that an appointment had been made.

Actions/ further information to be provided:

None.

Resolved:

The Board noted the report.

**85/19 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2018/19
(QUARTER THREE) [Item 15]**

Declarations of interest:

None.

Witnesses:

John Smith, Pension Senior Advisor

Key Points raised during the discussion:

1. The Chairman noted that some cases had been through both stages 1 and stages 2 in the last quarter.
2. Officer reported that cases were being handled efficiently.

Actions/further information to be provided:

None.

Resolved:

The Board noted the report.

86/19 RECENT DEVELOPMENTS IN THE LGPS [Item 16]

Declarations of interest:

None.

Witnesses:

John Smith, Pension Senior Advisor

Key Points raised during the discussion:

1. The Chairman said that it was important for these bulletins to be brought to the Board's attention and asked about the Harvey vs Haringey case which was then explained by the Pension Senior Advisor.
2. With regards to the Guides on Annual Benefit Statements officers would advise the Board if there needed to be a change to processes in future.
3. The Board emphasised that priority be given to those approaching, or beyond, retirement age.

Actions/further information to be provided:

- a) Officers to advise the Board if there needed to be any changes to process regarding annual benefit statements.
- b) Officers to report back on the results of the tracking agency service for deferred members.

Resolved:

The Board noted the report.

87/19 FORWARD PLAN [Item 17]

Declarations of interest:

None.

Witnesses:

Neil Mason, Head of Pensions

Key Points raised during the discussion:

1. The Head of Pensions reported that an item on compliance with TPR code of conduct was to be added to the April agenda.
2. The Chairman asked that the annual calendar of process deadline dates be added to each meeting.

Actions/further information to be provided:

- a) Officers to add TPR code of conduct to the April 2019 meeting.
- b) Officer to add annual calendar to the April 2019 meeting.

Resolved:

The Board noted its forward plan.

88/19 DATE OF THE NEXT MEETING [Item 20]

The Board noted its next meeting would be held on 25 April 2019.

Meeting ended at: 12.29 pm

Chairman

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SURREY LOCAL PENSION BOARD ACTIONS AND RECOMMENDATIONS TRACKER

The actions and recommendations tracker allows Board Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Board. Once an action has been completed, it will be shaded green to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

KEY			
	No Progress Reported	Action In Progress	Action Completed

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
27 July 2015 A1/15	Knowledge and Understanding	Board Members to advise the Board's scrutiny officer when training is completed.	Board Members	There are notifications of completed training outstanding, and the Board are asked to advise the Democratic Services Assistant once completed. The training log has been included on the annual report.	Ongoing
4 July 2016 A1/16	Employer Discretions	That the Board receive a quarterly update on scheme employer authority discretionary statements received.	Senior Advisor (Pension Fund)	The latest initiative has generated a substantial response and we now have over forty discretions policies on file and a steady trickle of new ones. Moreover, the increasing levels of engagement and the amount of e-mail traffic suggests that there are more policies in the pipeline.	Complete
23 April 2018 A2/16	Update Report on Employer Discretions	Officers to provide an update report on employer discretions detailing how the issue will be resolved and what resources would be employed to achieve this.		The strategy is to target the bigger employers and send out a further mail shot once the	

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
				current stream of new policies begins to tail off. We intend to keep the Chairman's letter in reserve in case we lose momentum.	
12 October 2017 A1/17	Administration Audit Progress Report	Internal Audit to be invited to a meeting of the Board once the follow up report was available.	Pension Services Manager	The Board were presented with the management's response to the 2016/17 admin audit at its last meeting.	Complete
23 April 2018 A1/18	Administration Update: 1 January 2018 – 31 March 2018	Officers to provide further information and consider a greater level of comparison for future CIPFA benchmarking report.	Head of Business Operations	The Head of Pensions reported that the CIPFA benchmarking data should be available for the meeting on 25 April 2019.	Ongoing
25 July 2018 A2/18	Local Pension Board Action Tracker	Officers to brief the Chairman on AVC recommendations.	Senior Advisor (Pension Fund)	The Senior Advisor (Pension Fund) reported at the 17 Jan 2019 meeting that an appointment had been made and the report will be delivered in time for July's meeting.	Complete
25 July 2018 A3/18	Local Pension Board Action Tracker	The Pensions Service Delivery Manager to provide dates for completion of the management action plan.	Pensions Service Delivery Manager	Response Included in rec A4/19.	Complete
25 July 2018 A4/18	Cyber Security	The Board to receive a presentation from the IMT Manager on the Council's implementation of cyber security.	Pensions Accountant Advisor	Presentation will be provided by Network and Security team. To be discussed at the 25 April meeting.	Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
23 Oct 2018 A5/18	Local Pension Board Action Tracker	The Board asked officers to check distribution lists for employer discretions to ensure that all employing authorities have been contacted.	Senior Advisor (Pension Fund)	The distribution lists have been updated in the light of experience / e-mails that could not be delivered.	Complete
23 Oct 2018 A6/18	Local Pension Board Action Tracker	The Board asked the Lead Pensions Manager to provide bar charts to illustrate progress against agreed milestones in the service improvement plan.	Lead Pensions Manager	The Pensions Support and Development Manager is leading on the service work and has recently shared a new style plan with the Pensions Finance team.	Ongoing
23 Oct 2018 A7/18	Local Pension Board Action Tracker	Officers to produce an Investment Strategy paper for the next meeting in January 2019.	Head of Pensions (Pension Fund)	Investment Strategy paper was presented at the 17 January 2019 meeting.	Complete
23 Oct 2018 A8/18	Local Pension Board Action Tracker	Officers to share feedback generated from the roadshows and drop-in surgeries in relation to annual and lifetime allowances.	Pensions Service Delivery Manager		Complete
23 Oct 2018 A9/18	Administration Update: 1 July 2018 to 30 September 2018	Officers to produce two sets of Administration Performance Report figures for January's meeting; one set prepared on the existing basis and the other on the proposed new one.	Pensions Service Delivery Manager	Administration Performance Report figures produced and delivered at the 17 January 2019 meeting.	Complete
23 Oct 2018 A10/18	Risk Registers 2018/19 Quarter 2	a) Officers to consider adding an item on specific economic risks on the register. b) Officers to update the risk register with the inclusion of the Section 151 officer risk.	Senior Advisor (Pension Fund)	The risk registers have been updated and include additional risks. Pensions Service Delivery Manager provided an update at the 17 January 2019 meeting.	Complete

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
		c) Officers to report on the invoicing of strain costs at the Board's next meeting in January.		An update is included in 'Admin update report'.	
23 Oct 2018 A11/18	Annual Benefit Statements Exercise 2018	Officers to develop an approach to obtain missing addresses, with a priority for members approaching or past their retirement dates.	Pensions Support and Development Manager	Development will be taken forward after the 2019 ABS run (please cross refer with A8/19).	Ongoing
23 Oct 2018 A12/18	Review of Internal Dispute Resolution Cases in 2018 (Quarter Two)	A further update to be provided on the IDRPs cases.	Senior Advisor (Pension Fund)	A separate paper will be presented to the members at the 25 April Board meeting.	Complete
17 Jan 2019 A1/19	Actions and Recommendations Tracker	That officers organise another workshop to discuss and improve the set of Key Performance Indicators. These would be presented at the next Board meeting.	Pensions Accountant Advisor	The new KPI template will be presented at the 25 April Board meeting.	Ongoing
17 Jan 2019 A2/19	Governance Review	Board Members to engage with the Governance Review.	Board Members	A workshop was held with committee members and report will be presented to the Board members.	Ongoing
17 Jan 2019 A3/19	Border to Coast Update Report	Officers to provide clarification on whether the Fund would substitute in terms of travel and expenses, and whether there would be officer support for providing an annual report and any other admin.	Head of Pensions		Complete
17 Jan 2019 A4/19	Administration Update Report	A workshop is to be convened for officers and representatives of the Local Pension Board to consider the proposed improvement plan prepared by the former Pensions Manager.	Pensions Service Delivery Manager	Local Board will be updated at the 25 April 2019 meeting. Invitations for the workshop will be sent in April.	Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
17 Jan 2019 A5/19	Administration Performance Report	Officers are to draft a letter to the Chairman to send to Fund employers who had failed last year to provide annual benefit information in time, requesting that they ensure they provide the data requested.	Pensions Service Delivery Manager	There has been a series of communications to employers in the run up to the end of year. Further communications are planned for April. By end April the position on Returns will be presented to the Fund to decide on actions for any issues.	Ongoing
17 Jan 2019 A6/19	Risk Registers 2018/19 Quarter 3	The main risk register is to be amended – as per the notes given – before it goes to the Pension Committee.	Pensions Accountant Advisor	Risk register has been amended.	Complete
17 Jan 2019 A7/19	Discretions Exercise Report	Officers are to draft a letter for the Chairman to send to employers if needed.	Pension Senior Advisor	A letter has been drafted but is being held in reserve for the reasons set out above.	Ongoing
17 Jan 2019 A8/19	Recent Developments in the LGPS	Officers are to advise the Board if there need to be any changes to process regarding annual benefit statements.	Pension Service Delivery Manager	The Pension Section has reviewed the ABS procedure and they will send out carefully worded communications to employers highlighting the various deadlines in January, and chase the tardy ones on a monthly basis thereafter. If any of the employers miss the final deadline the Pension Section will consider sending the members ABS based on last	Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
				year's pay figure, and clearly explain what they have done.	
17 Jan 2019 A9/19	Recent Developments in the LGPS	Officers are to report back on the results of the tracking agency service for deferred members.	Pensions Service Delivery Manager	The Pension Section is in the process of appointing a tracing agency in order to send out more ABS to deferred beneficiaries and the backlog project should deliver further improvements in this area.	Ongoing
17 Jan 2019 A10/19	Forward Plan	Officers are to add TPR code of conduct to the April 2019 meeting.	Pensions Accountant Advisor	Compliance with TPR paper to be presented to the Board.	Ongoing
17 Jan 2019 A11/19	Forward Plan	Officers are to add the annual calendar to the April 2019 meeting.	Pension Service Delivery Manager	Annual calendar is included in the Admin Update Report.	Complete
17 Jan 2019 A12/19	Recent Developments in the LGPS	Officers agreed to ask legal services to provide their views on recovering GMP overpayments.	Pensions Senior Advisor	<p>Officers approached in-house lawyers and encouraged them to provide an opinion. Unfortunately, they did not feel that they were qualified to provide one – although they were impressed with Squire Patton Boggs' paper.</p> <p>Although we could obtain another opinion if the Local Pension Board requires one, SPB are respected LGPS</p>	Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
				specialists, their paper has the imprimatur of the LGA and most of the administering authorities in England and Wales are relying on it.	

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Surrey Local Pension Board: Forward Plan

Date	Standing items	New items
17/01/2019	<ul style="list-style-type: none"> • Pension Committee Update (Summary paper) • Risk Registers • Administration performance report • Administration update report • Quarterly Internal Dispute Resolution Procedure (IDRP) • Border to Coast update • Freedom of Information requests – Included in Annex 1. 	<ul style="list-style-type: none"> • Cyber security training • Governance report • AVC governance report • Discretions Exercise report • Recent development in the LGPS
25/04/2019		<ul style="list-style-type: none"> • ABS report • CIPFA benchmarking report • Training policy • Compliance with TPR • Recent developments in LGPS • Pooling guidance
18/07/2019		<ul style="list-style-type: none"> • Annual Benefit statement update • Annual report

Surrey Local Pension Board: Forward Plan

24/10/2019		<ul style="list-style-type: none">• Annual report (Including Financial statements)• tPR return
tbc/02/2020		<ul style="list-style-type: none">• Recent development in the LGPS

Freedom of Information Requests

The table below summarises the Freedom of Information request responses provided by the Fund during quarter 4.

Date of Response	Organisation	Request	Response
16/01/2019	Preqin Ltd	Information concerning alternative assets of the pension fund	Summary of private equity portfolio as at 30/06/2018
31/01/2019	Proxy Insight	Proxy voting	Proxy Voting 1 July 2018 - 31 December 2018
07/02/2019	Bloomberg LP	Information concerning alternative assets of the pension fund	Summary of private equity portfolio as at 30/09/2018
11/02/2019	BSR Energy	Investment contact details	Investment contact detail provided.
12/03/2018	whatdotheyknow	Value of the property holdings in Pension Fund	Summary of Property Holdings as at 31 January 2019.
19/03/2019	Pitchbook	Information concerning alternative assets of the pension fund	Summary of private equity portfolio as at 30/09/2018

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The Surrey Local Pension Board 25 April 2019

Summary of the Pension Fund Committee meeting of 8 February 2019

Recommendations:

1. The Board is asked to **note** the content of this report.

Detail:

Introduction

2. The Pension Fund Committee met on 8 February 2019. This report provides a summary of this meeting and any resolutions made.

Forward Plan

3. The latest approved Pension Fund Committee Forward Plan is shown as Annex 1.

Local Pension Board report

4. The Pension Fund Committee (Committee) received the report from the Local Pension Board (Board) including the following recommendations (shown as Annex 2):
 - Approves the following changes to the Fund risk register:
 - i) Amendments to the following risks (shown as Annex 1) chiefly to reflect updates in regards to Border to Coast:
 - 1-2, 4-8, 11, 13-15, 17-20, 23-24, 27.
 - ii) Addition of the following risks:
 - Transition of assets to BCPP be included as risk number 29, with a total risk of 40 (Red) and net risk of 10 (Green).

- The HM Treasury and Scheme Advisory Board cost management process has an implied increase in employer contributions be included as risk number 30, with a total risk of 28 (Amber) and net risk of 7 (Green).
- Impact of the Pension Services Manager leaving the council be included as risk of 31, with total inherent risk of 21 (Amber) and Residual risk of 7 (Green).
- Failure to deliver accurate and effective pension administration be included as risk of 32, with total inherent risk of 36 (Red) and Residual risk of 18 (Amber).

The Committee approved all the recommendations

5. The Local Board brought to the attention of the Committee the number of serious administration errors that had been reported by the Assistant Director for Business Operations at its last meeting.
6. Members of the Committee queried how the profound weaknesses had not been detected sooner and were informed that the establishment of the Local Pension Board had been a key factor in identifying these working alongside Internal Audit.
7. The Committee requested that a detailed update report be presented to the June meeting of the Committee.

Company engagement and voting

8. The Committee were provided with a report outlining the outcomes achieved for quarter ending 30 September 2018 by Robeco and the Local Authority Pension Fund Forum (LAPFF), by engaging with companies on various Environmental, Social and Governance Issues (ESG) issues.
9. Details of the Surrey Pension Fund's share voting process for the quarter ending 31 December 2018 were further noted.

The Committee requested further detail on share voting and resolutions made on behalf of the Surrey Pension Fund be included in future update reports.

Training policy

10. The Committee approved a revised training policy and agreed that all members should prioritise attendance at training events wherever practicable. Training will be reviewed on an annual basis.

Cash-flow analysis

11. The Committee noted the cash-flow position for quarters two and three which confirmed that no further action was required.

Investment strategy statement (ISS)

12. The Committee approved the following changes to the ISS:
 - Changes to job titles and frequency of Local Board meetings.

- The change in the Environmental, Social and Governance (ESG) policy to support and, where relevant, comply with the Border to Coast Pension Partnership (BCPP) Responsible Investment Policy (the BCPP Responsible Investment Policy was revised in November 2018 and is reproduced as Appendix C in the amended ISS).
- The change in the Policy of the exercise of rights (including voting rights) attaching to investments to support the BCPP Corporate Governance and Voting Guidelines (the BCPP Corporate Governance and Voting Guidelines were revised in November 2018 and are reproduced as Appendix D in the amended ISS).
- Addition of Glennmont Clean Energy Fund Europe III to the list of Private Equity Managers.
- Inclusion of UK Base Rate as benchmark for Ruffer and inclusion of Fund's target return of +3% (gross of fees) over 3 year rolling periods against UK Base Rate.

Investment Manager Issues and Asset/Liabilities Performance Update

13. The Committee noted that the downside equity protection policy was effectively and had mitigated equity losses in quarter four. The equity protection strategy will be formally reviewed at the Committee meeting in September 2019.
14. The recent transfer to Border to Coast Pension Partnership (BCPP) had gone well during a difficult trading period. The Committee informed that a range of alternative investment options were being created by Border to Coast that the Surrey Pension Fund would be able to invest in going forward.
15. That the funding level as at 31 December 2018 was 93.3%. That the Fund's investment performance for the quarter ending 31 December 2018 was -3.4%.

National Pooling Update

16. Details regarding this item are included in a separate paper.

Report contact: Neil Mason, Strategic Finance Manager (Pensions)

Contact details: T: 020 8213 2739 E: neil.mason@surreycc.gov.uk

Sources/background papers:

Annexes:

1. Pension Fund Committee Forward Plan
2. Local Pension Board committee report

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Surrey Pension Fund Committee Forward Plan

Date	Standing items	New items
07/06/2019	<ul style="list-style-type: none"> • National pooling update • Investment Manager Issues • Local board update • Cash-flow analysis • Voting and class action update • Engagement update 	<ul style="list-style-type: none"> • Business plan 2018/19 outturn report • Governance review • Revised Business plan 2019/20 • Cash-flow modelling • Confirmation of global equity transition • Alternatives specification • Valuation update • Investment strategy statement update
13/09/2019		<ul style="list-style-type: none"> • Annual report • Downside protection update
15/11/2019		<ul style="list-style-type: none"> • CEM performance analysis report • FSS

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: 8TH FEBRUARY 2019

LEAD OFFICER: LEIGH WHITEHOUSE, SECTION 151 OFFICER

SUBJECT: LOCAL BOARD REPORT



SUMMARY OF ISSUE:

This report is a summary of administration and governance issues reviewed by the Local Pension Board at its meeting of 17th January 2019 that need to be brought to the attention of the Pension Fund Committee.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Notes the report and particularly issues with pensions administration.
2. Approves the following changes to the Fund risk register:

Amendments to the following risks (shown as Annex 1) chiefly to reflect updates in regards to Border to Coast:

- 1-2, 4-8, 11, 13-15, 17-20, 23-24, 27.

Addition of the following risks:

- Transition of assets to BCPP be included as risk number 29, with a total risk of 40 (Red) and net risk of 10 (Green).
 - The HM Treasury and Scheme Advisory Board cost management process has an implied increase in employer contributions be included as risk number 30, with a total risk of 28 (Amber) and net risk of 7 (Green).
 - Impact of the Pension Services Manager leaving the council be included as risk of 31, with total inherent risk of 21 (Amber) and Residual risk of 7 (Green).
 - Failure to deliver accurate and effective pension administration be included as risk of 32, with total inherent risk of 36 (Red) and Residual risk of 18 (Amber).
3. Concludes whether there are any reviews as to the compliance of particular cases, projects or processes that the Local Pension Board should undertake.

REASON FOR RECOMMENDATIONS:

In order to achieve best possible performance alongside optimal risk management.

LOCAL PENSION BOARD MEETINGS

-
1. The most recent Local Board meeting was on 17th January 2019.
 2. The next Local Board meeting is scheduled for 25th April 2019.

Administration update report.

3. The Assistant Director of Commercial Operations addressed the Board, following the departure of the Lead Pensions Manager. It was reported that a detailed service review by the outgoing Lead Pensions Manager had identified profound weaknesses in the delivery of pension administration. These included:
 - Unmanaged backlogs
 - Systems constraints in the interface between payrolls and the administration
 - Poor data quality
 - Insufficient roll-out of self service
 - Process delivery bottlenecks
 - Lack of planning for 'scheme events'
 - Insufficient delegation and accountability
 - Limits in technology
 - Insufficient management information
 - Lack of effective use of automated workflow
4. The Board were advised that senior management had compiled an analysis of a number of areas that require immediate attention and set out a series of strategic milestones to be achieved over each of the next four years in order to address them. This would be included in a comprehensive recovery plan which will be costed and shared with pension fund officers, the Board and the Pension Committee where appropriate.
5. The Board required that a working party, including members of the pension fund team, Local Pension Board and senior management of the pension administration team be convened to monitor progress against the recovery plan.
6. A workshop is to be convened for officers and representatives of the Local Pension Board to consider the proposed improvement plan prepared by the former Lead Pensions Manager. A report will be presented to the Board at its next meeting on 25th April 2019.
7. There was some analysis of the key performance indicators in the report but it was acknowledged that it was of limited value until we have more reliable metrics
8. The pension fund team proposes to work with the administration team to review the Service Specification between the Fund and administration functions, to include the continued appropriateness of KPI metrics in parallel with monitoring the recovery plan.

Action tracker

9. CIPFA has extended the deadline for remitting benchmarking data regarding Surrey County Council's pension administration service to 31st January 2019 and officers will give the Board an update at the next meeting.
10. The management action plan is to be revised following the Lead Pension Manager's resignation. The departing manager conducted a root and branch review of the pension administration service and set out a range proposals to improve performance.
11. A meeting to agree a new and more accurate method for reporting KPIs will be arranged.

Forward plan

12. Cyber security training has been added to forward plan and instruction is expected to be provided at April's meeting.
13. Officers were asked to provide an item on annual benefit statements at the Board's meeting in April.
14. Members asked for a report on the implications of the updated tPR guidance on producing annual benefit statements and officers agreed to report at the next meeting.

Risk Register

15. The Board recommended a number of amendments to the Fund risk register. These are detailed in a tracked version of the Fund risk register (shown as Annex 1).

The Discretions Exercise.

16. Officers have sent three mailshots to employing authorities and they suggested sending one more, to reinforce awareness of the exercise, before the Chairman writes to the employing authorities to ask them to publish a discretions policy.
17. It was noted that, although nineteen employing authorities had submitted policies, only one was a borough and officers were asked whether the County Council had published one. They advised the Board that it had but it needed updating and officers will communicate this requirement to Surrey County Council, in its capacity as an employing authority, for revision.

AVC Governance Review

18. Barnet Waddingham had been appointed to review AVC governance and provision and they expect to be able present copies of it to the Local Pension Board at their next meeting.

The Pensions Regulator

19. Surrey County Council has reported itself to the Pension Regulator in connection with a breach of law relating to the annual benefit statements exercise.
20. A total of 33,349 active members' annual benefit statements (ABS) were identified for 2017/18, of which approximately 5% (1,614) were not issued or made available by the deadline of 31 August 2018.

Review of IDRP

21. It was noted that some cases had been through both stages of the internal disputes resolution procedure during the quarter. Officers reported that the adjudicator was very efficient and most cases were being completed well within the prescribed timescales.
22. Members asked for a report on the implications of the updated tPR guidance on producing annual benefit statements and officers agreed to report at the next meeting.

CONSULTATION:

23. Chairman of the Pension Fund Committee and the chairman of the Local Pension Board have been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

24. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

25. The performance of the Pensions Administration function does present potential financial and value for money implications to the Pension Fund. The monitoring of these implications is discussed within the report.

SECTION 151 OFFICER COMMENTARY

26. The Section 151 officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

27. A Local Pension Board is a requirement under the Public Service Pensions Act 2013. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

28. The approval of the various options will not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

29. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

30. The following next steps are planned: receive further reports and continue collaboration between the Pension Fund Committee and Local Pension Board.

Contact Officer:

John Smith, Senior Advisor

Consulted:

Pension Fund Committee chairman and Local Pension Board chairman.

Annexes:

1. Fund risk register with proposed changes tracked

Sources/background papers:

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The Surrey Local Pension Board 25 April 2019

Administration Update 1 January 2019 to 31 March 2019

Recommendations

1. The Board is asked to note the content of this report and make recommendations if any further action is required.

Background

2. The Board has previously requested to be kept updated on progress relating to a number of key administration projects and planned improvements which may have an impact on members of the pension fund and the purpose of this report is to provide an update on the current status and progress against any specific target dates.

Staffing Update

3. An Engagement & Education Lead is being recruited to focus on increasing the level of scheme knowledge for members, employers and staff.
4. This role will also ensure compliance with legislative changes.
5. In addition, a Communications Officer is an additional role that is being recruited.
6. The role will focus on producing regular newsletters and updates to members and employers.
7. This role will also carry out regular reviews of the pension fund website and any correspondence issued to members and employers.
8. This is to ensure that the information being provided is fit for purpose, compliant with legislation and easy to understand.
9. The new trainee team are attending the LGPS Practitioner Training event and Insight Residential Course.

Customer Complaints Report

10. Complaints received for this quarter have reduced slightly in comparison to the third quarter of 2018/2019, with a total of 12 received. This is still significantly low in relation to the number of cases processed during the period. Initial acknowledgement of all 13 complaints have been carried out within the turnaround time of 5 working days.
11. It is noted that Quality of Service and Service Delay have been the highest subject of complaints received with 33.33% and 25% respectively. It is also noted that one complaint is still to be resolved and is therefore outstanding. The team have ensured that any customers with complaints that cannot be answered within the turnaround time of 10 working days are contacted regularly to keep them informed of the delay.
12. It is to be noted that the department is going through a significant period of change, with processes being investigated to improve the customer service provided. This has meant that resource has been limited at times throughout the department.
13. The lead officer will be analysing complaints to understand where lessons can be learned and any process improvements made where appropriate.

CIPFA Benchmarking Report

14. The report is provided in Annex 1.

Projects

15. **GMP Reconciliation** – JLT are now 76% of the way through the collation and investigating of all member queries and discrepancies. They are on track to finish this area of work by the end of April 2019 as per their plan. There are various queries being distributed to the admin service to provide more detailed answers on certain member queries that JLT are not in a position to answer, based on the information they have access to. These queries have now all been answered and returned to JLT. The HMRC deadline for submitting queries was 31 October 2018, plus additional automated runs available until 21 December 2018 in specific categories. For the Surrey Pension Fund, 48 were submitted and to date 39 have been returned with responses from HMRC. HMRC are currently running 6 weeks behind their scheduled return dates. At this stage it is not possible to provide the potential liability to the pension fund, this is likely to come in September 2019 once HMRC have provided a final cut of the data held by them, which JLT will then run a final analysis on and compare this to the results they have recorded, based on the work undertaken as part of the reconciliation. JLT have provided assurance that the reconciliation work will be completed by the agreed dates outlines above and in September 2019, the pension fund will have a clear understanding of the liability amounts.
16. **Backlog** - The signing of the contract with JLT is close to be completed. Once signed the cases will start being sent to JLT to process. There is significant work taking place between payroll and the automation lab to obtain all data within SAP to calculate pay data for those records we currently do not hold the information for. Once this information is obtained, it will allow the remaining cases to be sent to JLT in the coming weeks/months. There is a strong desire to clear as many backlog cases as possible prior to the valuation. So far close to 1,500 frozen refunds have been processed as part of this project. Regular updates will be provided to the

pension fund and a process for escalating risks and issues will be agreed to ensure collaborative work during this project.

17. **Data Cleanse** – The admin team is working on the data cleanse and good progress is being made on clearing the critical errors. Many of the errors lie with missing pay figures from undecided or unknown leavers, which is being worked on collaboratively between employers and our Technical Team. The current errors counts shown in Annex 2 are typically missing FTE and care pay figures which will be removed once the latest end of year figures are received. The team has liaised with Hymans and are working closely with them to ensure we remove as many of the critical errors as we can.
18. **End of Year/Annual Benefit Statement** – Communications to employers regarding end of year data have been sent out once a month for January and February, twice in March and will be twice again in April. The increase in March and April is to ensure the importance of timely and accurate data is emphasised due to the Triennial Valuation this year. In mid-April there will be a review of all responses and escalate where anything is outstanding that may require support from the pension fund.
19. **Early Retirement Invoices** – There is a long running issue regarding outstanding pension strain costs for prior years, which have not been invoiced by the Surrey Pension Fund to Employers within the fund. Officers from the Pension Fund are working closely with the Pensions Administration team to resolve this and the current position has been summarised below:
 - Progress - Officers have begun investigating all cases from April 2009 - March 2019 which need to be invoiced within this time period.
 - Timeline - As this is a long term issue which requires significant time. Officers expect this work to take between 6-9 months to complete and will aim to have this resolved within this calendar year (31 December 2019).
 - Communication - Once these costs are finalised officers will send communications to each employer to inform them in advance of the outstanding amount fund will be invoicing with details of the cases. These case details will be sent Encrypted through our Egress Secure email system.

Process Improvements

20. A Process Improvement Group, consisting of representatives across the pensions administration team and pension helpdesk, is being set up to drive forward continuous improvement and efficiencies.
21. The scope of the work is currently being defined and the Service Delivery Manager will act as the project sponsor for this group.
22. The intention is for them to meet on a monthly basis to identify, plan, develop and implement changes to processes.

Next Step

23. The Board are asked to note the updates and agree on the form of any future updates that are required.

Report contact: Clare Chambers, Pensions Service Delivery Manager

Contact details: T: 020 8213 2566 E: clare.chambers@surreycc.gov.uk

Sources/background papers:

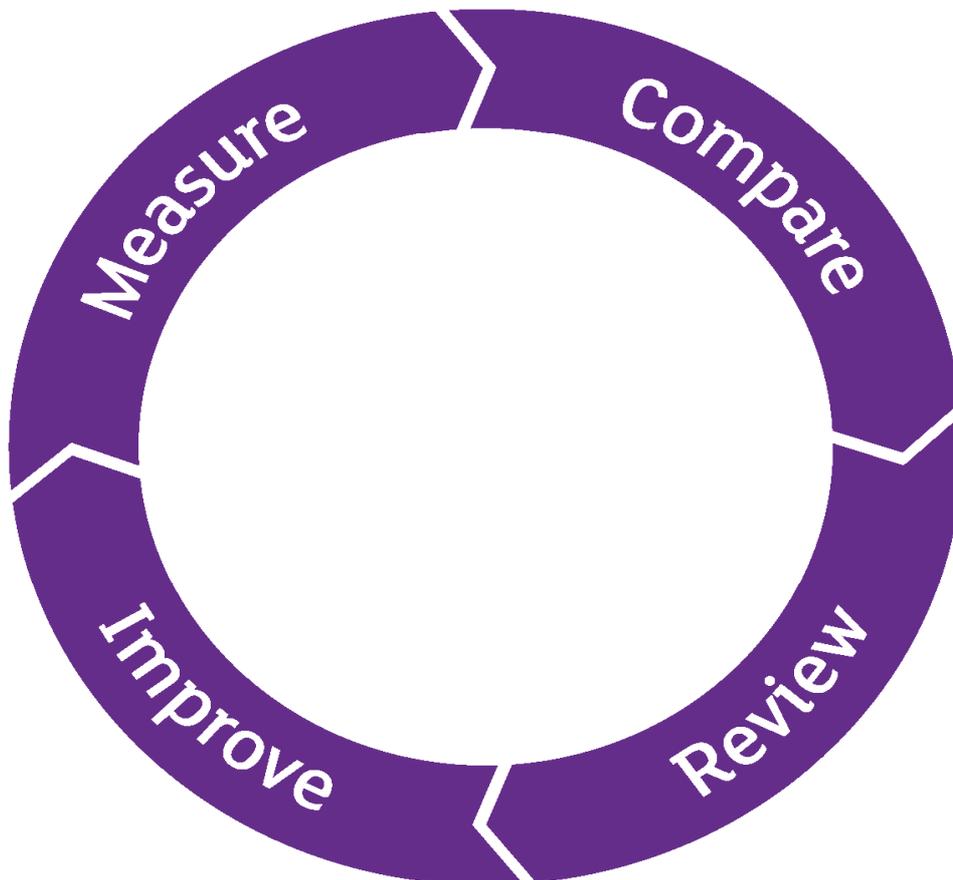
Annexes:

1. CIPFA Benchmarking report
2. Data Cleanse
3. 2018/19 Customer complaints Q4
4. Admin Scheme Calendar

Analytics & Research

pensions administration benchmarking club

2018 - Surrey Final Report



Useful Information

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages

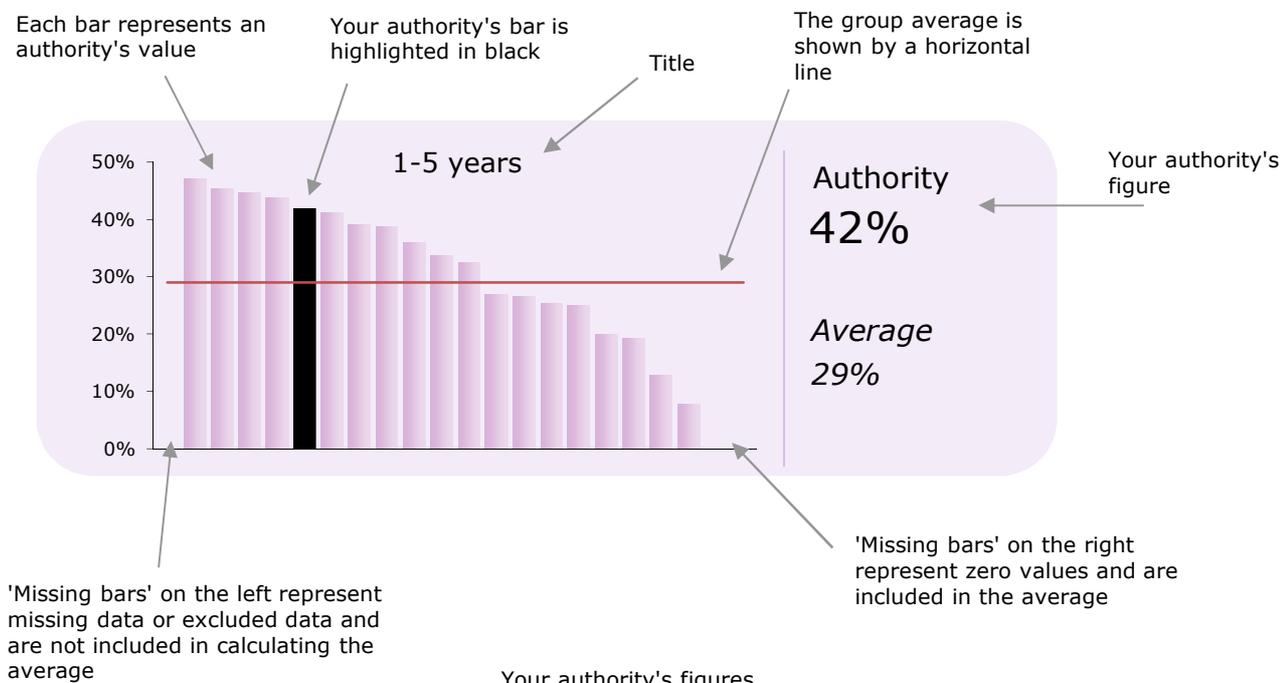
Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts

We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts

These are our standard method of displaying a full set of data



Staff experience	FTE	%	Avg
< 1 year	1.5	10%	9%
1-5 years	6.5	42%	29%
5-10 years	3.5	23%	21%
> 10 yrs	4.0	26%	41%
Total	15.5		

Introduction

This report compares your performance with other local authorities who have taken part in the Pensions Administration Benchmarking Club for 2018 and is divided into the following sections.

At the end of the Benchmarking process, your authority will also receive supplemental materials which will provide further depth to this report:

- **Interactive Report:** an Excel spreadsheet containing all the bar charts found in this report. The user can change the charts to show custom comparator groups.
- **Database:** an Excel spreadsheet containing all the data submitted by club members this year. The user can also populate a copy of the questionnaire with the data for any member.
- **Scrapbook:** a report containing an analysis of the responses to the text based parts of the questionnaire.

Contents

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3 Workload Measures	11
4 Staff Related Measures	21
5 Industry Standard Performance Indicators	23
6 Comparison by method of service delivery } <i>final report only</i>	24

Section 1 - Summary

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- Additional Voluntary Contributions (AVCs), Additional Regular Contributions/Additional Pension Contributions (ARCs/APCs) and Added years

Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, pensions work experience and staff qualifications.

Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

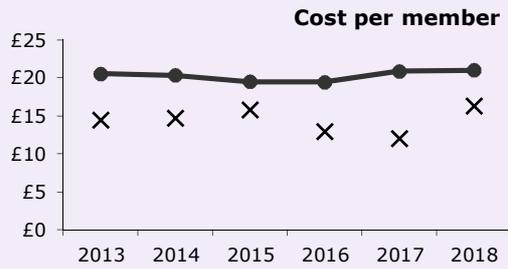
Section 6 - Comparison by Method of Service Delivery (final report only)

This shows members' costs and averages compared for in-house and externally managed pension schemes.

SECTION 1 - SUMMARY

5 Year Trend for Net Cost per Member

● Club average X Surrey



In 2017/18, Surrey had a net cost of £16.32 per member. The average cost per member for all authorities was £21.02. Left is the graph showing the 5 year trend for net cost per member for Surrey and the club average.

5 Year Trend for Staff Cost per Member

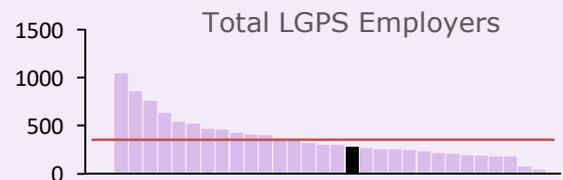


In 2017/18, Surrey had a net staff cost of £9.87 per member. The average staff cost per member for all authorities was £9.06. Left is the graph showing the 5 year trend for staff cost per member for Surrey and the club average.

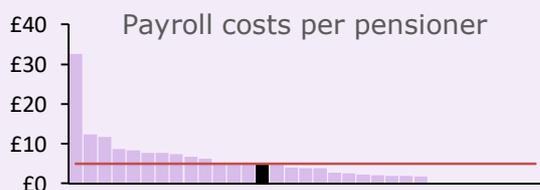
Other Key Findings:



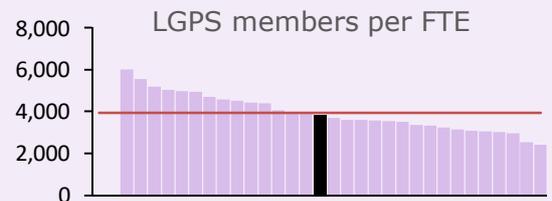
Surrey Average
£37.26 £34.13



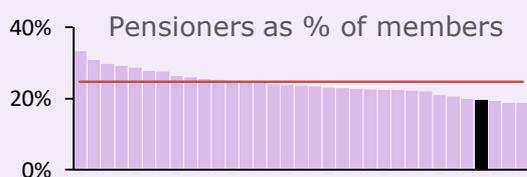
Surrey Average
283 355



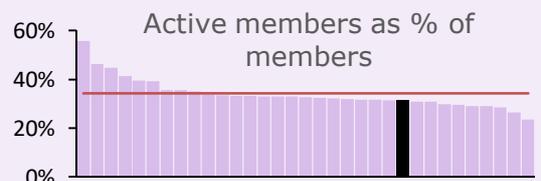
Surrey Average
£4.83 £4.89



Surrey Average
3,803 3,921



Surrey Average
19.5% 24.6%



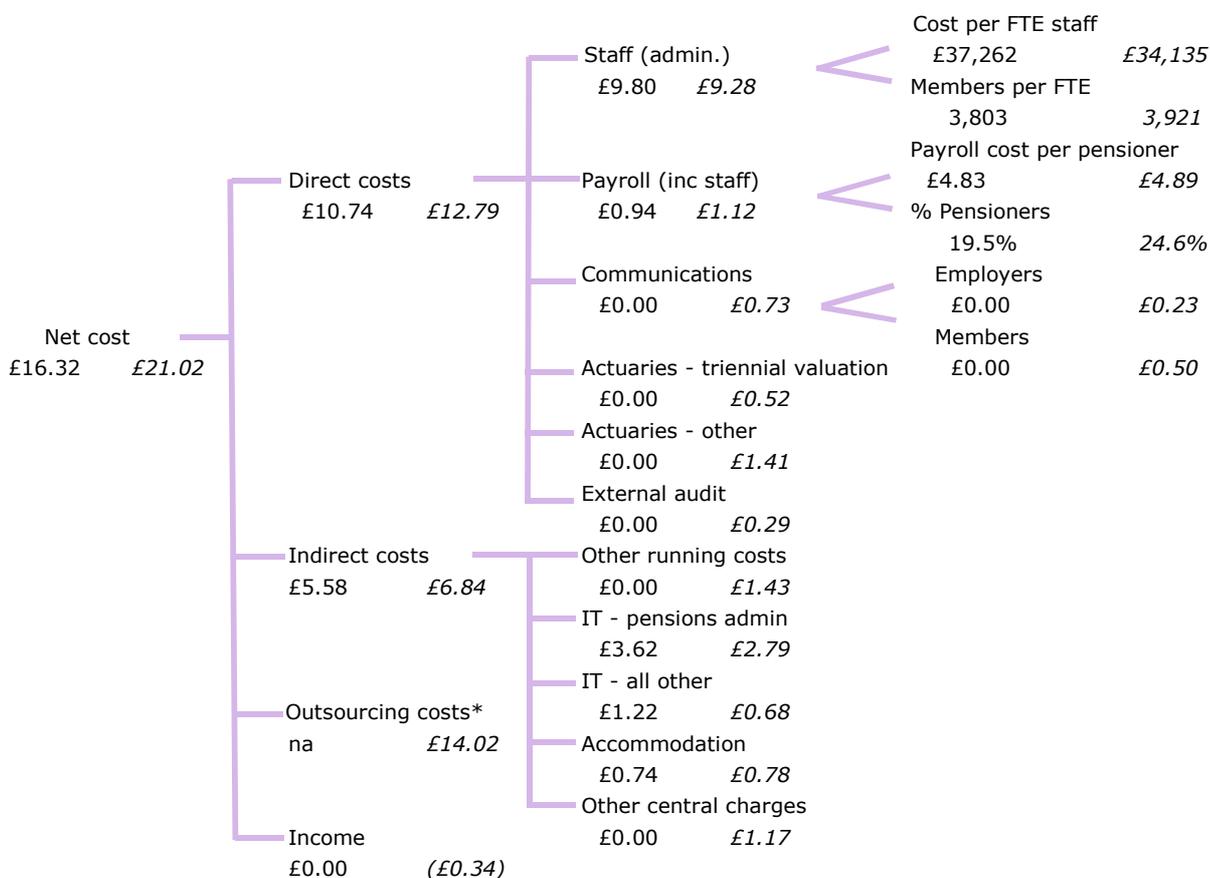
Surrey Average
31.3% 34.3%

SECTION 2 - COST MEASURES

COST PER MEMBERS 2017/18

This tree diagram analyses the cost per member.

For each benchmark two figures are given, the first being Surrey's cost and the second (in italics) is the group average.



FTE Staff		LGPS admin section costs		£'000	£ per member	Avg.
Pension Section total	39.3	Staff - administration		1,091	9.80	9.28
less		Staff - payroll		8	0.07	0.35
IT staff	1.5	Payroll		97	0.87	0.78
Payroll staff	1.5	Communications - employers		-	-	0.23
Communications staff	1.0	Communications - members		-	-	0.50
Employing authority work	3.0	Actuaries - triennial valuation		-	-	0.52
Work for other schemes	3.0	Actuaries - other		-	-	1.41
Other work	-	External audit		-	-	0.29
		Total Direct Costs		1,196	10.74	12.79
Admin of LGPS	29.3	Other running costs		-	-	1.43
		IT - pensions admin.		403	3.62	2.79
		IT - all other		136	1.22	0.68
		Accommodation		82	0.74	0.78
		Other central charges		-	-	1.17
		Total Indirect Costs		621	5.58	6.84
		Outsourcing Costs*		-	na	14.02
		Gross Cost		1,817	16.32	21.33
		Income - members		-	-	(0.05)
		Income - employers		-	-	(0.22)
		Income - other		-	-	(0.06)
		Total Income		-	-	(0.34)
		Net Cost		1,817	16.32	21.02

Total Scheme Membership

111,362

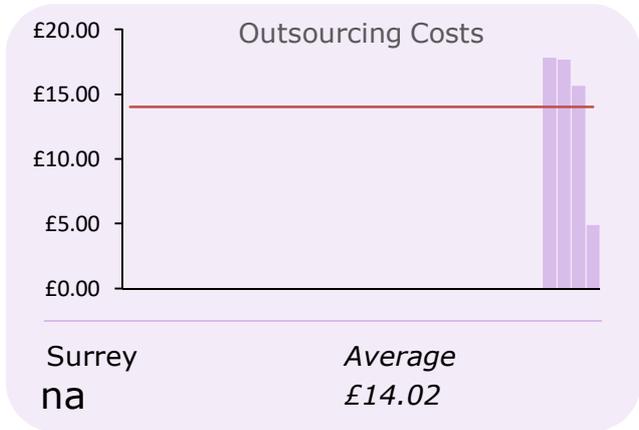
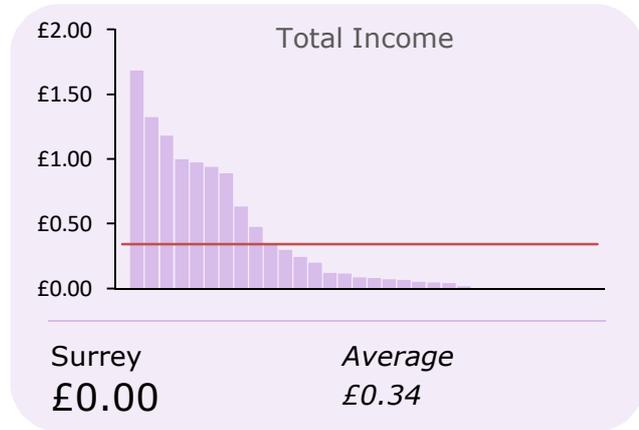
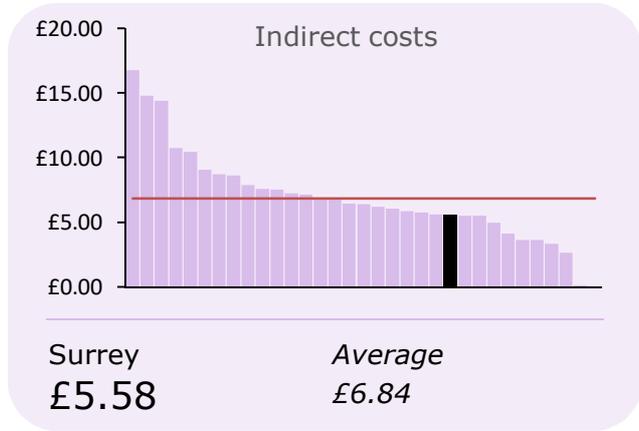
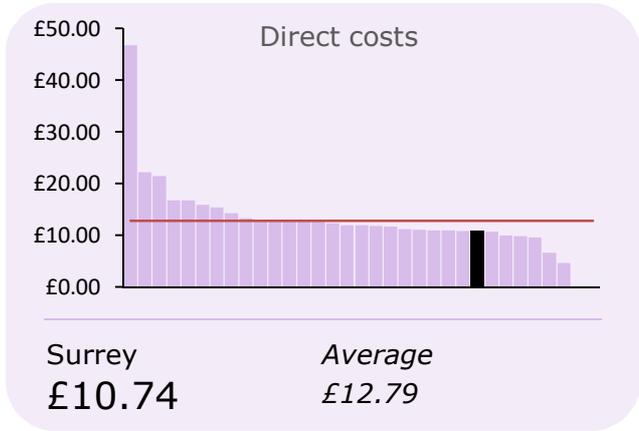
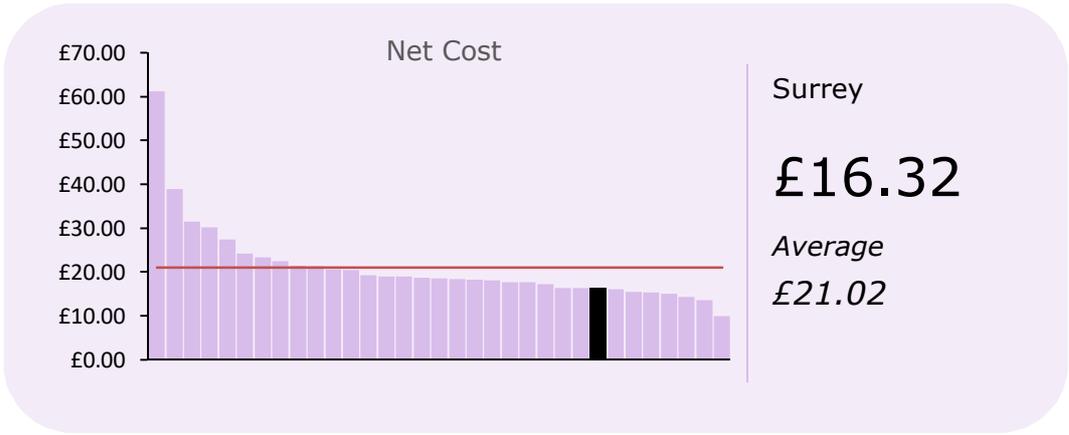
*Outsourcing costs average only includes those members who have outsourcing costs.

Pensioners

21,695

Source: Sections 2 & 3a, 2018 Questionnaire

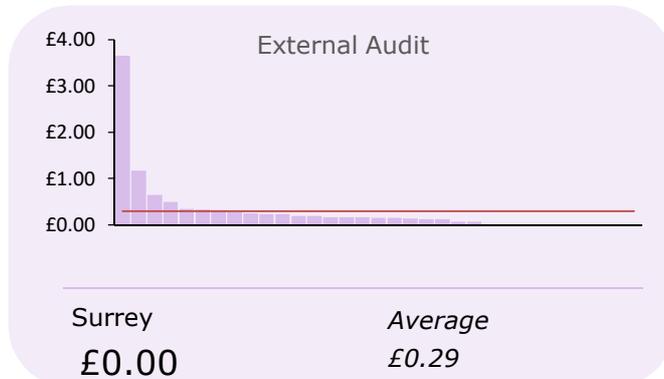
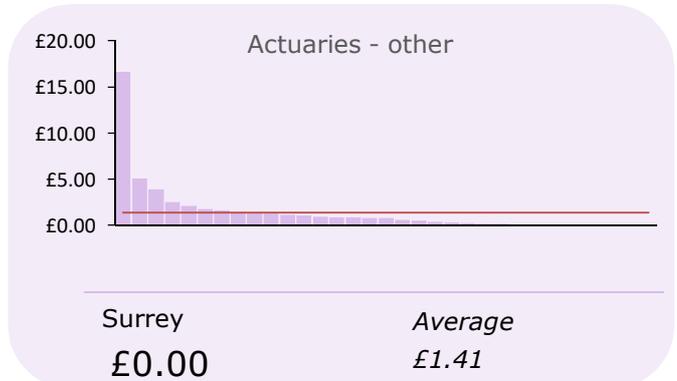
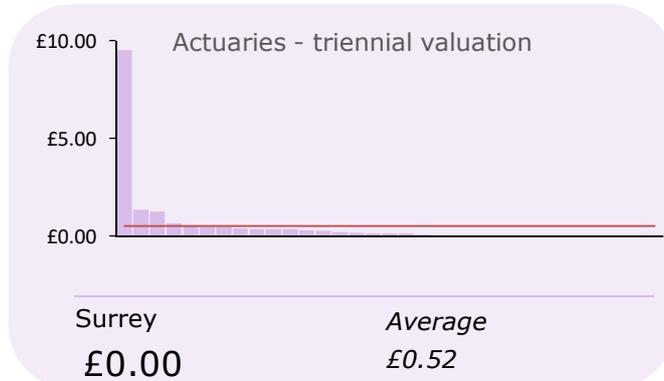
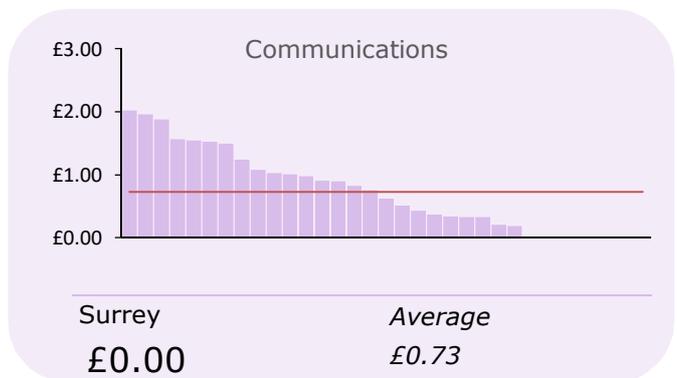
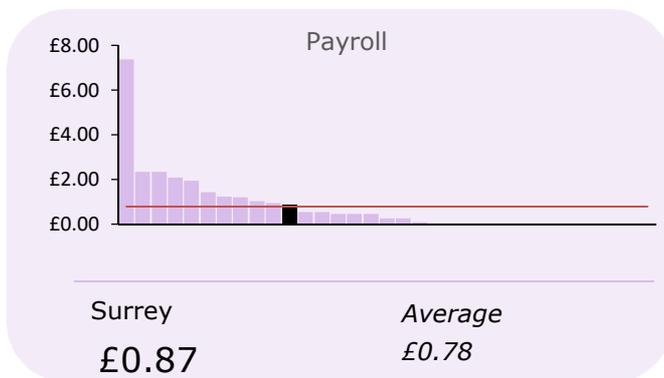
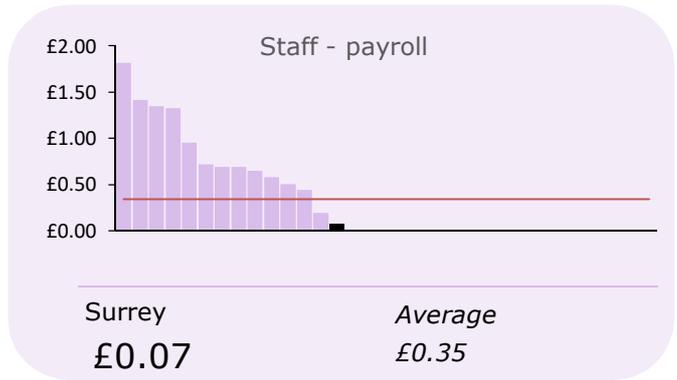
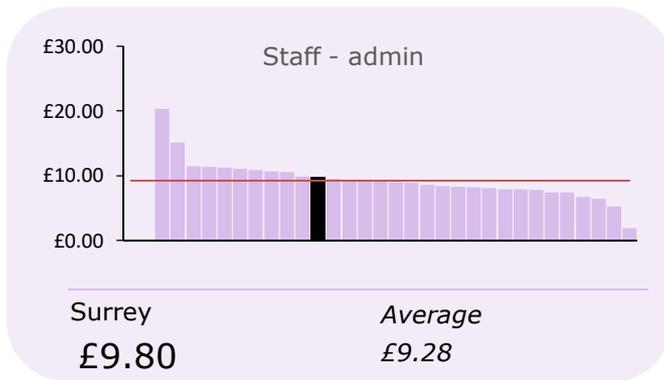
COST PER MEMBER 2017/18 (continued)



Source: Section 3a, 2018 Questionnaire

COSTS PER MEMBER - Direct Costs 2017/18

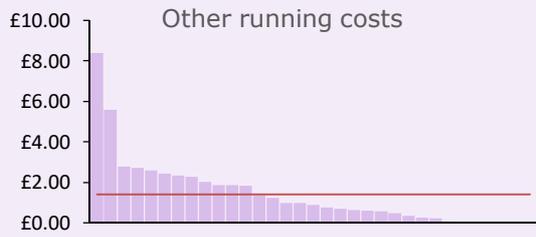
The following graphs are the costs that make up the direct costs that Surrey had during the financial year 2017/18.



Source: Section 3a, Questionnaire 2018

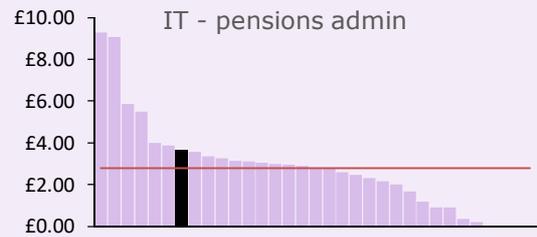
COSTS PER MEMBER - Indirect Costs 2017/18

The following graphs are the costs that make up the indirect costs that Surrey had during the financial year 2017/18.



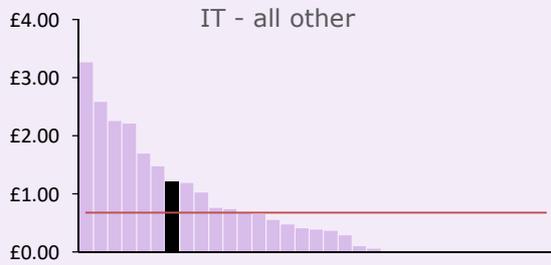
Surrey
£0.00

Average
£1.43



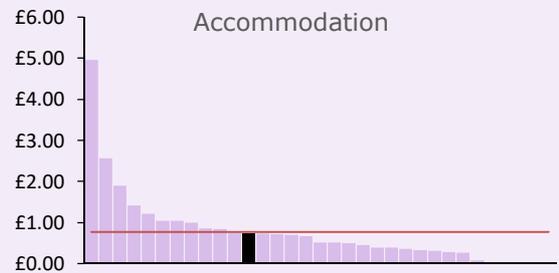
Surrey
£3.62

Average
£2.79



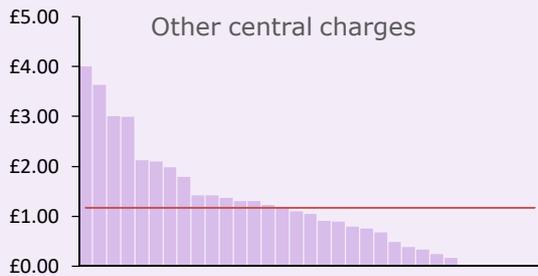
Surrey
£1.22

Average
£0.68



Surrey
£0.74

Average
£0.78

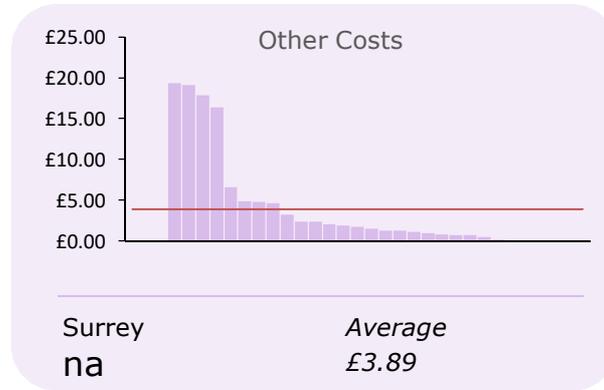
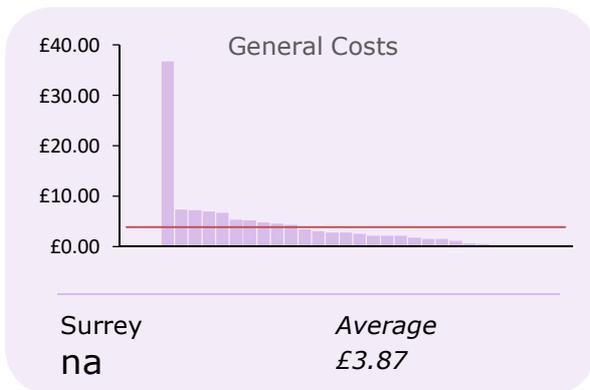
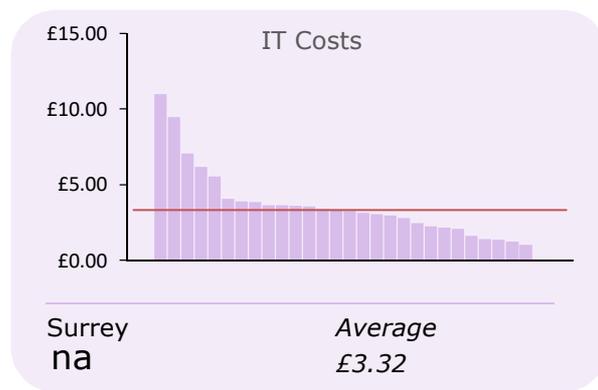
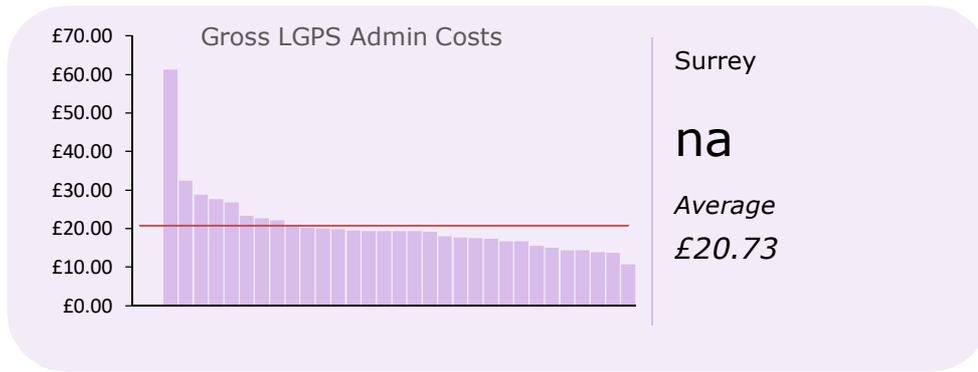


Surrey
£0.00

Average
£1.17

Source: Section 3a, Questionnaire 2018

LGPS Management Expenses Analysis - Administration Costs 2017/18

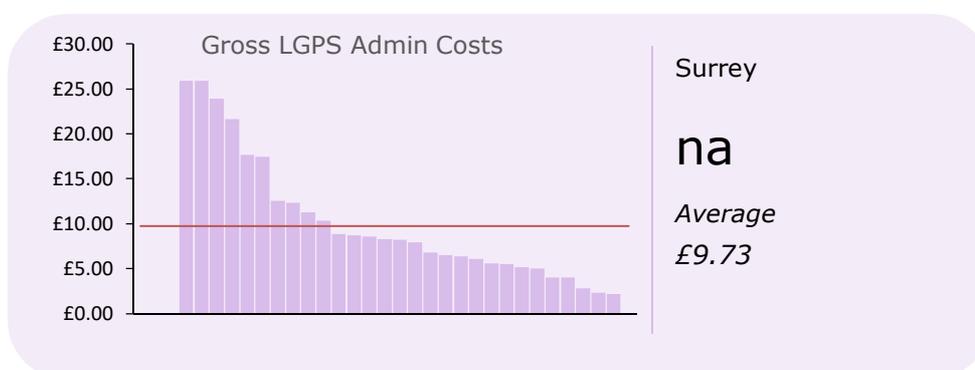


LGPS Administration Expenses	£'000	£ per member	Avg.
Staff Costs	na	na	10.59
IT Costs	na	na	3.32
General Costs	na	na	3.87
Other Costs	na	na	3.89
Gross LGPS Admin Costs	na	na	20.73
Gross LGPS Income	na	na	0.80
Net LGPS Admin Costs	na	na	19.34

Source: Section 4b, Questionnaire 2018

LGPS Management Expenses Analysis - Oversight & Governance Expenses 2017/18

LGPS O&G Expenses	£'000	£ per member	Avg.
Staffing costs	na	na	1.23
External costs	na	na	0.91
Investment advisory services costs	na	na	1.19
Independent advisors to the pension fund costs	na	na	0.69
Operation and support of the pensions committee costs	na	na	0.61
Governance and voting services costs	na	na	0.51
Statutory/non-statutory reporting staff and/or external costs	na	na	1.26
Legal services connected with investment management costs	na	na	0.66
Actuarial services costs	na	na	1.20
Tax advisory services costs	na	na	0.05
Internal audit costs	na	na	0.13
External audit costs	na	na	0.48
Accountancy services costs	na	na	0.48
Banking services (non-custody) costs	na	na	0.04
Transition management services costs	na	na	0.27
Total LGPS O&G Expenses	na	na	9.73



LGPS Management Expenses Summary 2017/18

LGPS Management Expenses	£'000	£ per member	Avg.
LGPS Administration Costs	na	na	19.34
LGPS Oversight and Governance Expenses	na	na	9.12
LGPS Investment Management Expenses	na	na	213.06
Total LGPS Management Expenses	na	na	235.12



Surrey does not have figures and the graph above is the average figures for retirements. For areas with percentages less than 5%, these will not be shown.

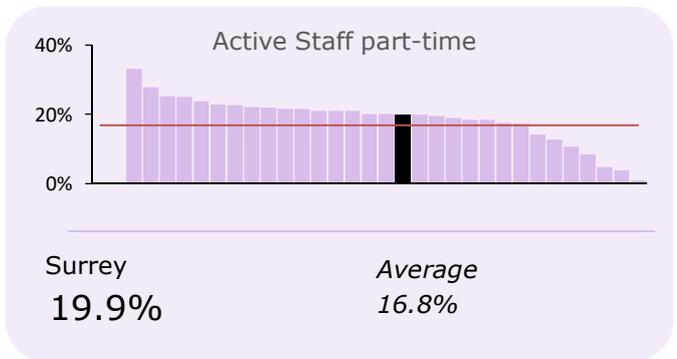
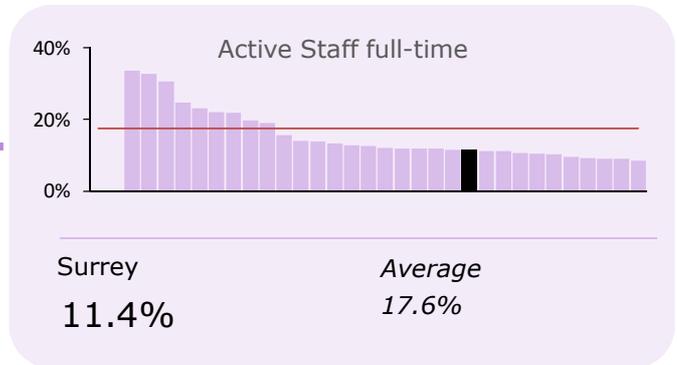
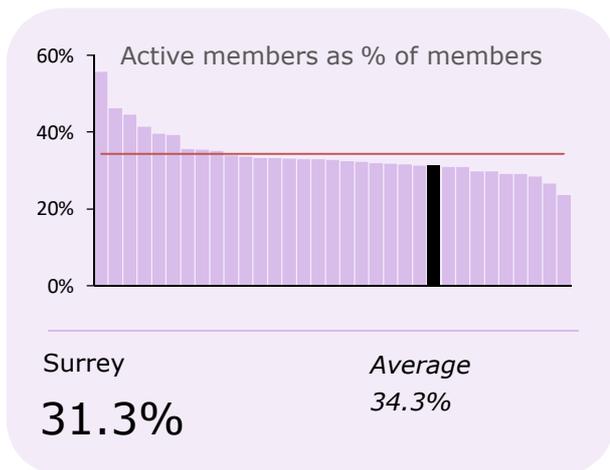
Source: Section 4c, 2018 Questionnaire

SECTION 3 - WORKLOAD MEASURES

COMPOSITION OF MEMBERS AS AT 31/03/2018

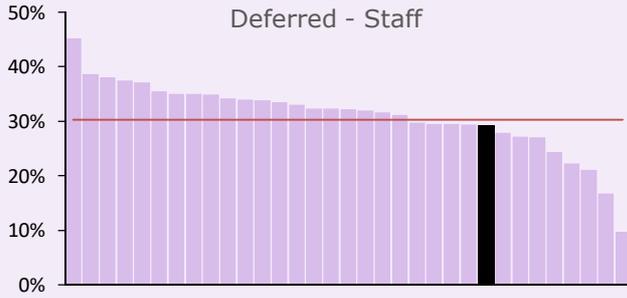
Composition of members	Number	%	Avg.	Avg. %
Active:				
Full-time	12,737	11.4%	21,782	17.5%
Part-time	22,111	19.9%	20,800	16.7%
Sub-total	34,848	31.3%	42,582	34.2%
Deferred - Staff	32,515	29.2%	37,515	30.2%
Pensioners	21,695	19.5%	30,572	24.6%
Dependants	3,432	3.1%	4,770	3.8%
Frozen refunds	3,829	3.4%	4,552	3.7%
Leavers unprocessed/in progress	15,043	13.5%	4,385	3.5%
Total	111,362		124,375	

Active Members



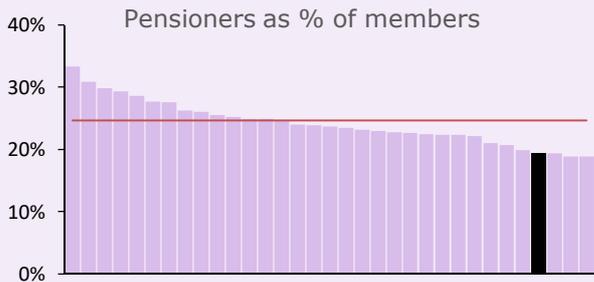
Source: Section 5b, Questionnaire 2018

Non-Active Members



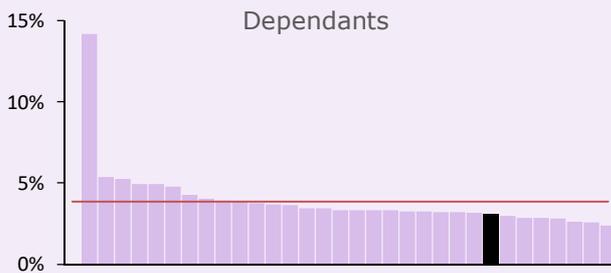
Surrey
29.2%

Average
30.2%



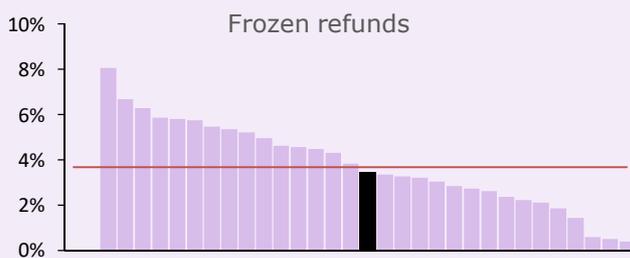
Surrey
19.5%

Average
24.6%



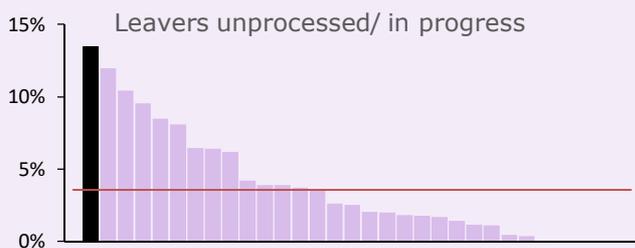
Surrey
3.1%

Average
3.8%



Surrey
3.4%

Average
3.7%



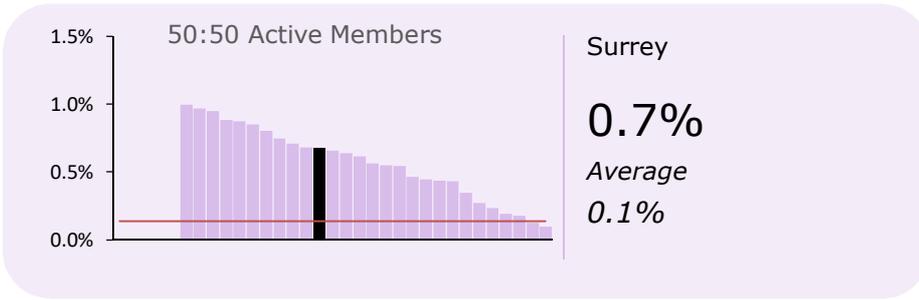
Surrey
13.5%

Average
3.5%

Source: Section 5b, Questionnaire 2018

COMPOSITION OF MEMBERS AS AT 31/03/2018

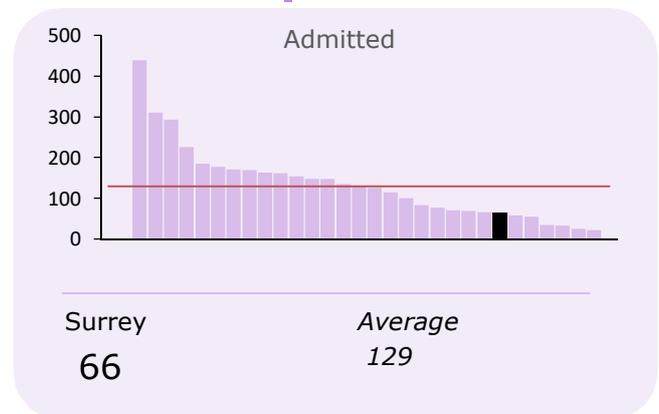
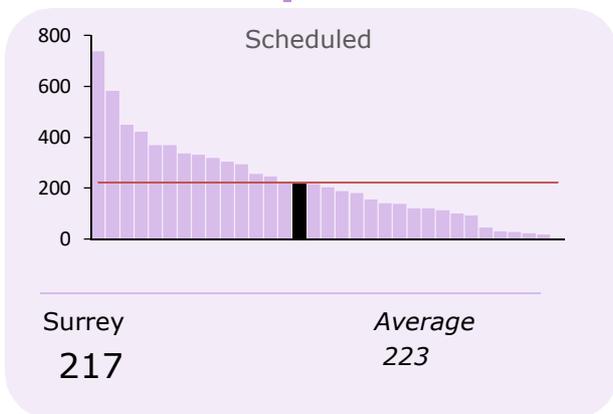
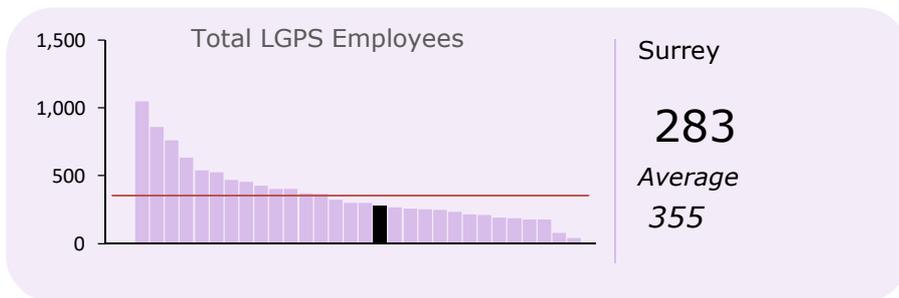
Composition of active members	Number	%	Avg.
50:50	237	0.7%	0.1%



NUMBER OF LGPS EMPLOYERS AS AT 31/03/2018

LGPS employers (31/03/2018)	Number	Avg.
Scheduled	217	223
Admitted	66	129
Total	283	355

Employer changes 2017/18	+/- Changes		Admitted		Leaving	
	Number	Avg.	Number	Avg.	Number	Avg.
Scheduled	0	0	36	20	0	2
Admitted	0	2	3	10	3	6

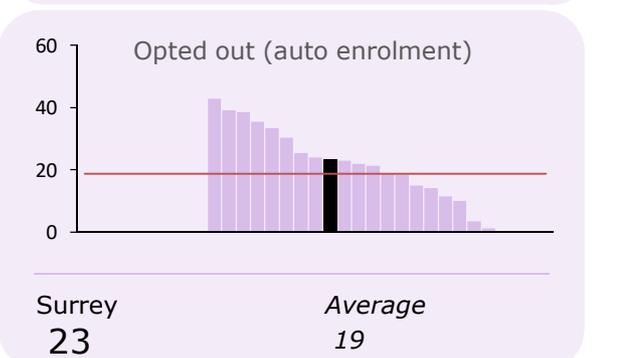
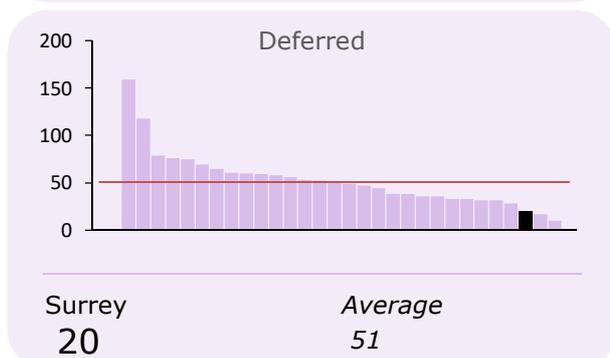
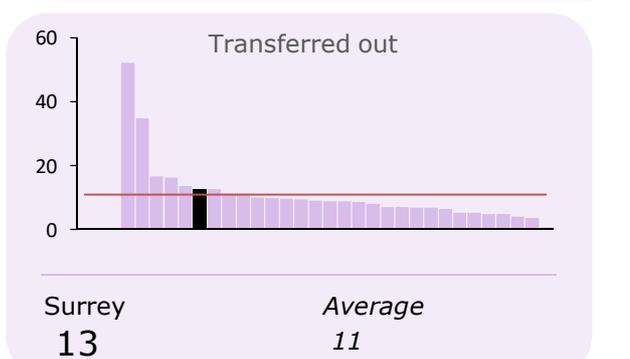
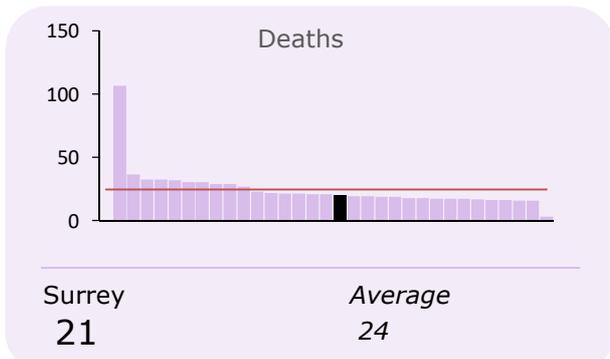
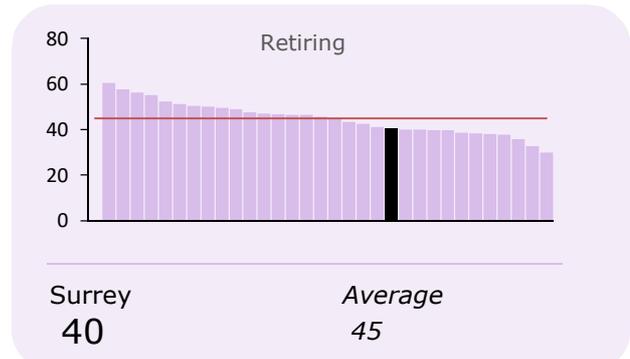
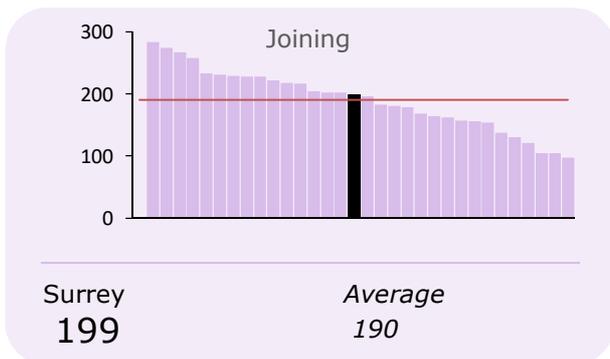
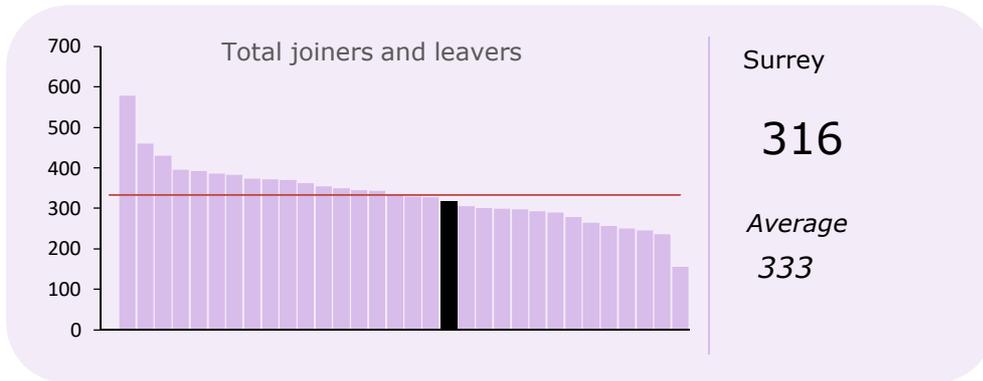


Source: Section 5a & b, Questionnaire 2018

JOINERS & LEAVERS (per '000 active members) 2017/18

Joiners & Leavers	Number	'000	Avg.
Joining	6,943	199	190
Retiring	1,407	40	45
Deaths	716	21	24
Transferred out	440	13	11
Deferred	709	20	51
Opted out	810	23	19
Total	11,025	316	333

Active members 34,848



Source: Section 5c, Questionnaire 2018

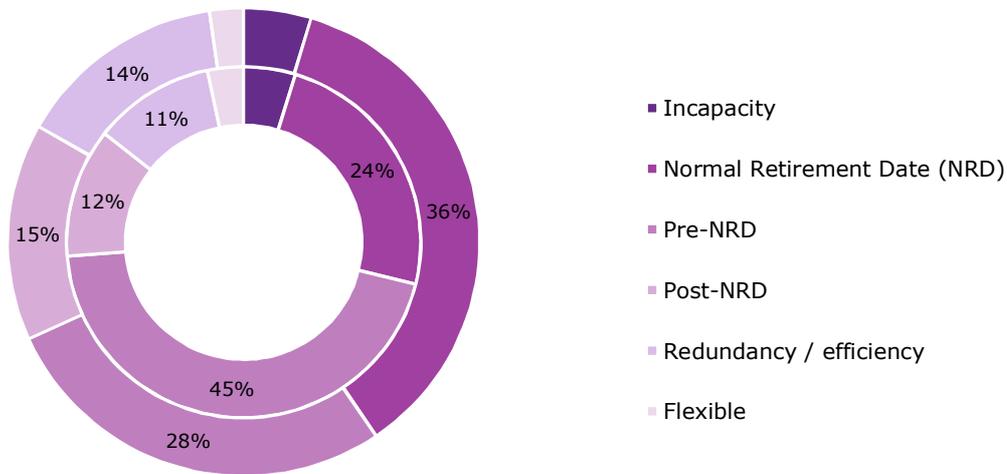
RETIRING 2017/18 (per '000 active members)

	Total number	per active members	Average (per '000)
Total LGPS members retiring	1,407	40	45

Active members 34,848



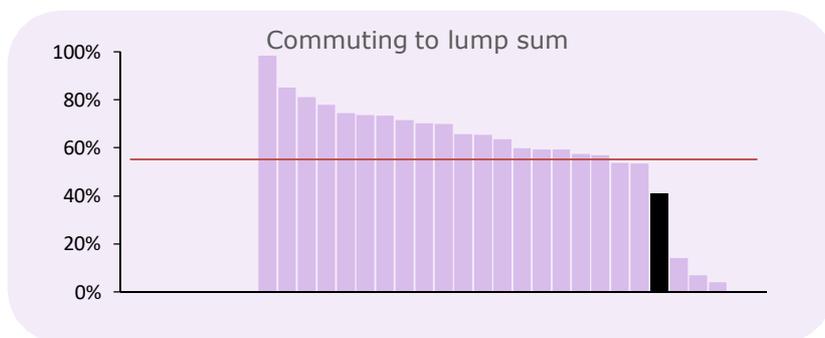
Retirements



The outer ring of the graph above is the figures for Surrey and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

Retirements commuting to lump sum

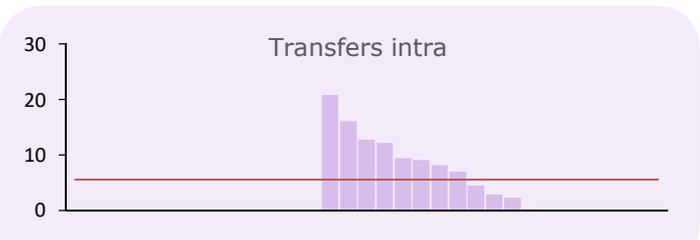
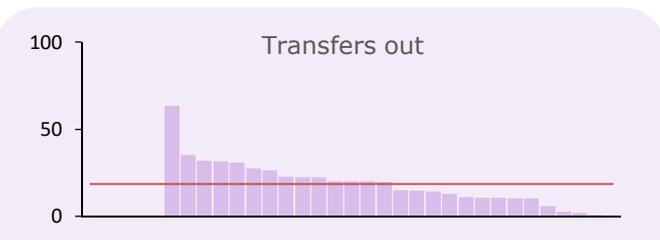
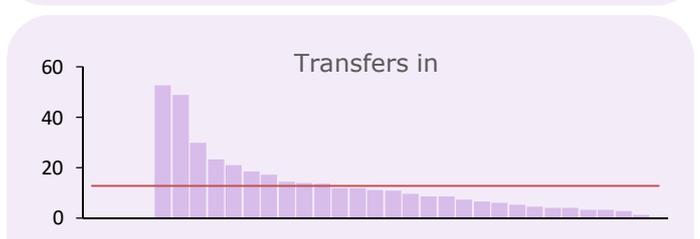
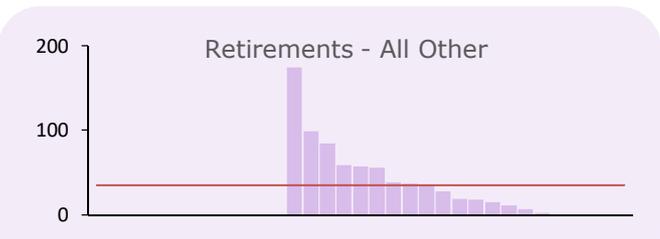
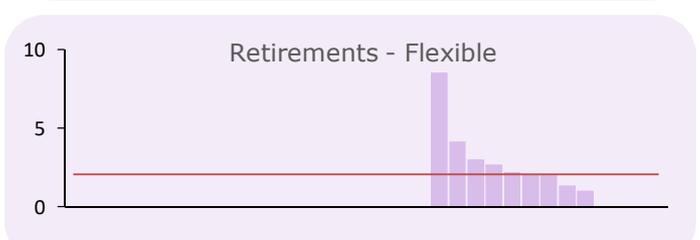
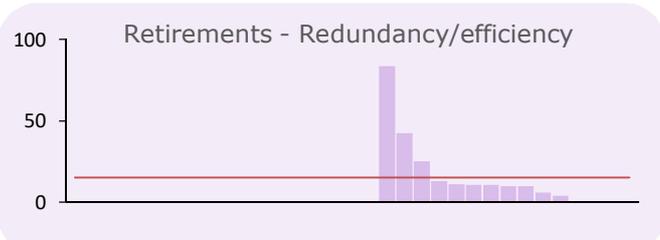
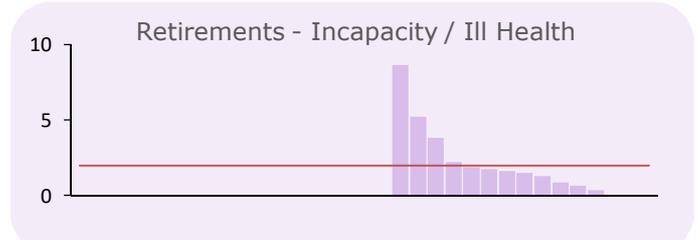
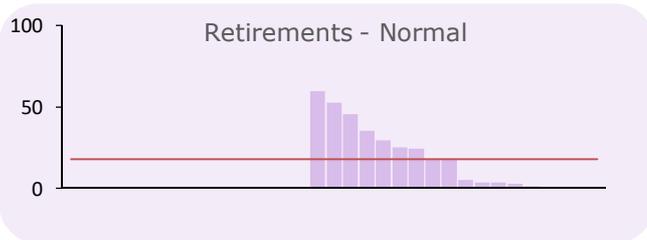
Number	% total	Avg.
578	41%	55%



Source: Section 5d, Questionnaire 2018

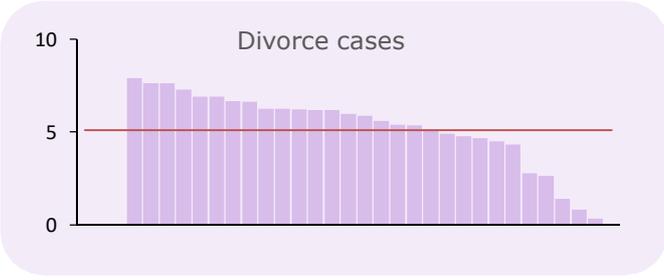
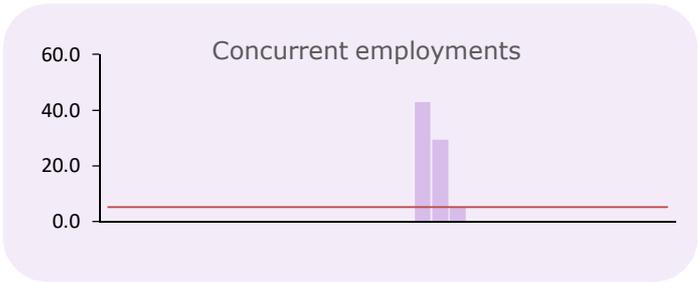
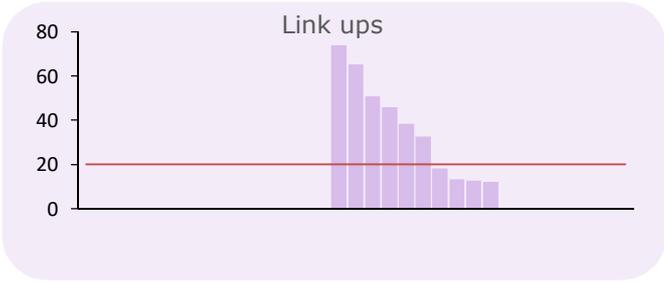
NUMBER OF QUOTATIONS PROVIDED IN 2017/18 (per '000 active members)

Number of bulk transfers	Number	'000	'000 Avg.	
TUPE - in	na	na	0.6	
TUPE - out	1	0.0	0.5	
Academies	36	1.0	5.6	
Quotations provided	Number	'000	Avg.	Active members
TUPE - in	na	na	-	34,848
TUPE - out	na	na	0.0	
Academies	na	na	-	
Transfers in	na	na	12.9	
Transfers out	na	na	18.3	
Transfers intra	na	na	5.6	
Retirements:				
- Normal	na	na	18.1	
- Incapacity/ill-health	na	na	2.0	
- Redundancy/efficiency	na	na	15.2	
- Flexible	na	na	2.1	
- All other	na	na	35.2	
Link ups	na	na	20.2	
Concurrent employments	na	na	5.2	
Divorce cases	na	na	5.1	
Deaths in service	na	na	0.2	
Deaths of pensioners	na	na	3.7	



Source: Section 5f, Questionnaire 2018

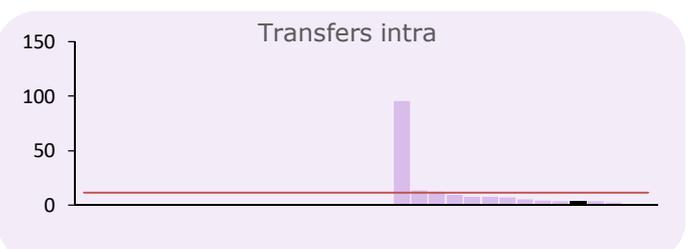
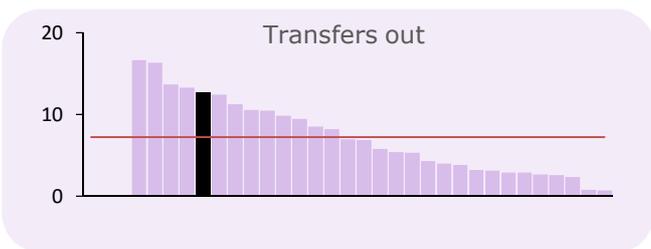
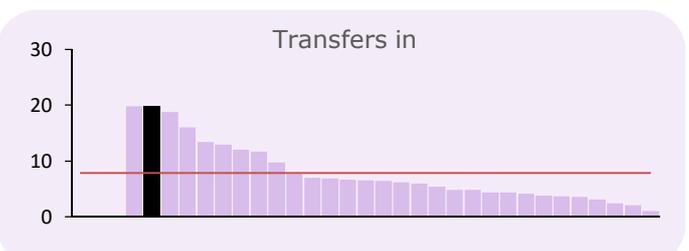
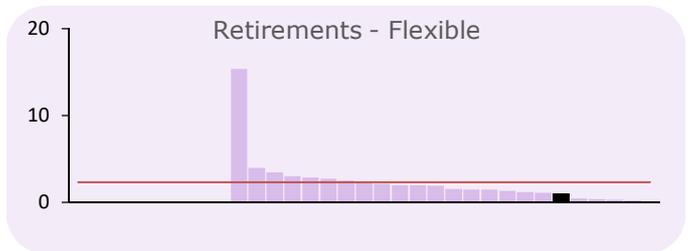
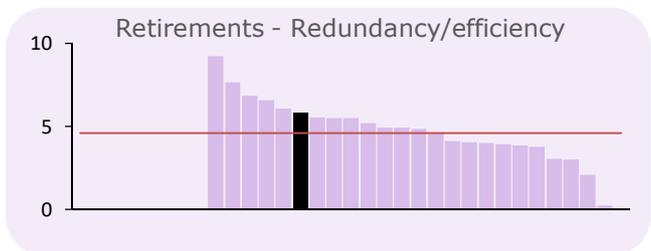
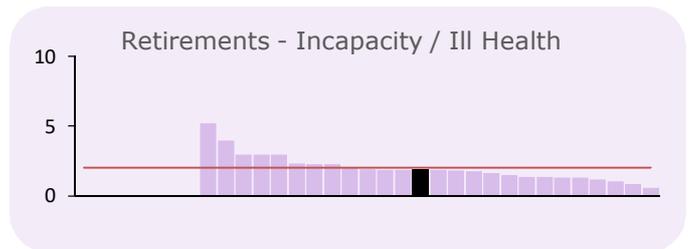
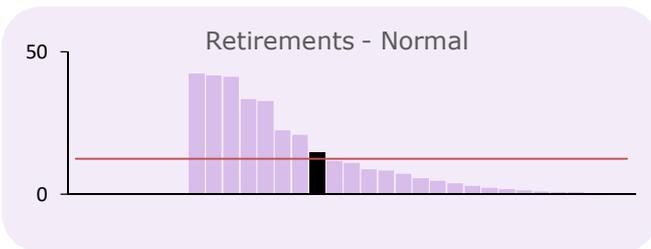
NUMBER OF QUOTATIONS PROVIDED IN 2017/18 (continued)



Source: Section 5f, Questionnaire 2018

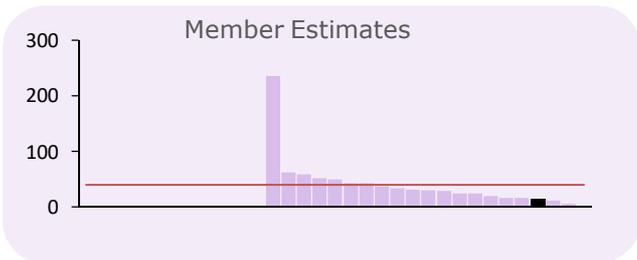
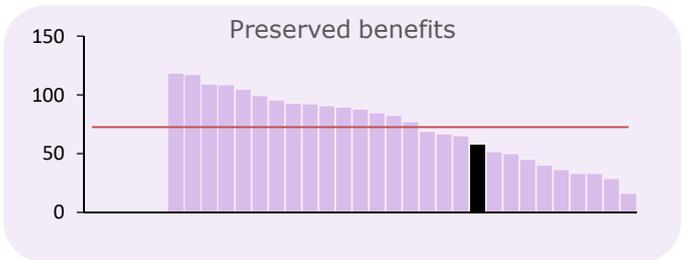
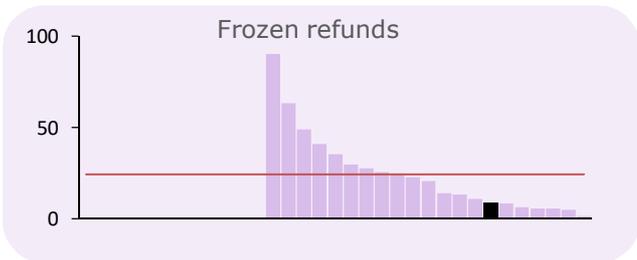
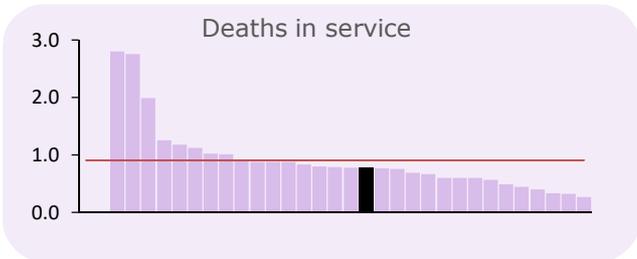
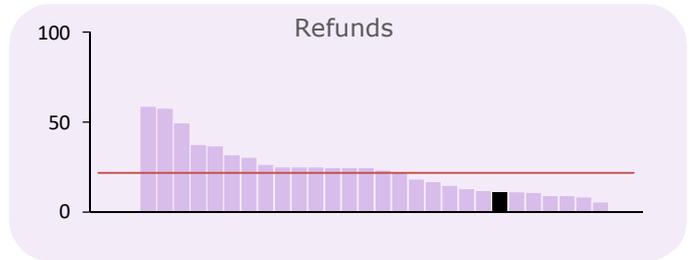
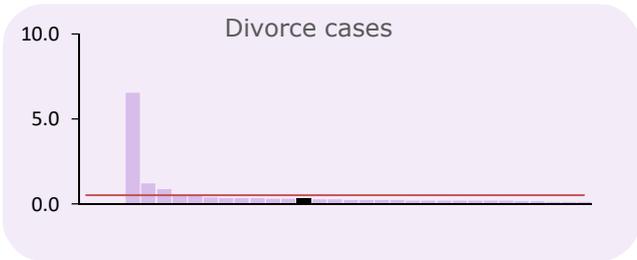
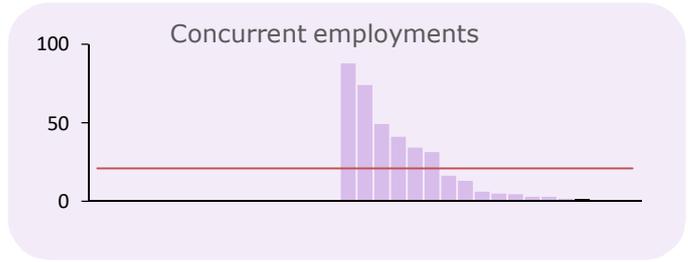
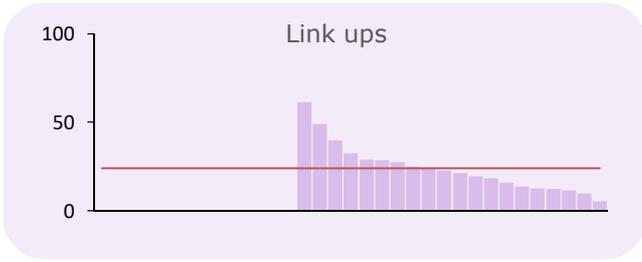
NUMBER OF ACTUAL EVENTS PROCESSED IN 2017/18 (per '000 active members)

Actual events	Number	'000	'000 Avg.	Active members
TUPE - in	na	na	na	34,848
TUPE - out	na	na	41.7	
Academies	na	na	14.9	
Transfers in	690	19.8	7.8	
Transfers out	440	12.6	7.2	
Transfers intra	134	3.8	12.0	
Retirements:				
- Normal	505	14.5	12.3	
- Incapacity/ill-health	65	1.9	2.0	
- Redundancy/efficiency	203	5.8	4.6	
- Flexible	33	0.9	2.3	
- All other	601	17.2	21.7	
Link ups	na	na	24.0	
Concurrent employments	42	1.2	20.9	
Divorce cases	11	0.3	0.5	
Refunds	385	11.0	21.9	
Deaths in service	27	0.8	0.9	
Death of pensioners	689	19.8	23.8	
Frozen refunds	299	8.6	24.1	
Preserved benefits	2,002	57.4	72.4	
Single Status / Job Evaluation	na	na	na	
Members Estimates	481	13.8	39.8	



Source: Section 5f, Questionnaire 2018

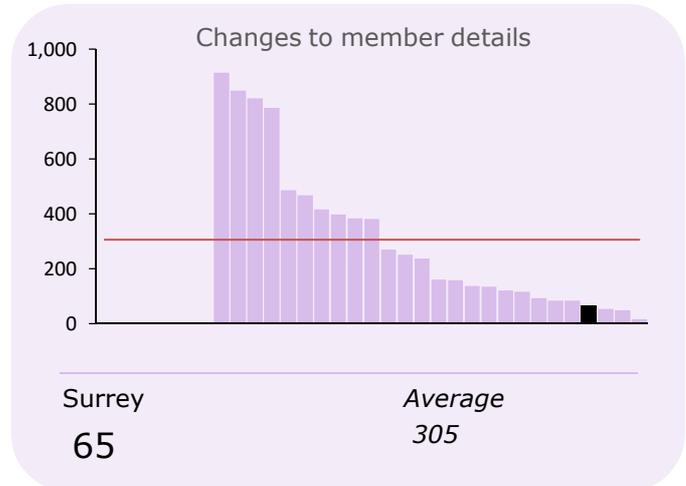
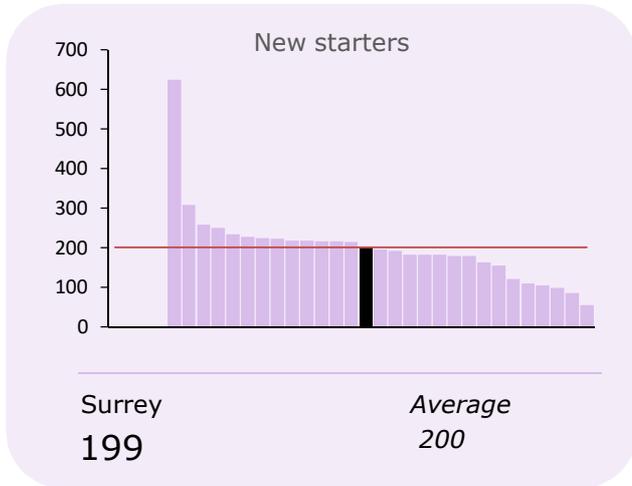
NUMBER OF ACTUAL EVENTS (continued)



Source: Section 5f, Questionnaire 2018

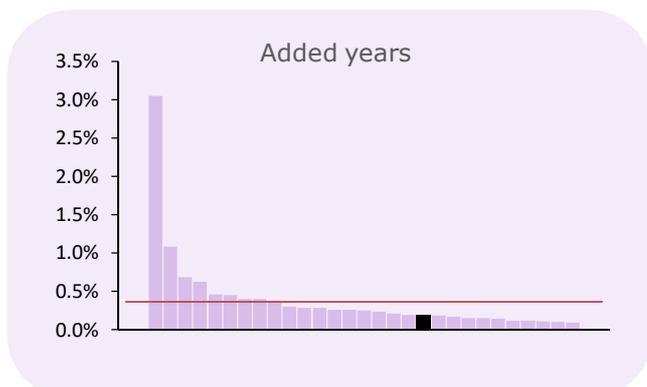
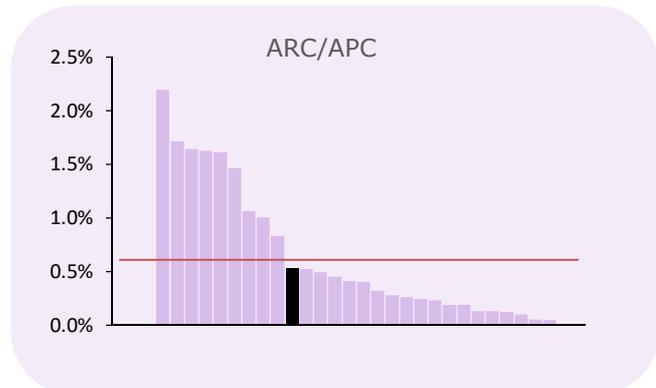
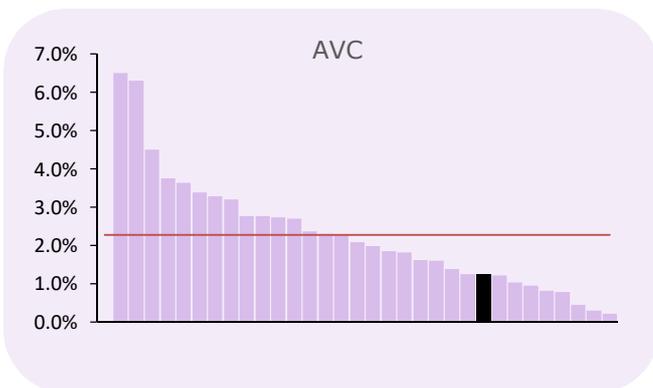
ACTUAL CALCULATIONS 2017/18 (per '000 active members)

Actual calculations	Number	per '000	Avg.	Active members
New starters	6,943	199	200	34,848
Changes to member details	2,252	65	305	



AVCs, ARCs and added years 2017/18 (as a % of active members)

Contributors to AVCs and ARCs	Number	%	Avg.	Active members
Currently contributing				34,848
- AVC	434	1.2%	2.3%	
- ARC/APC	187	0.5%	0.6%	
- Added years	65	0.2%	0.4%	
Total	686	2.0%	3.1%	



SECTION 4 - STAFF RELATED MEASURES

as at 31 March 2018

Staff Pay	FTE	%	Avg.
> £75k	0.0	0.0%	0.7%
£50-75k	1.0	2.6%	2.9%
£40-50k	2.0	5.1%	5.2%
£30-40k	5.0	12.8%	14.8%
£25-30k	22.0	56.4%	18.4%
£20-25k	8.0	20.5%	30.4%
< £20k	1.0	2.6%	27.6%
Total	39.0		

Staff Experience	FTE	%	Avg.
< 1 year	4.0	10%	10%
1-5 years	12.0	31%	27%
5-10 years	4.0	10%	18%
10-15 years	9.0	23%	15%
> 15 years	10.0	26%	30%
Total	39.0		



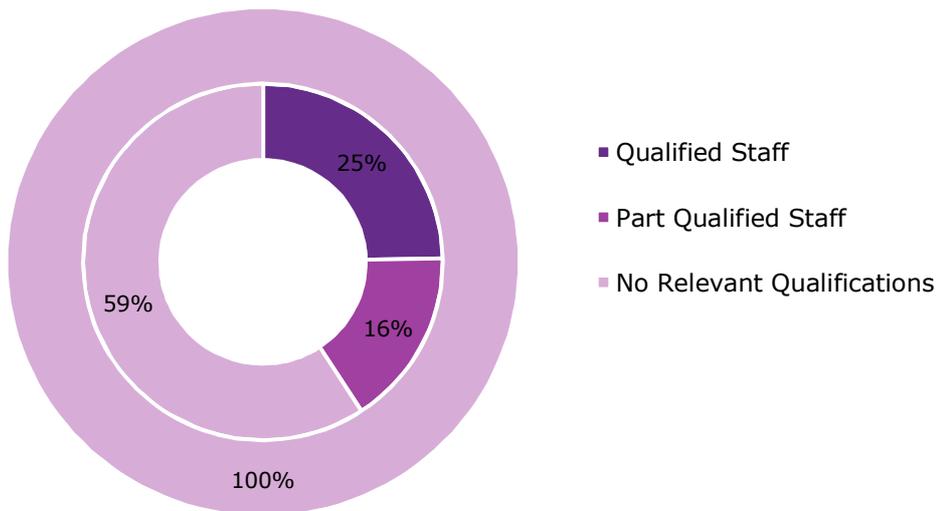
The dark purple markers in the graphs above show the average of all respondents achieving each performance indicator.

Source: Section 6a & b, Questionnaire 2018

STAFF QUALIFICATIONS

as at 31 March 2018

Staff Qualifications	FTE	%	Avg.
Qualified Staff	0.0	0%	25%
Part Qualified Staff	0.0	0%	16%
No Relevant Qualifications	39.3	100%	59%
Total	39.3		
Number in Training	0.0	0%	6%



The outer ring of the graph above is the figures for Surrey and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

Source: Section 6c, Questionnaire 2018

SECTION 5 - INDUSTRY STANDARD PI'S

Industry Standard PI's	Target	Achieved	Avg.
1 Letter detailing transfer in quote	10 days	na	84.9%
2 Letter detailing transfer out quote	10 days	na	85.9%
3 Process and pay refund	5 days	na	89.3%
4 Letter notifying estimate of retirement benefit	10 days	na	91.0%
5 Letter notifying actual retirement benefit	5 days	na	92.4%
6 Process and pay lump sum retirement grant	5 days	na	94.2%
7 Letter acknowledging death of member	5 days	na	90.4%
8 Letter notifying amount of dependant's benefits	5 days	na	90.4%
9 Calculate and notify deferred benefits	10 days	na	79.1%

Achieved industry standard PI's



The dark purple markers in the graph above show the average of all respondents achieving each performance indicator.

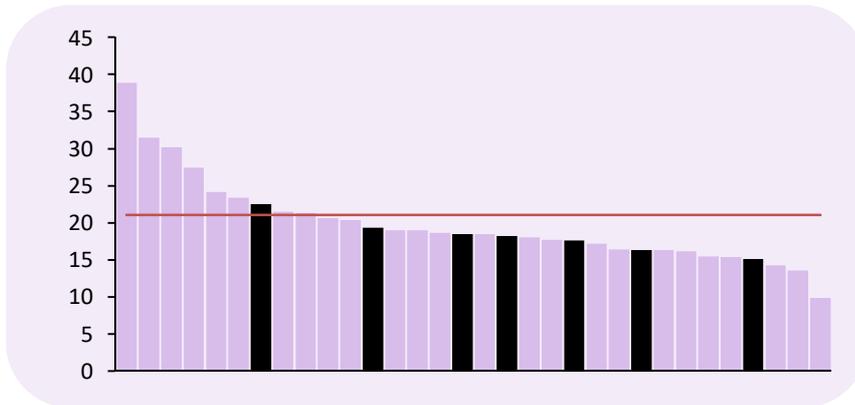
Source: Section 9, Questionnaire 2018

SECTION 6 - COMPARISON BY METHOD OF SERVICE DELIVERY

COMPARISON OF OUTSOURCED/IN-HOUSE MEMBERS

Total members with data:	34
Outsourced members:	7

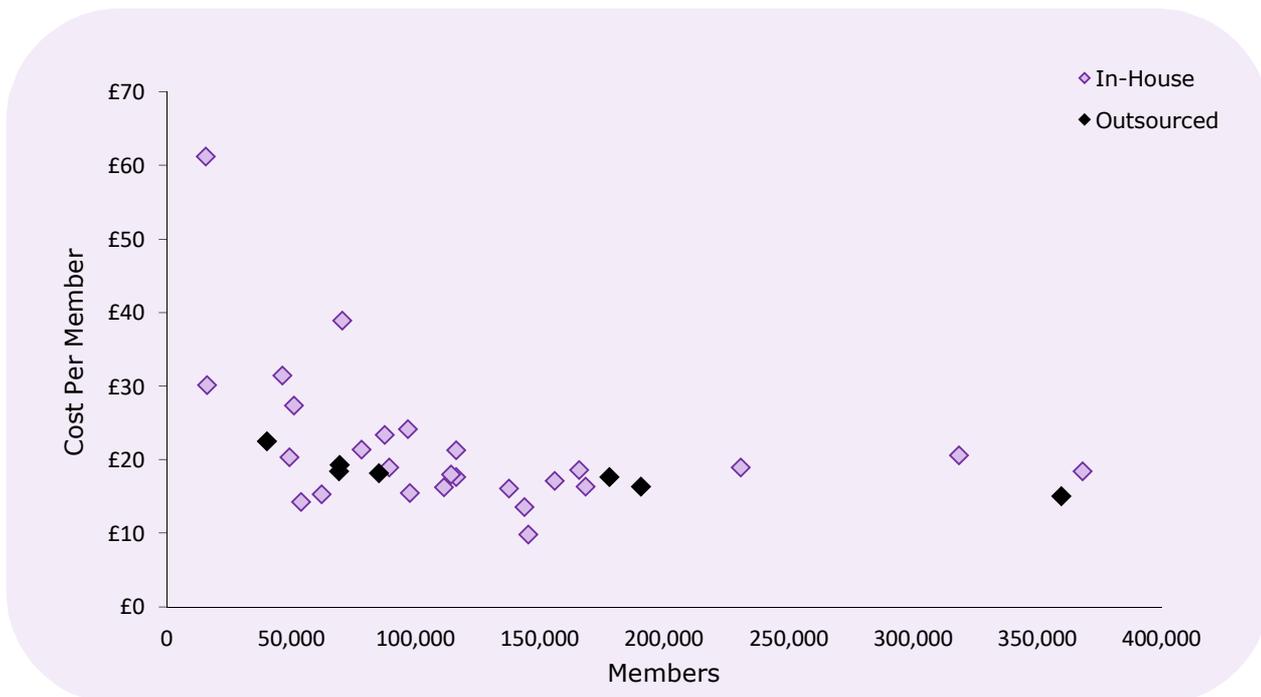
LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



Black bars show outsourced members

	Cost	Members	Cost per Member
Surrey	£1,817	111,362	£16.32
Club average	£2,304	124,099	£21.02
Outsourced average	£2,393	141,645	£18.23
In-house average	£2,280	119,375	£21.77

COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS



Source: Section 1, Questionnaire 2018

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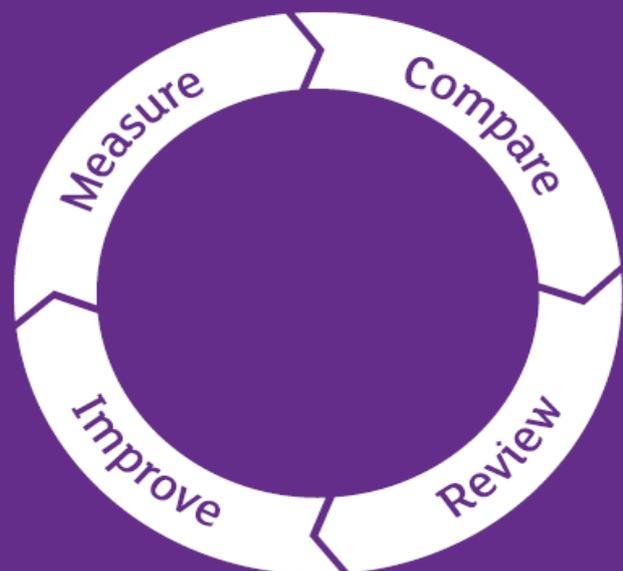
www.cipfa.org/services/benchmarking

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Active	Deferred	Pensioner	Dependant	Frozen	
1764	311	320	155	657	Critical errors
45772	20420	4930	665	4074	Warnings
4893	3636	8202	1724	298	Warnings

Active	Deferred	Pensioner	Dependant	Frozen	
780	5	0	0	164	Critical errors
15323	27	0	0	57798	Warnings
481	10	0	0	1481	Warnings

Q4 Initial Complaints Update – 2018/2019

Total Volume of Complaints Q4					
Quarter	Received	Acknowledgement provided within SLA	Response provided within SLA	Response provided out of SLA	Awaiting Response
Q4	12	91.67% (11/12)	83.33% (10/12)	8.33% (1/12)	8.33% (1/12)

Breakdown by Type – Jan to Mar 2019					
Complaint by Type	Received	Acknowledgement provided within SLA	Response provided within SLA	Response provided out of SLA	Awaiting Response
Service Delay	3 (25%)	3 (100%)	3 (100%)	-	-
Data Breach	2 (16.67%)	2 (100%)	2 (100%)	-	-
Lack of Communication	2 (16.67%)	2 (100%)	1 (50%)	1 (50%)	-
Legislative Provisions	-	-	-	-	-
Quality of Service	4 (33.33%)	4 (100%)	4 (100%)	-	-
Technology Issues	1 (8.33%)	1 (100%)	-	-	1 (100%)

Breakdown by Resolution – Oct to Dec 2018	
Resolution Method	Percentage
Explanation	3 (25%)
Apology	7 (58.33%)
Complaint Closed/Withdrawn	2 (16.66%)

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Activity	Report Data Period (i.e. month/quarter /ytd)	Date to be sent to funds	Format	Statutory or non-essential	Information/Frequency	Sent/received
April						
1/4ly finance reconciliations	Quarterly	By the 10th working day of the start of the following quarter	Excel	Audit	ERC's/III Health Costs/Lump Sums/Membership Data & Movements/Recharges/Transfers In & Out	
Accounts & Annual Report	Annual	N/A	N/A	tPR Requirement		
Chase EOY statements	Annual	N/A	Excel	Statutory	Initial e-mail to scheme employers	
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A		Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Reviewing Internet Pages						
Tax on Refunds	Quarterly	45 days after period end		Statutory		
May						
Accounts & Annual Report						
ABS Comms						
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		

Active Employers	Quarterly	By the 10 th working day of the start of the following quarter.		Audit		
June						
Accounts & Annual Report						
Review EOY Data						
ABS Comms						
Deferred ABS						
FRS/IAS Reports – LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A		Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Fire Injury Review						Admin
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Draft Employer Newsletter					See separate comms strategy	
SF3 Form Data Submission				Statutory		
July						
1/4ly finance reconciliations	Quarterly	By The 10th Working day of the start of the following quarter	Excel	Audit	ERC's/Ill Health Costs/Lump Sums/Membership Data & Movements/Recharges/Transfers In & Out	Admin
Accounts & Annual Report						
Club Vita				Statutory		
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		

Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Tax on Refunds				Statutory		
August						
Accounts & Annual Report					ERC's/III Health Costs/Lump Sums/Membership Data & Movements/Recharges/Transfers In & Out	
ABS - LGPS					Complete Data Cleanse & submit UDE to Actuary	
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Reviewing Internet Pages						
SF3 Form Data Submission				Statutory		
September						
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing						
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information						
Fire Injury Reviews						
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		

October

1/4ly finance reconciliations	Quarterly	By The 10th Working day of the start of the following quarter	Excel	Audit	ERC's/III Health Costs/Lump Sums/Membership Data & Movements/Recharges/Transfers In & Out	
Annual Allowance				Statutory		
Annual Data Cleanse	Annual	N/A	N/A	tPR Requirement	Complete Data Cleanse & submit UDE to Actuary	
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Reviewing Internet Pages						
Tax on Refunds				Statutory		

November

Annual Data Cleanse						
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		

December

Arrange training for employers for EOY statements						
FRS/IAS Reports - LGPS				Statutory		
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Reviewing Internet Pages						
January						
1/4ly finance reconciliations	Quarterly	By The 10th Working day of the start of the following quarter	Excel	Audit	ERC's/Ill Health Costs/Lump Sums/Membership Data & Movements/Recharges/Transfers In & Out	Admin
Annual Data Cleanse	Annual	N/A	N/A	tPR Requirement	Complete Data Cleanse & submit UDE to Actuary	Admin
EOY Statements	Annual	N/A	Excel	Statutory	Initial e-mail to scheme employers	Admin
FRS/IAS Reports - Fire						Admin
HMRC Tax Event Reporting	Annual	N/A	Online	Statutory		Admin
Capital Cost Invoicing	Monthly	N/A		Statutory		Admin
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75	Admin
New Starter Interface	Monthly	N/A		Statutory		Admin
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		Admin
Fire Injury Review						Admin
Added Years Recharge	Monthly	N/A		Statutory		Admin
New Pensioner Reconciliation	Monthly	N/A		Audit		Admin
Re-employed Pensioners	Monthly	N/A		Statutory		Admin
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		Admin
Tax on Refunds	Quarterly	45 days after period end		Statutory		Admin

Update Altair Calendar						Admin
Update CPI/RPI factor tables						Admin
Life Certs overseas - biennial						Admin
February						
Employer Discretions Review						Admin
FRS/IAS Reports - LGPS				Statutory		Admin
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		Admin
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	Admin
New Starter Interface	Monthly	N/A		Statutory		Admin
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		Admin
Fire Injury Review						Admin
Added Years Recharge	Monthly	N/A		Statutory		Admin
New Pensioner Reconciliation	Monthly	N/A		Audit		Admin
Re-employed Pensioners	Monthly			Statutory		Admin
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Reviewing Internet Pages						Admin
Draft Pensioner Newsletter					See separate comms strategy	Admin
March						
Deferred ABS Comms						
EOY Statements	Annual	N/A	Excel	Statutory	Initial e-mail to scheme employers	
Capital Cost Invoicing	Monthly	N/A	N/A	Statutory		
Diary Reports	Monthly	N/A		Statutory	MOD's, GMP's, 55's, CAY's, Child Pensioners, Ceasing of Added Years Contracts, Deferred into Payment's, Ill Health Tier 3 Reviews, GMP options, Reaching Age 75 SH requested 5 year refunds, death grants coming up to 2 years, reaching 75years?	
New Starter Interface	Monthly	N/A		Statutory		
Intrafund Transfer Information for HEAT	Quarterly	By the 10 th working day of the start of the following quarter		Actuary		
Fire Injury Review						Admin
Added Years Recharge	Monthly	N/A		Statutory		
New Pensioner Reconciliation	Monthly	N/A		Audit		
Re-employed Pensioners	Monthly	N/A		Statutory		
Active Employers	Quarterly	By the 10 th working day of the start of the following quarter		Audit		
Draft Employer Newsletter					See separate comms strategy	
Agree PI Letters - LGPS					See separate comms strategy	



Surrey Local Pension Board 25 April 2019

Administration Performance Report 1 January 2019 to 31 March 2019 (Quarter 4)

Recommendations

The Board is asked to **note** the content of this report and **make recommendations** to the Pension Fund Committee if appropriate.

Background

1. At the Pension Fund Committee of 15 September 2017, the Pension Fund Committee (Committee) approved a new Administration Performance Report (APR) to replace the existing Key Performance Indicators (KPI) from quarter 3 of 2017/18.
2. The new APR is designed give a wider snap shot of the administrative function. It is designed to provide an overview of the administration function including ongoing workflow, oversight of customer feedback and future performance plans. It also allows the Committee and Board oversight of statutory compliance and meets a recommendation from the 2016/17 internal audit.
3. At the Committee meeting of 10 November 2017, the Committee agreed that future administrations statistics reports presented to the Committee be in the form of focused summary of the APR. This summary will be produced after the full APR has been scrutinised by the Board and will include any relevant Board recommendations.

The 2019/20 Quarter 4 APR

Summary

4. The APR contains three sections:
 - Ongoing workflow;
 - Performance standards; and
 - Administration forward plan.

5. The Ongoing workflow section provides detail of the activities of the administration function, along with measurement against performance standards. It includes the following sub-sections:
 - Overview;
 - Caseload detail (members);
 - Caseload details (employers); and
 - Complaints/breaches

6. The Performance standards section highlights functions that are a regulatory requirement but also concentrates on customer driven performance criteria to inform continuous improvement work. This section consists of the following sub-sections:
 - Scrutiny;
 - Data quality;
 - Communications;
 - Value for money; and
 - Projects.

7. The Administration forward plan include reports scheduled to be brought to the Committee and Board.

Caseload performance RAG

8. Member and employer caseloads are measured against performance levels, with red, amber and green ratings. A green rating indicates the tolerable performance level has been met. An amber rating indicates that performance levels were below tolerable by 5% or less. A red rating indicates that performance levels were below tolerable by more than 5%.

Material changes since 2018/19 Quarter 3

9. The context is important in this quarter as the Pension Administration Team continue to replace number of key posts and we are in the process of transitioning to a new, and hopefully more accurate, method of reporting key performance indicators. The figures will be presented in the new format in next quarter, the new KPI template is presented in Annex 2.

10. There has been a significant increase in the number of new starters received but the figures in the other categories have not changed significantly although there has, generally, been a steady improvement the percentage of cases completed within SLA. It is encouraging that nine processes that were languishing in “red” have turned “green”.
11. The number of new starters is consistent with the amount of work an employer the size of Surrey would be expected to generate; however, some of the other categories appear to be under reported. There were fewer transfers, refunds, deferred benefits, retirements and deaths reported than would be expected for a fund of this size. For example the statistics record 94 deaths on pension (initial) during the quarter; that equates to 376 deaths per year, which is unexpectedly low for a fund with just under 95,000 active, deferred and pensioner members.
12. It has been agreed that work on the proposed backlog exercise should be excluded from the KPIs. Although the new format only allows new cases received during the quarter to be recorded the Lead Pensions Manager has promised to ring fence the completed backlog cases and report on them separately.

Next steps

13. The Board is asked to **note** the content of this report and the 2018/19 Quarter 4 APR Report (shown as Annex 1) and **make recommendations** to the Pension Fund Committee if appropriate.

Report contact: John Smith, Senior Advisor (Investments, Finance and Governance)

Contact details: T: 020 8213 2700 E: john.smith@surreycc.gov.uk

Sources/background papers:

Annexes:

1. 2018/19 Quarter 4 APR Report
2. New KPI template

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ADMINISTRATION PERFORMANCE REPORT (1) Q4 - 2018/2019

ADMINISTRATION - ONGOING WORKFLOW

Description	Performance standard	Tolerable performance*	Current Quarter					Previous Quarter				
			No of cases	Actual (Score and RAG)	Cases Overdue 1-10 Days	Cases Overdue 11-20 Days	Cases Overdue 20+ Days	Previous no of cases	Actual (Score and RAG)	Cases Overdue 1-10 Days	Cases Overdue 11-20 Days	Cases Overdue 20+ Days
OVERVIEW												
SCHEME MEMBERSHIP Number of members in the Surrey LGPS	N/A		94477					93851				
Active members	N/A		36469					36062				
Deferred members	N/A		31993					31934				
Pensioner members	N/A		26015					25855				
TOTAL OPT OUTS Total percentage of SCC eligible members not currently in the Surrey LGPS	N/A		TBC					9.44%				
EMPLOYERS Number of employers in the Surrey LGPS	N/A		271					266				
Councils	N/A		13					13				
Academies	N/A		172					167				
Admission bodies	N/A		46					45				
Other	N/A		41					41				
CASELOAD DETAIL (MEMBERS)												
NEW STARTER New scheme member to be set up on the pensions database, payroll checked and confirmation to member issued	30 working days	80%	1225	100%	0	0	0	11	100%	0	0	0
DEFERRED STATUS Calculate final pay, deferred benefits and issue confirmation to member	2 months	80%	406	97%	6	2	5	449	57%	4	5	182
RETIREMENT (INITIAL) Calculate final pay, retirement benefits and send initial letter and forms to member	15 working days	80%	364	84%	38	13	7	332	85%	37	6	6
RETIREMENT (COMPLETE) Issue payment of retirement grant and initiate pension	15 working days	85%	286	86%	29	8	3	246	88%	19	6	5
LUMP SUM DEATH GRANT (INITIAL) Send condolence letter and claim forms for death grant	5 working days	90%	11	82%	1	0	1	20	50%	6	1	3
LUMP SUM DEATH GRANT (COMPLETE) Make payment of death grant and confirm amounts	10 working days	90%	16	75%	1	1	2	24	50%	6	0	6
DEATH - DEPENDANTS BENEFITS (INITIAL) Send condolence letter and claim forms for spouse's and/or dependants benefits.	5 working days	90%	73	82%	12	1	0	50	74%	12	1	0
DEATH - DEPENDANTS BENEFITS (COMPLETE) Make payment of dependants benefits and initiate pension	10 working days	90%	82	76%	13	4	3	53	79%	6	3	3
DEATH ON PENSION (INITIAL) Send condolence letter and claim forms for any balance or overpayment (no dependants benefits)	5 working days	90%	94	72%	14	4	8	62	39%	18	7	13
DEATH ON PENSION (COMPLETE) Make payment of any balance or recover overpayment	10 working days	90%	69	94%	3	0	1	55	71%	7	2	7
MEMBER CORRESPONDENCE Respond to member queries (Helpdesk)		70%	8134	88%	-	-	-	9275	Dec figs not yet available	-	-	-
REFUNDS Calculate refund due and issue payment	20 working days	80%	65	92%	2	2	1	88	67%	4	2	23

ADMINISTRATION PERFORMANCE REPORT (1) Q1 - 2019/2020

ADMINISTRATION - ONGOING WORKFLOW

No	Description	Performance standard	Tolerable performance*	Current Quarter						Previous Quarter					
				No of cases received	No of cases completed	No of cases completed within SLA	Percentages of cases completed within SLA (Score and RAG)	Average time from start to finish to complete cases (in days)	Number of cases outstanding (total backlog)	No of cases received	No of cases completed	No of cases completed within SLA	Percentages of cases completed within SLA (Score and RAG)	Average time from start to finish to complete cases (in days)	Number of cases outstanding (total backlog)
OW 1	OVERVIEW														
OW 1.1	TOTAL SURREY CASES Total number of cases in period	N/A													
OW 1.2	TOTAL SURREY CASE BACKLOG Total number of cases in period	N/A													
OW 1.3	SCHEME MEMBERSHIP Number of members in the Surrey LGPS	N/A													
	Active members	N/A													
	Deferred members	N/A													
	Pensioner members	N/A													
OW 1.4	TOTAL OPT OUTS Total percentage of SCC eligible members not currently in the Surrey LGPS	N/A													
OW 1.5	TOTAL ORBIS MEMBERSHIP	N/A													
OW 1.6	EMPLOYERS Number of employers in the Surrey LGPS	N/A													
	Councils	N/A													
	Academies	N/A													
	Admission bodies	N/A													
	Other	N/A													
OW 2	CASELOAD DETAIL (MEMBERS)														
OW 2.1	NEW STARTER New scheme member to be set up on Altair, check payroll details, request any transfers and send a statutory notice sent to the member.	30 working days	80%												
OW 2.2	DEFERRED STATUS Calculate pay, check membership, calculate deferred benefits, update Altair and issue a benefit statement.	2 months	80%												
OW 2.3	RETIREMENT (INITIAL NOTIFICATION) Calculate pay, membership and retirement benefits and send initial letter and forms to member.	15 working days	80%												
OW 2.4	RETIREMENT (COMPLETE) upon receipt of all the forms and pay the retirement grant, update Altair, set up the pension on the payroll and send a benefit statement to the member.	15 working days	85%												
OW 2.5	DEATH NOTIFICATION Stop any pension, send condolences letter, request details of any dependents / beneficiaries and send claim forms for any balance / overpayment / Death Grant.	5 working days	90%												
OW 2.6	SURVIVOR'S PENSIONS Upon receipt of all relevant certificates, forms and supporting evidence set up all survivor's pensions on the payroll and send each beneficiary a pension statement.	10 working days	90%												
OW 2.7	DEATH GRANT PAYMENT Upon receipt of all the certificates, claim forms and details of potential beneficiaries the Death Grant and any balance of pension should be paid and the return of any overpayment requested. The Pension Section should notify the relevant parties of any payments / decisions in writing.	10 working days	90%												
OW 2.8	ILL HEALTH RETIREMENT (INITIAL) Upon receipt of all the relevant documents, send an estimate and the claim forms and request the certificates.	15 working days	90%												
OW 2.9	ILL HEALTH RETIREMENT (COMPLETE) Upon receipt of all forms / certificates, update Altair, pay the retirement grant, set up the pension on the payroll and update Altair.	15 working days	90%												
OW 2.10	MEMBER CORRESPONDENCE Respond to member queries (Helpdesk)		70%												
OW 2.11	REFUNDS Check the record, calculate the refund due and make payment	20 working days	80%												



Surrey Local Pension Board 25 April 2019

Risk Registers 2018/19 Quarter 4

Recommendations:

The Board is asked to **note** the content of this report and the Fund Risk Register (shown as Annex 1) and Administration Risk Register (shown as Annex 2) and **make recommendations** to the Pension Fund Committee (Committee) if required.

Background

1. A quarterly assessment of the Pension Fund and Pensions Administration risk registers will give the Board the opportunity to influence and drive the risk management process during 2018/19.
2. In a meeting of 9 February 2018 the Committee determined that future risk registers be initially reviewed by the Board and contained within the quarterly Board Report to the Committee.

The Risk Management Process

3. The risk management policy of the Surrey Pension Fund is to adopt best practice in the identification, evaluation and control of risks in order to ensure that the risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.
4. Each of the risk areas in each register has been assessed in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Surrey County Council as the administering authority. Assessment has also been given as to the likelihood of the risk.
5. Each of the three areas of impact identified above is assessed on a scale of one to four, with four implying the highest level of impact. The likelihood of the risk description (between one and five) is then applied to the combined impact score, which produces an overall risk score. Depending on the score, the risks are then identified as Red, Amber or Green.

6. To comply with best practice, a scoring process has been implemented, which will reassess the risk scores after the mitigating action taken to control and reduce the risks. The risk register includes a revised impact score and net risk score as a result of those mitigating actions.
7. Within the residual red risks, cost ranges are provided on the implications where possible.
8. In a meeting of 9 February 2018 the Pension Fund Committee requested that the Board add to their forward plan consideration of how the risks are measured and whether the weighting is appropriate.

Changes to existing risks

9. The Fund Risk register has been updated to reflect members' comments from previous Board meeting.
10. The Administration Risk Register risk ratings have been increased, updates are shown in Annex 2.

Additional risks

11. The Local Pensions Board should recommend to the Pension Fund Committee, the addition of the following risk:
 - Overall operation be included as risk number 32, with total risk of 30 (Amber) and net risk of 20 (Amber) in Annex 1.

Next steps

12. The Board is asked to **note** the content of this report, the Fund Risk Register (shown as Annex 1, the Administration Risk Register (shown as Annex 2) and **make recommendations** to the Committee if required as part of the quarterly Board Report to the Committee.

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Sources/background papers:

Annexes:

1. 2018/19 Quarter 4 Fund Risk Register
2. 2018/19 Quarter 4 Administration Risk Register

Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on	Changes made during review
			Fund	Employers	Reputation	Total							
Funding	1	Price inflation is significantly more or less than anticipated: an increase in CPI inflation by 0.1% will increase the liability valuation by 1.4%	4	4	4	12	4	48	TOLERATE- 1) The discount rate used for the 2016 actuarial valuation is derived from CPI inflation, so the value of Fund liabilities will be calculated with reference to CPI. 2) The assumptions of the Fund actuary are prudent and allow for variations in inflation, interest rate fluctuations	4	48	Mar-19	
Funding	2	Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%	4	4	1	9	5	45	TOLERATE- 1) The Fund Actuary uses long term longevity projections in the actuarial valuation process. 2) SCC has joined Club Vita, which looks at mortality rates that are employer and postcode specific.	5	45	Mar-19	
Funding	3	Pay increases are significantly more than anticipated for employers within the Fund.	4	4	3	11	4	44	TREAT/TOLERATE- 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions, any employer specific assumptions above the actuares long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.	4	44	Mar-19	
Funding	4	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	4	3	3	10	4	40	TREAT- 1) Active investment strategy and asset allocation monitoring from Committee officers and consultants. 2) 2018/19 Investment strategy review is current. 3) Separate source of advice from Fund's independent advisor. 4) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 5) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	3	30	Mar-19	
Investment	5	Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	4	3	3	10	4	40	TREAT/TOLERATE- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will accompany the 2019 actuarial valuation.	3	30	Mar-19	
Investment	6	Investment Managers fail to achieve performance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £3.9m	4	4	4	12	3	36	TREAT- 1) The Investment Management Agreements clearly state SCC's expectations in terms of performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be met. 4) Having LGIM as a rebalancing/transition manager facilitates quick changes in the passive element of the portfolio. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	24	Mar-19	
Financial	7	Financial loss of cash investments from fraudulent activity	4	4	4	12	3	36	TREAT and TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Governance arrangements are in place in respect of the Pension Fund. External advisors assist in the development of the Investment Strategy. Fund Managers/BCPP have to provide SAS70 or similar (statement of internal controls).	2	24	Mar-19	
Operational	8	Financial failure of a fund manager leads to increase costs and service impairment	4	3	4	11	3	33	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on the scale and risk management opportunity offered by BCPP.	2	22	Mar-19	
Investment	9	Investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers	4	3	3	10	3	30	TOLERATE- 1) Proportion of asset allocation made up of equities, bonds, property funds, diversified growth funds and private equity, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place automatically every three years. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long term when compared with historical data.	2	20	Mar-19	
Funding	10	Impact of increases to employer contributions following the actuarial valuation	3	3	3	9	3	27	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	2	18	Mar-19	
Governance	11	Failure to take difficult decisions inhibits effective Fund management	3	2	4	9	3	27	TREAT-1) Ensure activity analysis encourages decision making on objective empirical evidence rather than emotion. Ensure that basis of decision making is grounded in ISS/FSS/Governance statement/Responsible investment policy and that appropriate advice is sought.	2	18	Mar-19	
Investment	12	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its after effects	3	3	2	8	3	24	TOLERATE- 1) Officers to consult and engage with advisors. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of further hedging of currency movements against Sterling.	2	16	Mar-19	
Operational	13	Insufficient attention to environmental, social and governance (ESG) leads to reputational damage	1	1	3	5	4	20	TREAT-1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible Investment Policy. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held with BCPP are monitored by Robeco, this raises awareness of ESG issues and facilitates engagement with fund managers. 4) The Fund has approved a Stewardship Code and a share voting policy which provides specific guidance in the voting of company resolutions. (5) The Fund complies with the BCPP Responsible Investment Policy	3	15	Mar-19	
Governance	14	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within time scales	1	2	4	7	3	21	TREAT- 1) Officers consult and engage with MHCLG, LGPS Advisory Board, BCPP OOG, consultants, peers, seminars, conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Participation in Cross Pool Collaboration Groups.	2	14	Mar-19	
Operational	15	Concentration of knowledge in small number of officers and risk of departure of key staff	2	3	2	7	3	21	TREAT-1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework and appropriate tPR Codes of Conduct when setting objectives and establishing training needs.	2	14	Mar-19	
Operational	16	Failure to hold personal data securely	1	1	4	6	3	18	TREAT- 1) Data encryption technology is in place, which allow secure the sending of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensions Admin records are locked daily in a secure safe. 4) SCC IT data security policy adhered to. 5) SCC carry's out Security Risk Assessments. 6) Pension Fund custodian proactively and reactively identify and respond to cyber threats.	2	12	Mar-19	Updated
Funding	17	Impact of government policy on the employer workforce	3	2	1	6	3	18	TREAT/TOLERATE- 1) The Fund actuary uses prudent assumptions on future of workforce. Employers to flag up potential for major bulk transfers. The potential for a significant reduction in the workforce as a result of the pressures that the public sector is under may have an additional impact on the Fund. 2) Need to make worst case assumptions about diminishing workforce when carrying out the actuarial valuation.	2	12	Mar-19	
Governance	18	Changes to LGPS regulations	3	2	1	6	3	18	TREAT/TOLERATE-1) Impact on contributions and cashflows will be considered during the 2019 valuation process. 3) Fund will respond to consultations and statutory guidance. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored.	2	12	Mar-19	
Governance	19	Change in membership of Pension Fund Committee or Local Pension Board leads to dilution of member knowledge and understanding	4	1	1	6	4	24	TREAT- 1) Succession planning process to be implemented. 2) Ongoing training of Pension Fund Committee and Local Pensions Board members. 3) Pension Fund Committee and Local Pensions Board new member induction programme.	2	12	Mar-19	Updated
Operational	20	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	4	6	3	18	TOLERATE- 1) Ensure that all requests for information (Freedom of Information, Member & Public questions at Council, etc) are managed appropriately and that Part 2 items remain so. 2) Maintain constructive relationships with employing bodies to ensure that news is well managed. 3) Update website information as and when required and at least quarterly.	2	12	Mar-19	
Operational	21	Financial failure of third party supplier results in service impairment and financial loss	2	2	2	6	3	18	TOLERATE-1) Performance of third parties (other than fund managers) monitored. 2) Regular meetings and conversations with Northern Trust take place. 3) Actuarial and investment consultancies are provided by two different providers.	2	12	Mar-19	
Governance	22	That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious.	3	2	4	9	1	9	TOLERATE-1) Partners for the pool were chosen based upon the perceived expertise and like-mindedness of the officers and members involved with the fund to ensure compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives.	1	9	Mar-19	
Governance	23	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	4	1	4	9	2	18	TOLERATE -1) Publication of all documents on external website. 2) Managers expected to comply with ISS and IMA. 3) Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual audit review.	1	9	Mar-19	
Operational	24	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	1	1	4	6	3	18	TREAT/TOLERATE - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Use the National LGPS or other established procurement frameworks.	1	6	Mar-19	Updated
Governance	25	Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	1	4	6	1	6	TOLERATE -1) Ensure that an cooperative, effective and transparent dialogue exists between the pension committee and local pension board.	1	6	Mar-19	
Financial	26	Counterparty risk within the SCC treasury management operation	2	2	2	6	2	12	TOLERATE - 1) Lending limits with approved banks and other counterparties are set at prudent levels 2) The pension fund treasury management strategy is based on that of SCC.	1	6	Mar-19	

Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on	Changes made during review
			Fund	Employers	Reputation	Total							
Financial	27	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available	2	1	1	4	2	8	TOLERATE- 1) Borrowing limits with banks and other counterparties are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken at regular intervals. 3) Comply with the Pension Fund Cash Management Strategy	1	4	Mar-19	
Funding	28	A change of Section 151 Officer may dilute the organisation's collective knowledge and impact on decision making.	3	3	2	8	1	8	Treat/Tolerate; the risk is mitigated because there is a Deputy Section 151 Officer and an evolved succession plan. Moreover, the Section 151 officer is supported by (at least) two experienced officers in the Pension Fund Team who have the knowledge of pension legislation and the requirements of their supporting roles.	1	8	Mar-19	
Investment	29	Risk of losses through the transition of assets to BCPP.	2	3	2	7	4	28	TREAT/TOLERATE- 1) Transition managed by LGIM. 2) Independent transition advice from Analytics. 3) Market fluctuations between original and new portfolio are impossible to predict.	3	21	Mar-19	
Funding	30	HM Treasury and Scheme Advisory Board cost management process has a implied increase in employer contributions.	2	2	2	6	4	24	TOLERATE / TREAT - 1) The Fund actuary stabilises employer contribution, which reduces the impact of conditions which could otherwise produce spikes in contribution rates 2) Communicate with employers and explore the opportunity for the strengthening of their covenant by the provision of additional security to the Fund.	2	12	Mar-19	
Operational	31	Pension Services Manager leaving the Council may dilute the organisation's collective knowledge and impact on decision making.	2	3	2	7	3	21	TREAT/TOLERATE - 1) An interim Pensions Manager was appointed and a permanent Manager will be appointed in six months.	2	14	Mar-19	Updated
Operational	32	Failure to deliver an accurate and effective pension administration service.	4	3	3	10	3	30	TREAT - 1) Improve metrics to better measure performance and monitor the pension administration service. 2) The pension administration will present a comprehensive recovery plan to the members at next LPB meeting (April 2019).	2	20	Mar-19	New

Administration Risk Register 2018/19 Quarter 4			Annex 2															
Risk Ref.	Risk Description	Risk Owner	Inherent Risk					Total risk score	Control actions	Action by whom	Residual risk					Reviewed on	Changes made during review	
			Impact								Impact							
			Fin	Service	Rep'n	Total	Likely				Fin	Service	Rep'n	Total	Likely			
A1	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	AM/NM	4	1	3	8	3	24	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. 2) Pension Fund team and Pension Committee members are able to interrogate data to ensure accuracy.		3	1	3	7	2	14	Mar-19	
A2	Lack of process ownership leads to ineffective processes and errors.	AM	1	3	3	7	3	21	TREAT 1) Require transparent workflow reporting with clear identification of process ownership to be reported to the Local Pension Board.		2	2	2	6	2	12	Mar-19	Updated
A3	Failure to follow up on outstanding issues results in inefficiency and damaged reputation.	AM	2	3	3	8	3	24	TREAT 1) Include monitoring of task follow-up times as part of the revised service standards in the Administration Strategy		2	2	2	6	2	12	Mar-19	Updated
A4	Lack of capability of the admin system leads to inefficiency and disruption.	AM	2	2	3	7	1	7	TOLERATE 1) Ensure system efficiency is included in the annual improvement review.		2	2	1	5	2	10	Mar-19	Updated
A5	Poor reconciliation process leads to incorrect contributions.	AM/NM	3	3	3	9	4	36	TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process 3) Pensions admin team testing i-connect to ensure it is fit for purpose and if funding agreement reached it will be implement from April 2019.		2	2	1	5	2	10	Mar-19	Updated
A6	Lack of guidance and process notes leads to inefficiency and errors.	AM	2	3	3	8	3	24	TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and administration teams 2) Process Improvement Officer developing Standard Operating Procedures for all process. 3) Use of Heywood's Training and Education Centre allows for standardisation of training.		1	2	2	5	2	10	Mar-19	Updated
A7	Unstructured training leads to under developed workforce resulting in inefficiency.	AM/NM	2	4	3	9	3	27	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Orbis		1	2	2	5	2	10	Mar-19	Updated
A8	Conflicting priorities (Orbis, SCCvsSPF, Pensions pooling) leads to lack of overall strategy, confusion and missed opportunities.	AM/NM	2	2	3	7	4	28	TOLERATE 1) Establish transparent lines of communication between Orbis partnership leads and local service areas 2) Ongoing monitoring from the Pension Fund Committee and Local Pension Board		2	2	3	7	2	14	Mar-19	Leave
A9	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	AM/NM	3	2	4	9	3	27	TREAT 1) The fund has generally good internal controls with regard to the management of the fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.		1	2	4	7	2	14	Mar-19	Updated
A10	Gaps in skills and knowledge due to key person/single point of failure and different skill requirements leads to inefficiency and poor performance.	AM	2	3	3	8	3	24	TREAT 1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.		2	3	2	7	2	14	Mar-19	Updated

A11	Failure to get on top of the backlog leads to resource issues and management distractions.	AM	3	3	3	9	4	36	TREAT to be identified as a "Project" as part of the Service Specification between the Fund and Orbis 1) Backlog to be included in revised Performance Statistics reported to and scrutinised by the Committee and Board 2) Backlog 3) Consideration being given to outsourcing the largest areas of the backlog.	2	3	4	9	2	18	Mar-19	Updated	
A12	Failure to identify GMP liability leads to ongoing costs for the pension fund	AM	3	2	3	8	4	32	TREAT to be identified as a "Project" as part of the Service Specification between the Fund and Orbis 1) GMP to be identified as a "Project" as part of the Service Specification between the Fund and Orbis 2) Stage 1 reconciliation reviews has been completed. 3) Acquila Heywoods have been appointed to carry out an interim stage 2 review GMP Reconciliation project is being progressed by JLT. Seperate updates being issued.	3	2	3	8	2	16	Mar-19		
A13	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	AM/NM	3	3	3	9	3	27	TREAT Disaster recover plan in place as part of the Service Specification between the Fund and Orbis 1) Disaster recover plan in place as part of the Service Specification between the Fund and Orbis 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms should ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance	3	3	3	9	1	9	Mar-19		
A14	Lack of productivity leads to impaired performance.	AM	2	3	3	8	4	32	TREAT Regular appraisals with focused objectives for pension fund and admin staff 1) Regular appraisals with focused objectives for pension fund and admin staff 2) Productivity outputs are being measured and reported on a monthly basis.	2	3	2	7	3	21	Mar-19	Updated	
A15	Failure to continuously improve leads to inefficiency and missed opportunities.	AM	2	2	2	6	3	18	TREAT: 1) Annual customer feedback survey to be carried out. 2) Quarterly complaints/praise feedback to be reported to and scrutinised by the Committee and Board 3) Implementation and monitoring of an annual Continuous Improvement Plan as part of the Service Specification between the Fund and Orbis 4) Support and Development Team in place to identify and implement areas for improvement.	2	2	2	6	2	12	Mar-19		
A16	Rise in ill health retirements impact employer organisations	NM	3	1	2	6	2	12	TREAT 1) Implement self-insurance across employers within the fund	3	1	3	7	1	7	Mar-19	Updated	
A17	Rise in discretionary ill health retirements claims adversely effecting self-insurance costs	AM/NM	2	2	1	5	2	10	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations	2	1	2	5	1	5	Mar-19		
A18	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond	AM/NM	3	4	2	9	3	27	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers implemented as part of 2016 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	AM/NM	3	4	2	9	2	18	Mar-19	
A19	The Pensions Payroll process had migrated onto the Altair system from SAP in Nov 17. Unlike the SAP payroll process the manual emergency payments made outside of the monthly payroll do not integrate with our banking processes or offer sound financial controls. This is due to these manual payments not being accounted for in the financial system when they occur and therefore payments made are not able to be checked. The risk of errors in the current process are increased by the core Altair payroll system not being integrated with the BACS generator application meaning items have to be recorded twice.	AM/NM	3	2	3	8	3	24	TREAT 1) Develop an automated process whereby the Altair payment log updated by the administration team, is then converted into a journal template on a daily basis. This is then processed onto SAP to ensure that all payments processed manually through Altair are accounted for and payments are then subject to the standard financial controls.	AM/NM	3	4	3	10	2	20	Mar-19	
A20	Pension Services Manager leaving the Council may dilute the organisation's collective knowledge and impact on decision making.	AM	3	4	3	10	3	30	TREAT/TOLERATE An interim Pensions Manager has been appointed and a permanent Manager will be appointed in six months.	AM	3	3	3	9	2	18	Mar-19	Updated



The Surrey Local Pension Board 25 April 2019

Training Policy

Summary

1. Surrey Pension fund recognises the importance of providing appropriate training to Pension Fund Committee, Local Pension Board members and officers in relation to the operation of the Pension Fund. This report introduces the pension fund training policy as set out in Annex 1, which was approved by the Pension Fund Committee on 8th February 2019.

Recommendation

2. The Local Pension Board is recommended to note the report and agrees that all members should prioritise attendance at training events wherever practicable.

Background

3. The Training Policy has been developed to establish existing knowledge and skills and to identify any gaps that may need to be addressed through the development of the training plan.

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Sources/background papers:

Annexes:

1. Training Policy 2019/20

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Surrey Pension Fund

2019/20 Training Policy

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Introduction

Surrey Pension Fund is committed to providing training to those involved in the governance of the Fund and to ensure members have the necessary skills and knowledge to act effectively in line with their responsibilities.

The purpose of the training policy is to:

- Equip members and officers with the necessary skills and knowledge to be competent in their role.
- Provide those with responsibility for governing the Fund to evaluate the information they receive and effectively challenge it where appropriate.
- Support effective and robust decision making.
- Meet the required needs in relation to the Fund's objectives.

It is important that members in both Fund Committee and the Local Board commit to participating in appropriate training events to ensure that they have the necessary skills required to support them in their decision-making role.

Pension Board Specific requirement

In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Surrey Local Pension Board must be conversant with:

- The rules of the Local Government Pension Scheme (LGPS), such as the Transitional Regulations and the Investment regulations.
- Any document recording policy about the administration of the Surrey Pension Fund which is for the time being adopted in relation to the Surrey Pension Fund.

Local Pension Board members should also have knowledge and understanding of:

- The law relating to pensions
- Such other matters as may be prescribed.

Induction training

Local Pension Board members must complete induction training within the first three months of their appointment. This consists of an online training courses provided in a Public Sector Toolkit by the Pensions Regulator (TPR) as part of TPR Trustee Toolkit.

The Pensions Regulator Toolkit

The TPR Trustee toolkit provides a guide to understand the Governance and administration requirement in the public service schemes Code of Practise no.14.

The toolkit includes nine Essential learning for trustee compulsory modules and seven Public Sector Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.

The nine essential learning for trustee compulsory modules test Board members knowledge in the following key areas:

- Introducing pension schemes;

- The trustee’s role;
- Running a scheme;
- Pensions law;
- An introduction to investment;
- How a defined benefit scheme works;
- Funding your defined benefit scheme;
- Defined benefit recovery plans, contributions and funding principles;
- Investment in a defined benefit schemes.

The seven Public Sector Toolkit compulsory modules test Board members knowledge in the following key areas:

- Conflicts of interest;
- Managing risk and internal controls;
- Maintaining accurate member data;
- Maintaining member contributions;
- Providing information to members and others;
- Resolving internal disputes;
- Reporting breaches of the law.

Although the toolkit is designed with Board members in mind, however in the view of the Fund the material covered is of equal relevance to members of the committee.

The Pension Regulator website is available at:
<https://trusteetoolkit.thepensionsregulator.gov.uk/>

Markets in Financial Instruments Directive II (MIFID II)

Surrey Pension Fund need to demonstrate a high level of skills and knowledge across the Fund Committee and Local Board to enable the Fund to opt-up and be recognised as an professional investor rather than a retail investor to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund.

Failure to adequately demonstrate a high level of collective skills and knowledge across the Pension Fund Committee and Local Pension Board could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

Delivery of training

Training and development support for committee members and officers will be delivered through a variety of methods including:

Committee members	Officers
Pension Regulator on-line toolkit	Training for qualifications from recognised professional bodies (e.g. CIPFA)
Attending seminars, courses and external events	Attending seminars, courses and external events
Investment advisor/Actuary training	Circulated reading material
Circulated reading material	One to One
Fund manager training	
Regular updates from officers	

Where appropriate training will be provided jointly for the Committee, Local Board and officers. In consultation with the chairman, expression of interest will be sought from members to attend relevant trainings throughout the year.

Training Plan

To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The collective knowledge of the committee
- The general pensions environment
- Coping with changes (e.g. legislation)

On joining the fund committee or Local Board, induction will be provided. This will involve covering their roles and responsibilities to allow them to participate in decision making.

An induction file will also be provided to new members and it will contain key documents relevant to the Fund and other useful information.

As part of their commitment to good scheme governance, Board members shall endeavour to attend at least two Local Pension Board meetings per year.

Training plans will be developed at least on annual basis. There will be updates as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g. triennial valuation) and receipt of updated guidance.

Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements of those working in LGPS. They are:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

Fund Committee and Local Board are expected to have collective understanding and officers are expected to have detailed understanding of these areas of knowledge and skills.

Acquiring, Monitoring and Reviewing knowledge and Skills

Committee and Local Board members must ensure they have appropriate degree of knowledge and understanding to carry out their stewardship role. Therefore, members should invest sufficient time in their learning and development alongside their responsibilities and duties.

In order to ensure Pension Committee and Board members have sufficient breadth of knowledge and understanding, they are encouraged to undertake a personal training needs analysis and annual review of their skills, competencies and knowledge to identify any gaps or weaknesses.

The pension regulator has provided training needs analysis template to support this process. The document can be found at www.tpr.gov.uk/ps-knowledge.

Officer Training

It is important that Officers in the fund have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.

Officers will attend relevant training events and seminars during the year to ensure they remain up to date with latest requirements. In additions, officers are also required to keep up to date with relevant issues effecting the pension fund.

For officers, there will be particular focus on the following areas:

1. **Public Sector Pension Governance** – Understanding the guidance and regulations in relation to local pension boards, and keeping up-to-date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.
2. **New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority (FCA) will implement the Markets in Financial Instruments Directive (MiFIDII) and how Surrey Pension Fund will comply.
3. **New Investment Products** – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Surrey Pension Fund.
4. **Accounting Issues** – Keeping up-to-date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.
5. **Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
6. **Pensions Admin Systems** - Keeping up-to-date with updates/new releases to the software system Altair, passing training onto all staff.
7. **Actuarial methods, Standards and Practises** – Understanding the work of the actuary and the ways in which actuarial information is produced

Training Delivered over last year

The recent training activity received by the Fund Committee and Local Board include the following:

- Investment training (delivered by Goldman Sachs)
- Carbon Asset Exposure (Presentation from Trucost)
- Approach to Actuarial Valuation (delivered by Hymans)

Training Plan 2019/20

The proposed training plan for Pension Fund Committee and Local Pension Board members for 2019/20 is as follows (please note this may be subject to change).

Title of Session	Training Context	Timescale	Training Length	Audience	Complete
LGPS Governance Conference	Various	17 – 18 January 2019	2 days	Committee, Pensions Board and Officers	Y
Responsible Investment	Investments	08/02/2019	Before Committee	Committee and officers	Y
CIPFA Local Pension Board Seminar	Governance	27/02/2019	Half day	Pension Board	Y
LGC Investment Seminar	Various topical presentations.	28 February - 1 March 2019	2 days	Committee, Pensions Board and Officers	Y
PLSA Local Authority Conference, Gloucestershire	Various	13 – 15 May 2019	3 days	Committee, Pensions Board and Officers	
CIPFA Local Pension Boards' Annual Event	Various	26/06/2019	1 day	Pension Board	
Triennial Valuation	Training prior to 2019 Triennial Valuation Results	TBC	TBC	Committee, Pensions Board and Officers	
CIPFA's annual public finance conference	Various	9 – 10 July 2019 Birmingham	2 days	Committee, Pensions Board and Officers	
CIPFA Introduction to LGPS	Various	25/09/2019	1 day	Committee, Pensions Board and Officers	
LGA Fundamental Training	Day 1 Benefits, Investments and Costs	03/10/2019	1 day	Committee, Pensions Board and Officers	
Border to Coast Conference	Various	10 – 11 October 2019	2 days	Committee, Pensions Board and Officers	
PLSA Annual conference	Various	16 – 18 October 2019 Manchester	3 days	Committee, Pensions Board and Officers	

LGA Fundamental Training	Day 2 Actuarial valuation, FF, Committee responsibilities, Communication strategies and Alternative Investments	06/11/2019	1 day	Committee, Pensions Board and Officers	
CIPFA Governance Summit	Governance	12/11/2019	1 day	Committee, Pensions Board and Officers	
LAPFF, Bournemouth	Various presentations around the work of the LAPFF	4 – 6 December 2019	3 days	Committee, Pensions Board and Officers	
LGA Fundamental Training	Day 3 Responsible Investing, Data quality and Governance	18/12/2019	1 day	Committee, Pensions Board and Officers	

Cost

Where there is a cost involved in providing the training this will be paid by the Pension Fund. A budget will be allocated for members training in the Fund's business plan. Ultimately costs will depend on the levels of training and support required by individual members. Some training and support will be provided at nil cost through officers, existing material and online access, and as part of existing providers or advisors roles.

Training Monitoring and Reporting

In order to identify whether the objectives of the Policy are being met, fund officers will maintain a training log to record trainings attended by both members and officers.

Pension fund committee and Local Pensions Board members will be required to carry out Self-Assessment Questionnaire on an annual basis to assess their overall level of 'Knowledge and Understanding'. The self-assessment will be in the form of a short self-assessment questionnaire to identify any perceived development needs. Training on the identified areas will be provided as necessary, including induction and on an ongoing refresher basis.

A report will be also presented to the Fund Committee and Pension Board on an annual basis setting out:

- Training provided/attended by members in the previous year.
- any actions required, such as review of the Training Plan.

Pension fund committee and Local Pensions Board members will be provided with details of forthcoming conferences, seminars and relevant training events as well as annual summary of the events attended.

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The Surrey Local Pension Board 25 April 2019

Compliance with the Pensions Regulator's Code of Practice no. 14

Summary

1. The paper outlines how Surrey County Council (SCC) Pension fund complies with the Pensions Regulator's (TPR) Code of Practice 14 in Annex 2, which sets out of the requirements and expected standards for the governance associated with the administration of public sector pension schemes.

Recommendation

2. That the Local Pension Board notes the report.

Background

3. From 1st April 2015 TPR assumed responsibility for the governance and administration of all public sector pension schemes.
4. To assist schemes in understanding TPR's expectations they have issued a Code of Practice No. 14 (1) which provides guidance and sets out standards of conduct and practice expected from Authorities that manage public service pension schemes.
5. Compliance with the Pension Regulator's Code of Practice 14 gives assurance that the Fund has effective processes and practices in place associated with the administration of the Pension Fund.

The Compliance Checklist

6. The Compliance checklist in Annex 1 shows how Surrey Pension Fund complies with each section of TPR code of practise no 14 and if further actions are required. As can be seen in most areas, the Fund is able to demonstrate compliance with the Code. There are a number of areas where the Fund is in the process of being able to demonstrate compliance.
7. The checklist relates to the administration of pension schemes and focusses on requirements and expected standards for public sector pension funds in:
 - I. Governing the scheme;
 - Knowledge and understanding
 - Conflicts of interests and representation
 - Publishing information about the scheme
 - II. Managing risks;
 - Internal controls
 - III. Pensions administration
 - Scheme record keeping
 - Maintaining contributions
 - Providing information to members
 - IV. Resolving issues
 - Internal Dispute Resolution
 - Reporting Breaches of Law

Next Step

8. The compliance checklist will be updated regularly and reported annually to the Board.

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Sources/background papers:

Annexes:

1. Compliance Checklist
2. Code of practice no 14

Ref	Legal requirement	TPR's guidance	How Surrey Pension Fund complies with TPR guidance	Compliant	Action
<p>Governing the scheme</p> <p>Knowledge and understanding required by Pension board members</p> <p>[34 – 60]</p>	<p>A member of the pension board of a public service pension scheme must be conversant with:</p> <ul style="list-style-type: none"> • the rules of the scheme and • any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions, and • any other matters which are prescribed in regulations. <p>The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.</p>	<p>1. Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38].</p>	<p>The Fund maintains a training policy reflecting the requirements for Knowledge and Understanding. The policy was approved by the Fund Committee in February 2019 and will be reviewed on an annual basis.</p>	<p>Yes</p>	<p>Regularly Update members on upcoming trainings.</p>
		<p>2. Schemes should designate a person to take responsibility</p>	<p>The Pensions Accountant Advisor is responsible for</p>	<p>Yes</p>	

		for ensuring that a framework is developed and implemented [38]	maintenance of training policy. However, it is Local Pension Board members' responsibility to establish and maintain their own personal knowledge and understanding.		
		3. It is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board. [39]	This is detailed in Terms of Reference and the induction pack provided to the board members.	Yes	
		4 Schemes should prepare and keep an updated list of documents with which they consider pension board members need to be conversant [46]	All Board members are provided with Induction pack, annual report and accounts.	Yes	
		5. Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation. [47].	The Terms and References sets out the roles and responsibilities of the Board members and these are documented accordingly.	Yes	
		6. Schemes should assist pension board members to determine the degree of knowledge and	Pension fund committee and Local Pensions Board members will be required to carry out Self-Assessment	Partially	

		understanding needed. [48].	<p>Questionnaire on an annual basis to assess their overall level of 'Knowledge and Understanding'.</p> <p>Training on the identified areas will be provided as necessary, including induction and on an ongoing refresher basis.</p> <p>Also all new members are provided with key documents as per Training Policy.</p> <p>Ongoing Board members will be required to attend further training with Pensions Committee in addition to carrying out additional ad-hoc training as other needs arise.</p>		
		7. Scheme should provide board members with relevant training and support that they require. [55]	<p>An updated training policy was approved by the Pension Fund Committee in February 2019. All members are encouraged to attend training events and a training log is maintained by officers.</p>	Yes	

		8. Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56].	All new members are provided with induction pack and training is provided once they start.	Yes	
		9. Pension board members should undertake a personal training needs analysis [57].	As highlighted in 6, Committee and Board members will complete a training needs assessment in September meeting which will feed in to fund training plan for next year.	Yes	
		10. Learning programs should be flexible, cover the type and degree of knowledge and understanding required and delivered within an appropriate timescale [58]	The training plan will be updated on annual basis and will take into account emerging issues e.g. new regulations.	Yes	
		11. Pension board members completed the Pensions Regulator toolkit.	Local Pension Board members must complete induction training within the first three months of their appointment.	Partially	Encourage members to complete tPR toolkit.
		12. Schemes should keep appropriate records of the learning activities of board members [60].	Fund officers maintain a training log to record trainings attended by both members and officers.	Yes	

<p>Conflicts of interest and representation</p> <p>[61 – 91]</p>	<p>In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:</p> <ul style="list-style-type: none"> • that a person to be appointed as a member of the pension board does not have a conflict of interest: and • from time to time, that none of the members of the pension board has a conflict of interest. <p>Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.</p> <p>Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.</p>	<p>13. Nolan ‘Seven principles of public life’ should be applied to all board members. Scheme should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70].</p>	<p>The Governance statement covers the requirement for the seven principles of public life and these are applied to Pensions Committee members, Local Board members and all officers.</p>	<p>Yes</p>	
		<p>14. Take professional legal advice when considering issues to do with conflict of interests [74].</p>	<p>When required complex conflict of interest issues would be referred for internal or if required external legal advice.</p>	<p>Yes</p>	

		15. Schemes should ensure that there is an agreed and documented conflicts policy and procedure which should be kept under regular review [76].	Pension fund committee members, Local Board members and officers are required to follow Council Code of conduct.	Yes	
		16. Scheme should cultivate a culture of openness and transparency [78]	The chair of both Pension Fund committee and Local Pension Board encourage and ensure a culture of openness and transparency. Any potential conflicts are declared at the start of every meeting.	Yes	
		17. Board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest [78].	Members from both committees are provided with a full report pack in advance of the meeting, which allows them to consider and disclose any relevant conflicts of interest.	Yes	
		18. Pension board members should be appointed under procedures that require them to disclose any interests or responsibilities which could become conflicts of interest [80].	A Declaration of Interest is completed by all members upon appointment and members are required to comply with the Council's Code of Conduct which requires registration of interests.	Yes	

		19. All terms of engagement should include a clause requiring disclosure of all interests and responsibilities which could become conflicts of interest as soon as they arise [81].	Members of the Pension Fund Committee and Local Board are required to disclose interests at the commencement of each meeting and these are recorded in the meeting minutes.	Yes	
		20. Schemes should consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts [82].	The annual Business Plan will be considered and approved by the Pension Fund committee in June meeting, which will be presented to the Local Board in July meeting. The Business Plan allows members to consider any potential or actual conflicts that may arise.	Yes	
		21. Identify, evaluate and manage dual interests [83] 22. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or Elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing	Any conflict of interest are declared at the commencement of each meeting and managed by the chair. The fund maintains a Register of Disclosable Interests on the website.	Yes	Circulate register of interest on regular basis.

		review and published, [84]			
		23. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting where necessary [85].	“Disclosures of Interest” is a standing item at the commencement of each meeting for both board members. Any disclosures are recorded in the minutes of the meeting.	Yes	
		24. Establish and operate procedures which ensure that boards are not compromised by potentially conflicted members [86].	At the commencement of the meetings the agenda progresses through standing items of noting the Terms of reference and an invitation to disclose any interests.	Yes	
		25. Be open and transparent about the way they manage potential conflicts of interest [87].	This is covered in the Council code of Conduct	Yes	
		26. Consider seeking professional legal advice when assessing any option when seeking to manage a potential conflict of interest [88].	When required complex conflict of interest issues are referred for internal and if necessary external legal advice is considered.	Yes	

		27. Membership of boards should be designed with regard to proportionality, fairness and transparency and with the aim of ensuring that the board has the right balance of skills, experience and representation [91].	The board membership includes suitable representation on from employers and scheme members and includes an independent chair to provide for fairness and proportionality.	Yes	
Publishing information about schemes [92 – 99]	The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up to-date. The information must include: <ul style="list-style-type: none"> • who the members of the pension board are • representation on the board of members of the scheme(s), and • the matters falling within the pension board’s responsibility. 	28. Scheme managers must publish the information required about the pension board and keep that information up to date. [95]	The Fund website provides information relating to the Local Pension Board.	Yes	
		29. Schemes should also publish up-to-date relevant information about the pension board such as set out in 96 and 97.	The information is published on Fund website and includes: <ul style="list-style-type: none"> • Board Membership • Terms of reference 	Yes	

		30. Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete [98].	Changes to the membership are reflected on the fund website. Information relating to the Pension fund committee and Local Pension Board is published on the council's website.	Partially	Update website on regular basis.
Managing Risks Internal Controls [101 – 120]	The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.	31. Internal controls should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions to the scheme [103].	There are substantial internal controls in place including a number of ongoing monitoring areas that are reported to the Pension Fund committee and Local Pension Board. Breaches of law are reported to the Pension Fund committee and Local Pension Board. Contributions are monitored by officers on regular basis.	Yes	
Identifying risks		32. Scheme's internal controls should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and	The fund maintains a risk register which is reviewed every quarter. Each risk is scored for its potential impact and likelihood. The mitigation of the risk in also considered within the risk register. The Risk Register is reported	Yes	

		<p>managing risks and developing and monitoring appropriate controls. [105]</p> <p>33. Schemes should carry out a risk assessment [106].</p> <p>34. Schemes should record risks in a risk register and review it regularly. Schemes should keep appropriate records to demonstrate compliance with legal requirements [108].</p>	<p>to the Local Pension Board. In addition the Pensions Committee receives a quarterly summary report.</p>		
Evaluate risks and develop internal controls		<p>35. Prioritise risks where the impact and likelihood of the risk materialising is high [109].</p> <p>36. Review any existing internal controls [110].</p> <p>37. Design internal controls to mitigate main risks and consider how best to monitor them [111].</p>	<p>Outlined within the risk register of the fund.</p>	<p>Yes</p>	
Monitor controls effectively		<p>38. Schemes should periodically review the adequacy of internal controls [115].</p>	<p>The risk register is presented to the Local Pension Board on quarterly basis and a report is presented to the Pension Fund Committee to approve changes or additions in the risk register.</p>	<p>Partially</p>	

		<p>39. Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively.</p> <p>40. Review internal controls when substantial changes take place or where a control has been found to be inadequate [116].</p>	<p>Internal audit are currently undertaking Audit of the pensions Admin to review controls and systems.</p> <p>External Audit review internal controls of systems as part of the annual review of the Fund's annual financial statements.</p> <p>If controls are found to be inadequate. Officers develop action plan to address areas in a timely manner.</p>	Yes	
Suggested internal controls		<p>41. Internal controls that ensure that new employers understand what member data is required and how it should be supplied.</p> <p>Internal controls that require internal or external auditors to audit any automated systems.</p> <p>Internal controls to ensure that systems support the maintenance and retention of good member records.</p> <p>Internal controls that</p>	<p>Internal controls are subject to regular to internal and external audit.</p> <p>New employers are provided with an admission agreement which sets out their obligation to the scheme. Information is shared with employers through secure network.</p>	Partially	<p>Review data quality on regular basis.</p> <p>Review members communication.</p>

		<p>ensure that data are complete (e.g. undertake a data-cleansing or member tracing exercise and review this on a regular basis (at least annually or at regular intervals that they consider appropriate).</p> <p>Ensure that all staff completes information management training before they are given access to sensitive data.</p> <p>Ensure that member communications are reviewed Regularly.</p> <p>Schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant [112].</p>			
<p>Administration</p> <p>Scheme recordkeeping</p> <p>[122 – 146]</p>	<p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> • member information • transactions, and; • pension board meetings and decisions 	<p>42. Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records [124].</p>	<p>Officers are currently working on the Administration strategy and communication plan to ensure data is accurate and up-to-date.</p>	<p>Yes</p>	<p>Officers to agree Administration strategy and communication plan.</p>

	<p>Legal requirements for this are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.</p> <p>Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.</p>				
		<p>43. Schemes should establish and operate adequate internal controls to support record-keeping requirements [125].</p>	<p>The internal controls are monitored in the Risk Register.</p>	<p>Yes</p>	
		<p>44. Member data should be subject to regular data evaluation [126].</p> <p>45. Schemes must be able to provide members with accurate information regarding their pension benefits and pay right benefits to right person at right time [127]</p>	<p>The Fund is currently working on the improvement plan to address areas where the quality of data can be enhanced.</p> <p>A webpage facility is available to allow members to access individual pension's information. This allows members to access their data and verify that service and pensionable pay and hours have been correctly recorded.</p>	<p>Yes</p>	

		<p>46. Schemes should require employers to provide them with timely and accurate data and ensure that appropriate procedures and timescales are in place to do this. [128 and 130].</p> <p>47. Schemes should seek to ensure that employers understand the main events which require information to be passed to the scheme [129].</p>	<p>The fund is currently working on Administration Strategy & Communications Policy outlines the procedure and deadlines for employers' submission of data to the fund.</p> <p>At the beginning of the financial year all employers are provided with an updated contribution form, providing guidance and required timescales. The form allows employers to validate if they are paying the right contributions.</p>	Partially	
		<p>48. Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs [131].</p> <p>49. Scheme managers must keep records of transactions made to and from the scheme and any amount due to the scheme which has been written off [132]</p>	<p>Employers advise the Fund of pension contributions due, this is checked by the Fund to ensure the employer contribution rate reconciles to the actuarial certificate and the total contributions due are relatively consistent with previous months.</p> <p>The fund monitors the funds made and received.</p>	Yes	

		50. Records should be kept regarding meetings of and decisions by pension boards as well as records of key discussions [133].	Records of agendas and minutes of Pension Fund Committee and Local Pension Board are posted on Surrey County Council Website.	Yes	
		51. Schemes must also record any decisions taken by members of the pension board [134]	No decisions are made by LPB outside normal meetings.	Yes	
		52. Records should be retained for as long as they are needed [135].	Most records are stored electronically. The fund is currently in process of scanning paper copies onto an electronic system.	Partially	Upload scan paper copies onto the system.
		53. Schemes should monitor data (based on a proportionate and risk based approach) on an ongoing basis to ensure it is accurate and complete [136,137]. 54. Schemes should carry out a data review exercise at least annually. Schemes should continually review their data [138].	Pension fund is working with the Admin team to enhance the quality of data to ensure it is accurate and complete. However, checks are carried out to validate the data which include: <ul style="list-style-type: none"> • Triennial valuation exercise • Records amended on 3 yearly basis if any issues are identified by actuaries doing their data cleaning. 	Partially	

		55. Schemes should put in place a data improvement plan where poor quality or missing data is identified [141].	Pension service is currently in process of arranging a meeting with members to discuss improvement plan.	Partially	Pension service to send Invitations for the workshop.
		56. Schemes should reconcile member records with information held by the employer [142].	End of year return forms are sent to employers to complete to reconcile records.	Partially	
		57. Schemes must ensure that member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles. [143] 58. Schemes should understand: - the obligations of data controllers - the difference between personal data and sensitive personal data - how data is held and how responses to data requests from different parties are handled - the systems required to store, move and destroy data [144]	Egress and GSX are used for sending data to/from employers which is fully secure. Focal point is used for secure transfer of data to/from actuaries at triennial valuation time.	Yes	

<p>Maintaining contributions</p> <p>[147 – 186]</p>	<p>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p> <p>Where employee contributions are not paid within the prescribed period, if the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004</p>	<p>59. Scheme managers should have effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator [150 and 151].</p>	<p>Officers monitor the contribution received and carry out reconciliation on regular basis.</p> <p>All legal breaches are reported to the Pension Fund Committee and Local Pension Board with any significantly material breaches reported to the Pension Regulator.</p>	<p>Yes</p>	
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	to assess and if necessary report breaches of the law.				
		<p>60. Such procedures are likely to involve:</p> <ul style="list-style-type: none"> a) Developing a record to monitor the payment of contributions. b) Monitoring the payment of contributions. c) Managing overdue contributions. d) Reporting payment failures which are likely to be of material significance to the regulator [152]. 	The contribution spreadsheet automatically flags if employer paying the right contribution.	Partially	
		<p>61. Schemes should have a contributions monitoring record to check contributions have been paid in full and in a timely manner [155 to 157].</p>	Employers submit monthly contribution form, the form automatically flags up if the employer is paying at correct contribution rate.	Yes	

		<p>62. Schemes should monitor contributions on an on-going basis [161].</p> <p>63. A risk based and proportionate monitoring approach should be used to identify employers and situations which present a higher risk of payment failure [162].</p> <p>64. Schemes should have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all [163].</p> <p>65. Schemes to effectively monitor contributions they will require access to certain information [164]</p> <p>66. Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member.</p> <p>Scheme managers must</p>	<p>All contributions are recorded and maintained monthly.</p> <p>Officers undertake quarterly reconciliation to check for any late, overpaid, underpaid or non- payment of contributions.</p>	Yes	
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		<p>record and retain information on transactions [165]</p> <p>67. Scheme managers must record and retain information on transactions (including any employer and employee contributions) [166].</p>			
Managing overdue contributions		<p>68. Where a payment failure is identified, there should be a process to follow to resolve the issue quickly (including the suggested steps set out in the Code) [169].</p>	<p>When an employer persistently fails to make payments an email is sent to the employer to request outstanding payments.</p>	Yes	
		<p>69. Schemes should have a process which is able to detect deliberate underpayment or non-payment or other fraudulent behaviour by an employer [171].</p>	<p>Officers carry out quarterly reconciliation to monitor payments. Where variances are material, this is followed up with the relevant employer to clarify and understand why contributions levels have changed.</p>	Yes	
Reporting payment failures which are likely to be of material significance to the regulator		<p>70. Where schemes identify a payment failure, they should attempt to recover contributions within 90 days of their due date [174].</p>	<p>Contacts are made with the employers in order to attempt to obtain outstanding payment.</p> <p>In the event of non-payment the Fund will investigate it</p>	Yes	

		<p>71. Where a payment failure is identified it should at least ask the employer the 3 questions set out in 175.</p> <p>72. Schemes should consider these points together and establish whether they have reasonable cause to report. [176]</p> <p>Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator taking into account the wording of the Code [176].</p> <p>73. Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator [177]</p> <p>74. Schemes may choose to take an employer's response to their enquiries at face value [178]</p> <p>75. Schemes should identify and report to the regulator, as appropriate, any</p>	<p>and also seek information from other sources whilst remaining compliant with GDPR.</p>		
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		<p>payment failures that may not be of material significance taken individually, but which could indicate a systemic problem [179]</p> <p>76. Schemes should consider whether it is appropriate to report payment failures of employer contributions to members where it is reported to the regulator. [182].</p>			
<p>Administration</p> <p>Providing information to members</p> <p>[187 – 211]</p>	<p>The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. The Code summarises the legal requirements around:</p> <p>(1) Benefit statements, provided annually for active members [188 – 195]</p> <p>(2) Other information about scheme administration [196 – 197].</p> <p>(3) Who is entitled to information [198 – 199]</p> <p>(4) When basic scheme information must be provided [200 – 201]</p> <p>(5) What information must be disclosed on request [202]</p>	<p>77. Managers of a scheme must ensure that scheme managers and others are given information in accordance with the Disclosure Regulations 2013, unless they are an ‘excluded person’. [198]</p>	<p>The Fund aims to provide an annual benefit statement to active and deferred members by 31 August each year.</p>	<p>Partially</p>	<p>Ensure all Annual Benefit Statements are provided on time.</p>

	<p>(6) How benefit statements and other information must be provided [203 – 206]</p> <p>Scheme should also comply as appropriate with other legal disclosure requirements [211].</p>				
		<p>78. Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension. Information should be clear and simple to understand as well as being accurate and easily accessible [207].</p>	<p>All information is delivered in a simple and clear manner avoiding pension jargon.</p> <p>The fund uses Local Government Association communication materials and provides link to their website and guidance.</p>	Yes	Fund to review communication strategy.
		<p>79. Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date [208].</p>	<p>The Fund is scheduled to commission its next tracing exercise to locate missing deferred scheme members.</p>	Partially	Pension Service to commission tracing agency.
		<p>80. Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage</p>	<p>Receipt of emails to the pensions helpdesk is confirmed automatically.</p>	Yes	

		[209].			
Resolving Issues Internal dispute Resolution [212 – 240]	Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.	81. Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. [213]	There is a formal process in place. Stage one goes to a fund officer first for adjudication, who will then issue the decision letter which includes more information including information on stage 2, Pensions Advisory Service and the Pensions Ombudsman.	Yes	
		82. Schemes may decide to specify time limits within which a member must apply for a dispute to be resolved and should publish and make these IDRPs time limits readily available [225]. 83. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary. [230 and 240]	Details of the Internal Dispute Resolution Procedure (IDRP) are published on the fund website and contains full guide. Procedures for employers are contained within the employer guide on the website.	Yes	

		<p>84. Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome [232].</p> <p>85. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented [233].</p>	<p>The expected timescales are set out in the IDRP documents. All communications with members include details of the IDRP process.</p>	Yes	
		<p>86. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website [235].</p>	<p>Details of the IDRP are published on the Fund website.</p>	Yes	
		<p>87. Schemes should ensure they make the following information available to applicants:</p> <ol style="list-style-type: none"> I. The procedure and processes to apply for a dispute to be resolved; 	<p>Details of the IDRP are published on the Fund website. A log of all appeal cases is kept detailing dates when cases are received, acknowledged and</p>	Yes	

		<p>II. The information that an applicant must include;</p> <p>III. The process by which any decisions are reached; and</p> <p>IV. iv. An acknowledgement once an application has been received [239].</p>	determined.		
<p>Reporting breaches of the law</p> <p>[241 – 275]</p>	<p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> • a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with • the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. 	<p>88. People who are subject to the reporting requirement are set out in [242].</p>	<p>Those responsible for reporting breaches to the Pensions Regulator include:</p> <ul style="list-style-type: none"> • Members of the Pension Fund Committee • Members of the Local Pension Board • Officers of the Fund • Scheme Employers 	Yes	
		<p>89. Schemes should be satisfied that those who are responsible for reporting breaches are made aware of the legal requirement and the Code</p> <p>90. Training should be provided for scheme managers and</p>	<p>The fund has a policy and procedure in place for Reporting Breaches of the Law to the Pensions Regulator.</p>	Yes	

		<p>pension board members [244].</p> <p>91. Those with a statutory duty to report should establish and operate appropriate and effective procedures in regards to reporting breaches [245].</p>			
		<p>92. Those procedures should be in accordance with and take into account paragraphs 245 to 262 of the Code.</p>	<p>The policy on reporting breaches is compliant with the Code.</p>	<p>Yes</p>	
		<p>93. Reports made to the Regulator should be submitted in accordance with paragraphs 263 to 271.</p>	<p>A register is maintained that records all breaches within the Fund.</p>	<p>Yes</p>	

Code of practice no. 14

Governance and administration of public service pension schemes

April 2015

The Pensions
Regulator

Code of practice no. 14

Governance and administration of public service pension schemes

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Draft to lie before the Northern Ireland Assembly for ten days on which the Assembly has sat or thirty calendar days whichever period is the longer, during which time the Assembly may resolve that the code be not made.

12 January 2015

Code of practice no. 14

Governance and administration of public service pension schemes

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Introduction

1. This code of practice is issued by The Pensions Regulator ('the regulator'), the body that regulates occupational and personal pension schemes provided through employers.
2. The regulator's statutory objectives¹ are to:
 - protect the benefits of pension scheme members
 - reduce the risks of calls on the Pension Protection Fund (PPF)
 - promote, and improve understanding of, the good administration of work-based pension schemes
 - maximise compliance with the duties and safeguards of the Pensions Act 2008
 - minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the regulator's functions under Part 3 of the Pensions Act 2004 only).
3. The regulator has a number of regulatory tools, including issuing codes of practice, to enable it to meet its statutory objectives.
4. Codes of practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions².

Status of codes of practice

5. Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account³.
6. If there are grounds to issue an improvement notice⁴, the regulator may issue a notice directing a person to take, or refrain from taking, such steps as are specified in the notice. These directions may be worded by reference to a code of practice issued by the regulator⁵.

This code of practice

7. The Public Service Pensions Act 2013 (the 2013 Act) introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator.

¹ Section 5(1) of the Pensions Act 2004.

² Section 90A(1), *ibid.*

³ Section 90A(5), *ibid.*

⁴ Where the regulator considers that legal requirements are not being met, or have been contravened in circumstances which make it likely that the breach will continue or be repeated, it may issue an improvement notice under s13 of the Pensions Act 2004.

⁵ Section 13(3) of the Pensions Act 2004.

8. The regulator is required to issue one or more codes of practice covering specific matters relating to public service pension schemes⁶. This code of practice sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
9. The practical guidance sections in this code are not intended to prescribe the process for every scenario. They do, however, provide principles, examples and benchmarks against which scheme managers and members of pension boards can consider whether or not they have understood their duties and obligations and are reasonably complying with them.
10. If scheme managers and the members of pension boards are, for any reason, unable to act in accordance with the guidance set out in this code, or an alternative approach that meets the underlying requirements, they should consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law⁷. For further information, see the section of this code on 'Reporting breaches of the law'.

At whom is this code directed?

11. This code relates to public service pension schemes within the meaning of the Pensions Act 2004⁸. These are schemes established under the 2013 Act, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It does not apply to schemes in the wider public sector, nor to any scheme which is excluded from being a public service pension scheme within the meaning of the Pensions Act 2004.
12. This code is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations. The role, responsibilities and duties of pension boards will vary. Where pension boards are not directly responsible for undertaking particular activities, they remain accountable for assisting the scheme manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters for which they are responsible under the scheme regulations⁹.

6
Section 90A(2) of the Pensions Act 2004.

7
Section 70, *ibid.*

8
Section 318, *ibid.*

9
Section 5 of the Public Service Pensions Act 2013.

13. In addition, the legal requirement to report breaches of the law under section 70 of the Pensions Act 2004 applies to other persons involved in public service pension schemes, so this code is also directed at them.
14. Scheme managers and pension boards (where relevant) may be able to delegate some activities to others, or outsource them, although they will not be able to delegate their accountability for complying with a legal requirement imposed on them. This code should therefore be followed by anyone to whom activities relating to the legal requirements covered by this code have been delegated or outsourced.
15. Employers participating in public service pension schemes will also find the code a useful source of reference. The role and actions of employers can be critical in enabling scheme managers to meet certain legal requirements¹⁰.
16. Public service pension schemes are established primarily as defined benefit (DB) schemes. Some of these schemes also enable members to make additional voluntary contributions (AVCs) on either a DB basis or to a separate defined contribution (DC) scheme. There are also some DC schemes which are offered as alternatives to the DB schemes. This code applies to any DC scheme which is a public service pension scheme within the meaning of the Pensions Act 2004.

Terms used in this code

17. **The 2013 Act** – the Public Service Pensions Act 2013, which sets out the arrangements for the creation of schemes for the payment of pensions and other benefits. It provides powers to ministers to create such schemes according to a common framework of requirements.
18. **Public service pension schemes**¹¹ – these are (a) new public service pension schemes set up under section 1 of the 2013 Act (including any scheme which has effect as such a scheme¹²); (b) new public body pension schemes (within the meaning of the 2013 Act) and (c) any statutory pension schemes connected with a scheme described in (a) or (b). Substantially, these are the schemes providing pension benefits for civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers, members of police forces and the armed forces. Except where specified otherwise, the legal requirements and practical guidance set out in this code apply to any kind of public service pension scheme within the meaning of the Pensions Act 2004, whether it is a scheme established under section 1 of the 2013 Act, a new public body scheme or a connected scheme.

10
Employers participating in occupational public service pension schemes are under a statutory duty to report breaches of the law under s70 of the Pensions Act 2004.

11
As defined in s318 of the Pensions Act 2004. Under s318(6) of that Act, a scheme which would otherwise fall within the definition of 'public service pension scheme' in the Pensions Act 2004 does not do so if it is a scheme providing only for injury or compensation benefits (or both), or if it is specified in an order made under that section.

12
Section 28 of the 2013 Act.

19. **Connected scheme** – a scheme established under section 1 of the 2013 Act and another statutory pension scheme, or a new public body pension scheme and another statutory pension scheme are connected if and to the extent that the schemes make provision in relation to persons of the same description. Scheme regulations may specify exceptions¹³.
20. **Responsible authority** – the 2013 Act identifies secretaries of state/ ministers, each being the responsible authority for their schemes, who have power to make the scheme regulations for the relevant schemes¹⁴. The responsible authority may also be the scheme manager¹⁵. In relation to a public body pension scheme, references in the code to the responsible authority are to be read as references to the public authority which established the scheme.
21. **Scheme regulations** – each new scheme made under section 1 of the 2013 Act has scheme regulations which set out the detail of the membership and benefits to be provided under the scheme¹⁶. The regulations must identify scheme managers and provide for the establishment of pension boards and scheme advisory boards. These regulations constitute the main rules of the scheme. In addition to the scheme regulations, the rules of a scheme include:

- certain legislative provisions, to the extent that they override provisions of the scheme regulations, or which have effect in relation to a scheme and are not otherwise reflected in the scheme regulations, and
- any provision which the scheme regulations do not contain but which the scheme rules must contain if it is to conform with the requirements of Chapter 1 of Part 4 of the Pension Schemes Act 1993 (preservation of benefit under occupational pension schemes)¹⁷.

Some connected schemes and new public body pension schemes will not be established by regulations, so references in the code to scheme regulations should be read as references to the rules of the scheme in these cases.

22. **Scheme manager** – each public service pension scheme has one or more persons responsible for managing or administering the scheme¹⁸. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes¹⁹, the scheme managers may be the local administering authorities or a person representing an authority or police force.

13
Section 4(6) and (7) of the 2013 Act.

14
Section 2 and Schedule 2, *ibid.*

15
Section 4(3), *ibid.*

16
Section 3 and Schedule 3, *ibid.*

17
Section 318(2) of the Pensions Act 2004.

18
Section 4 and s30 of the 2013 Act.

19
Locally administered schemes include the schemes for England, and Wales, and Scotland for local government workers, and England and Wales for fire and rescue workers and members of police forces.

23. **Pension board** – the scheme manager (or each scheme manager) for a scheme has a pension board²⁰ with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board’s role, responsibilities and duties entail.
24. **Scheme advisory board** – each DB public service pension scheme has a scheme advisory board²¹ with responsibility for providing advice on the desirability of changes to the scheme, when requested to do so by the responsible authority (or otherwise, in accordance with scheme regulations). Where there is more than one scheme manager the scheme regulations may also provide for the scheme advisory board to provide advice (on request or otherwise) to the scheme managers or the scheme’s pension boards on the effective and efficient administration and management of the scheme or any pension fund of the scheme.
25. **Schemes** – in this code the term ‘schemes’ is used throughout where actions to comply with a legal requirement, standard or expectation may be carried out by the scheme manager, pension board or by another person(s) including those to whom activities have been delegated or outsourced. The scheme manager or pension board will be ultimately accountable, depending upon to whom the legal obligation applies under the legislation.
26. **Must** – in this code the term ‘must’ is used where there is a legal requirement.
27. **Should** – in this code the term ‘should’ is used to refer to practical guidance and the standards expected by the regulator.

How to use this code

28. The code is structured as a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration: governing your scheme, managing risks, administration and resolving issues.
29. Each core section includes practical guidance to help scheme managers and pension boards to discharge their legal duties. The regulator recognises that there may be alternative and justifiable actions or approaches that scheme managers or pension boards may wish to adopt, provided these meet the minimum legal requirements.
30. Schemes will need to consider and apply the practical guidance to suit their own particular characteristics and arrangements.

20
Section 5 and s30(1) of the 2013 Act (in the case of new public body schemes, if the scheme has more than one member).

21
Section 7, *ibid*. This requirement only applies to schemes set up under s1 of the 2013 Act.

Northern Ireland

31. References to the law that applies in Great Britain should be taken to include corresponding legislation in Northern Ireland. References to HM Treasury directions should be taken to be directions by the Department of Finance and Personnel. The responsible authority for each scheme is the relevant government department²².
32. The appendix to this code lists the corresponding references to Northern Ireland legislation.

²²
Section 2 and Schedule 2 of the Public Service Pensions Act (Northern Ireland) 2014.

Governing your scheme

33. This part of the code covers:

- knowledge and understanding required by pension board members
- conflicts of interest and representation, and
- publishing information about schemes.

Knowledge and understanding required by pension board members

Legal requirements

34. A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme²³, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

35. A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

36. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board²⁴.

Practical guidance

37. The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations.

38. Schemes²⁵ should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.

39. However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

23

See paragraph 21 for the definition of the 'rules of the scheme'.

24

Section 248A of the Pensions Act 2004.

25

See paragraph 25 for the definition of 'schemes'.

Areas of knowledge and understanding required

40. Pension board members must be conversant with their scheme rules, which are primarily found in the scheme regulations²⁶, and documented administration policies currently in force for their pension scheme²⁷. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.
41. They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.
42. In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable²⁸. This list is not exhaustive and other documented policies may fall into this category:
 - any scheme-approved policies relating to:
 - conflicts of interest and the register of interests
 - record-keeping
 - internal dispute resolution
 - reporting breaches
 - maintaining contributions to the scheme
 - the appointment of pension board members
 - risk assessments/management and risk register policies for the scheme
 - scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
 - the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
 - terms of reference, structure and operational policies of the pension board and/or any sub-committee
 - statements of policy about the exercise of discretionary functions

²⁶
See paragraph 21 for the definition of the 'rules of the scheme'.

²⁷
Section 248A(2) of the Pensions Act 2004.

²⁸
Section 248A(2)(b) of the Pensions Act 2004.

- statements of policy about communications with members and scheme employers
 - the pension administration strategy, or equivalent²⁹, and
 - any admission body (or equivalent) policies.
43. For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement³⁰.
44. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:
- the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme
 - statements of assurance (for example, assurance reports from administrators)
 - third party contracts and service level agreements
 - stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues
 - scheme annual reports and accounts
 - accounting requirements relevant to the scheme
 - audit reports, including from outsourced service providers, and
 - other scheme-specific governance documents.
45. Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
46. Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.

²⁹
For the local government pension schemes, this might include information about the setting of performance targets or making agreements about levels of performance.

³⁰
Section 248A(2)(b) of the Pensions Act 2004.

Degree of knowledge and understanding required

47. The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations³¹. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.
48. Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.
49. Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.
50. Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.
51. Pension board members should be able to identify and where relevant challenge any failure to comply with:
 - the scheme regulations
 - other legislation relating to the governance and administration of the scheme
 - any requirements imposed by the regulator, or
 - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.
52. Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.

31
Section 5(2) of the 2013
Act.

53. Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.
54. All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.

Acquiring, reviewing and updating knowledge and understanding

55. Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.
56. Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members. This can also ensure that historical and scheme-specific knowledge is retained when pension board members change.
57. Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.

58. Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.
59. The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:
- cover the type and degree of knowledge and understanding required
 - reflect the legal requirements, and
 - are delivered within an appropriate timescale.

Demonstrating knowledge and understanding

60. Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.

Conflicts of interest and representation

Legal requirements

61. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established³².
62. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:
- that a person to be appointed as a member of the pension board does not have a conflict of interest and
 - from time to time, that none of the members of the pension board has a conflict of interest³³.

32
Section 5(5) of the 2013 Act defines a conflict of interest in relation to pension board members and s7(5) of that Act in relation to scheme advisory board members.

33
Section 5(4)(a), *ibid.*

63. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above³⁴.
64. Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers³⁵.
65. In relation to the scheme advisory board, the regulations must also include provision requiring the responsible authority to be satisfied:
 - that a person to be appointed as a member of the scheme advisory board does not have a conflict of interest and
 - from time to time, that none of the members of the scheme advisory board has a conflict of interest³⁶.
66. Scheme regulations must require each member of a scheme advisory board to provide the responsible authority with such information as the responsible authority reasonably requires for the purposes of meeting the requirements referred to above³⁷.

Practical guidance

67. This guidance is to help scheme managers to meet the legal requirement to be satisfied that pension board members do not have any conflicts of interest. The same requirements apply to responsible authorities in relation to scheme advisory boards, (apart from the requirement regarding employer and member representatives), but the regulator does not have specific responsibility for oversight of scheme advisory boards.
68. Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed.
69. A conflict of interest may arise when pension board members:
 - must fulfil their statutory role³⁸ of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst
 - having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

34
Section 5(4)(b) of the
2013 Act.

35
Section 5(4)(c), *ibid.*

36
Section 7(4)(a), *ibid.*

37
Section 7(4)(b), *ibid.*

38
Section 5(2), *ibid.*

70. Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles')³⁹ will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These principles should be applied to all pension board members in the exercise of their functions as they require the highest standards of conduct. Schemes should incorporate the principles into any codes of conduct (and across their policies and processes) and other internal standards for pension boards.
71. Other legal requirements relating to conflicts of interest may apply to pension board members and/or scheme advisory board members⁴⁰. The regulator may not have specific responsibility for enforcing all such legal requirements, but it does have a particular role in relation to pension board members and conflicts of interest. While pension board members may be subject to other legal requirements, when exercising functions as a member of a pension board they must meet the specific requirements of the 2013 Act and are expected to satisfy the standards of conduct and practice set out in this code.
72. It is likely that some pension board members will have dual interests, which may include other responsibilities. Scheme managers and pension board members will need to consider all other interests, financial or otherwise, when considering interests which may give rise to a potential or actual conflict. For example, a finance officer appointed as a pension board member can offer their knowledge and make substantial contributions to the operational effectiveness of the scheme, but from time to time they may be involved in a decision or matter which may be, or appear to be, in opposition to another interest. For instance, the pension board may be required to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, while the finance officer is at the same time tasked, by virtue of their employment, with reducing departmental spending. A finance officer might not be prevented from being a member of a pension board, but the scheme manager must be satisfied that their dual interests are not likely to prejudice the pension board member in the exercise of any particular function.

39
The Committee on Standards in Public Life has set out seven principles of public life which apply to anyone who works as a public office holder or in other sectors delivering public services:
www.gov.uk/government/publications/the-7-principles-of-public-life.

40
For example, local government legislation applicable to English local authorities contains legal requirements relating to certain people about standards of conduct, conflicts of interest and disclosure of certain interests.

73. Scheme regulations will set out matters for which the pension board is responsible⁴¹. Schemes⁴² should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This should cover, for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.
74. Schemes should consider potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.

A three-stage approach to managing potential conflicts of interest

75. Conflicts of interest can inhibit open discussions and result in decisions, actions or inactions which could lead to ineffective governance and administration of the scheme. They may result in pension boards acting improperly, or lead to a perception that they have acted improperly. It is therefore essential that any interests, which have the potential to become conflicts of interest or be perceived as conflicts of interest, are identified and that potential conflicts of interest (including perceived conflicts) are monitored and managed effectively.
76. Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.

41
Section 5(2) of the 2013 Act.

42
See paragraph 25 for the definition of 'schemes'.

77. Broadly, schemes should consider potential conflicts of interest in three stages:
- identifying
 - monitoring, and
 - managing.

Identifying potential conflicts

78. Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.
79. Pension board members, and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest⁴³.
80. Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.
81. All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.
82. Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.

43
Section 5(4)(b) of the
2013 Act and scheme
regulations.

Monitoring potential conflicts

83. As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.
84. A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.
85. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising.

Managing potential conflicts

86. Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.
87. A perceived conflict of interest can be as damaging to the reputation of a scheme as an actual conflict of interest. It could result in scheme members and interested parties losing confidence in the way a scheme is governed and administered. Schemes should be open and transparent about the way they manage potential conflicts of interest.
88. When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the pension board, schemes should consider obtaining professional legal advice when assessing any option.

Examples of conflicts of interest

89. Below are some examples of potential or actual conflicts of interest which could arise, or be perceived to arise, in relation to public service pension schemes. These will depend on the precise role, responsibilities and duties of a pension board. The examples provided are for illustrative purposes only and are not exhaustive. They should not be relied upon as a substitute for the exercise of judgement based on the principles set out in this code and any legal advice considered appropriate, on a case-by-case basis.

a. Investing to improve scheme administration versus saving money

An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

b. Outsourcing an activity versus keeping an activity in-house

In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

c. Representing the breadth of employers or membership versus representing narrow interests

An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.

d. Assisting the scheme manager versus furthering personal interests

- i. A pension board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services
- ii. A pension board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

e) Sharing information with the pension board versus a duty of confidentiality to an employer

An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the pension board. They have to consider whether to share this information with the pension board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the pension board.

Representation on pension boards

90. While scheme regulations must require pension boards to have an equal number of employer and member representatives⁴⁴, there is flexibility to design arrangements which best suit each scheme.
91. Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.

44
Section 5(4)(c) of the
2013 Act.

Publishing information about schemes

Legal requirements

92. The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date⁴⁵.
93. The information must include:
 - who the members of the pension board are
 - representation on the board of members of the scheme(s), and
 - the matters falling within the pension board's responsibility⁴⁶.

Practical guidance

Publication of pension board information

94. Scheme members will want to know that their scheme is being efficiently and effectively managed. Public service pension schemes should have a properly constituted, trained and competent pension board, which is responsible for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the regulator.
95. Scheme managers must publish the information required about the pension board and keep that information up-to-date⁴⁷. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.
96. When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, schemes⁴⁸ should also publish useful related information about the pension board such as:
 - the employment and job title (where relevant) and any other relevant position held by each board member
 - the pension board appointment process
 - who each pension board member represents
 - the full terms of reference for the pension board, including details of how it will operate, and
 - any specific roles and responsibilities of individual pension board members.

45
Section 6(1) of the 2013 Act.

46
Section 6(2), *ibid.*

47
Section 6(1), *ibid.*

48
See paragraph 25 for the definition of 'schemes'.

97. Schemes should also consider publishing information about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They should consider any requests for additional information to be published, to encourage scheme member engagement and promote a culture of transparency.
98. Scheme managers must ensure that information published about the pension board is kept up-to-date⁴⁹. Schemes should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.

Other legal requirements

99. Scheme managers (or any other person specified in legislation) must comply with any other legal requirements relating to the publication of information about governance and administration. In particular, HM Treasury directions may require the scheme manager or responsible authority of a public service pension scheme to publish scheme information, including information about scheme administration and governance and may specify how and when information is to be published⁵⁰.

49
Section 6(1) of the 2013
Act.

50
Section 15, *ibid.*

Managing risks

100. This part of the code covers the requirement for scheme managers to establish and operate adequate internal controls.

Internal controls

Legal requirements

101. The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

102. For these purposes 'internal controls' means:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management, and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme⁵¹.

Practical guidance

103. Internal controls are systems, arrangements and procedures that are put in place to ensure that pension schemes are being run in accordance with the scheme rules (which for most public service pension schemes are set out in the scheme regulations) and other law. They should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme.

104. Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager's role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.

105. Scheme managers must establish and operate internal controls⁵². These should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.

⁵¹ Section 249A(5) and s249B of the Pensions Act 2004.

⁵² Section 249B, *ibid.*

Identifying risks

106. Before implementing an internal controls framework, schemes⁵³ should carry out a risk assessment. They should begin by:
- setting the objectives of the scheme
 - determining the various functions and activities carried out in the running of the scheme, and
 - identifying the main risks associated with those objectives, functions and activities.
107. An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, schemes should refer to relevant sources of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.
108. Once schemes have identified risks, they should record them in a risk register and review them regularly. Schemes should keep appropriate records to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.

Evaluating risks and establishing adequate internal controls

109. Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. Schemes should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.
110. Many pension schemes will already have adequate internal controls in place, some of which may apply to a variety of the functions of the administering authority. Schemes should review their existing arrangements and procedures to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. Any such review should be appropriate to the outcome of the risk evaluation.
111. Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.

53
See paragraph 25 for the definition of 'schemes'.

Managing risks by operating internal controls

112. Schemes should consider a number of issues when designing internal controls to manage risks. The examples provided are for illustrative purposes only and are not exhaustive. They should not be relied upon as a substitute for the exercise of judgement, based on the principles set out in this code and any advice considered appropriate, particularly in light of any problems experienced in the past.

a. How the control is to be implemented and the skills of the person performing the control

For example, schemes should ensure that new employers participating in the scheme understand what member data are required and the process for supplying it. Where employers fail to supply the correct data or do not follow the correct process, schemes should ensure that the employer identifies the cause of the error and that appropriate action is taken to avoid recurrence, for example remedying a systemic error or providing the relevant training.

b. The level of reliance that can be placed on information technology solutions where processes are automated

For example, where scheme administration processes use an automated system, internal or external auditors could audit the system on an annual basis to assess whether it is capable of performing a required function and report any issues that are identified.

c. Whether a control is capable of preventing future recurrence or merely detecting an event that has already happened

For example, schemes should ensure that their systems support the maintenance and retention of good member records. This includes implementing procedures and controls which identify where systems are not fit for purpose, there are gaps in the data, the data are of a poor quality and/or there has been a loss of data.

d. The frequency and timeliness of a control process

For example, schemes should ensure that data are complete. They should undertake a data-cleansing or member-tracing exercise and review this on a regular basis (at least annually or at regular intervals that they consider appropriate for the scheme).

e. How the control will ensure that data are managed securely

For example, schemes should ensure that all staff, including temporary or contract staff, complete information management training before they are given access to sensitive data.

f. The process for flagging errors or control failures, and approval and authorisation controls

For example, schemes should ensure that member communications such as member information booklets are reviewed regularly, particularly where there are changes to the scheme. All relevant parties should be aware of how they should flag errors and the authorisation required before any changes are made to the communications.

Monitoring controls effectively

113. Risk assessment is a continual process and should take account of a changing environment and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.
114. For example, where relevant, schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).
115. An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. Schemes should periodically review the adequacy of internal controls in:
 - mitigating risks
 - supporting longer-term strategic aims, for example relating to investments
 - identifying success (or otherwise) in achieving agreed objectives, and
 - providing a framework against which compliance with the scheme regulations and legislation can be monitored.
116. Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively. Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.
117. A persistent failure to put in place adequate internal controls may be a contributory cause of an administrative breach. Where the effect and wider implications of not having in place adequate internal controls are likely to be 'materially significant', the regulator would expect to receive a whistleblowing report that outlines relevant information relating to the breach. For more information, see the 'Reporting breaches of the law' section of this code.

118. Ultimately, the legal responsibility for establishing and operating adequate internal controls rests with the scheme manager⁵⁴. Scheme regulations or other documents may delegate responsibilities to pension board members or others – for example identifying, evaluating and managing risks, developing and maintaining appropriate controls and providing assurance to the scheme manager about any controls in place. However, accountability for those controls and the governance of policies, procedures and processes will reside with the scheme manager.

Outsourcing services

119. The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, scheme managers should be satisfied that internal controls associated with those services are adequate and effective.

120. An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. Schemes should ask their service providers to demonstrate that they have adequate internal controls relating to the services they provide. It is vital that schemes ensure they receive sufficient assurance from service providers. For example, the information from providers should be sufficiently detailed and comprehensive and the service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards. This should help to ensure effective administration.

54
Section 249B of the
Pensions Act 2004.

Administration

121. This part of the code covers:

- scheme record-keeping
- maintaining contributions, and
- providing information to members.

Scheme record-keeping

Legal requirements

122. Scheme managers must keep records of information relating to:

- member information⁵⁵
- transactions⁵⁶, and
- pension board meetings and decisions⁵⁷.

123. The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

Practical guidance

124. Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes⁵⁸ to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. For funded schemes, it may lead to schemes managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets. Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records to be able to govern and administer their pension scheme efficiently.

125. Scheme managers must establish and operate adequate internal controls⁵⁹, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.

55
Regulation 4 of the Record Keeping Regulations.

56
Regulation 5, *ibid.*

57
Regulation 6, *ibid.*

58
See paragraph 25 for the definition of 'schemes'.

59
Section 249B of the Pensions Act 2004.

Records of member information

126. Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate⁶⁰. Member data should be subject to regular data evaluation.
127. Scheme managers must keep specific member data⁶¹, which will enable them to uniquely identify a scheme member and calculate benefits correctly. This is particularly important with the establishment of career average revalued earnings (CARE) schemes. Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements) in accordance with legislative requirements⁶², as well as pay the right benefits to the right person (including all beneficiaries) at the right time.
128. Schemes should require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that processes are established by employers which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.
129. Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:
- joins or leaves the scheme
 - changes their rate of contributions
 - changes their name, address or salary
 - changes their member status, and
 - transfers employment between scheme employers.
130. Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes, for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.

⁶⁰
Section 16 and s30 of the 2013 Act. Regulation 4 of the Record Keeping Regulations specifies member records which must be kept. The Data Protection Act 1998 requires personal data to be accurate and up-to-date.

⁶¹
Regulation 4 of the Record Keeping Regulations.

⁶²
Legislative requirements include s14 of the 2013 Act, HM Treasury directions made under that section, and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Records of transactions

131. Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs. In doing so, they will have clear oversight of the core scheme transactions and should be able to mitigate risks swiftly.
132. Scheme managers must keep records of transactions made to and from the scheme and any amount due to the scheme which has been written off⁶³. They should be able to demonstrate that they do so.

Records of pension board meetings and decisions

133. Scheme managers must keep records of pension board meetings including any decisions made⁶⁴. Schemes should also keep records of key discussions, which may include topics such as compliance with policies relating to administration of the scheme.
134. Scheme managers must also keep records relating to any decision taken by members of the pension board other than at a pension board meeting, or taken by a committee/sub-committee, which has not been ratified by the pension board. The records must include the date, time and place of the decision and the names of board members participating in that decision⁶⁵. This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the scheme.

Retention of scheme records

135. Schemes should retain records for as long as they are needed. It is likely that data will need to be held for long periods of time and schemes will need to retain some records for a member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods.

Ongoing monitoring of data

136. Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete, regardless of the volume of scheme transactions. This should be in relation to all membership categories, including pensioner member data where queries may arise once the pension is being paid.
137. Schemes should adopt a proportionate and risk-based approach to monitoring, based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.

63
Regulation 5 of the
Record Keeping
Regulations.

64
Regulation 6, *ibid.*

65
Ibid.

Data review exercise

138. Schemes should continually review their data and carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.
139. Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data. They should ensure that the administrator has assessed the risks that poor or deficient member records may present to the scheme and has taken the necessary steps to mitigate them, where applicable.
140. Where there has been a change of administrator or the administration system/platform, schemes should review and cleanse data records and satisfy themselves that all data are complete and accurate.

Data improvement plan

141. Where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues. The plan should have specific data improvement measures which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.

Reconciliation of member records

142. Schemes should ensure that member records are reconciled with information held by the employer, for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.

Data protection and internal controls

143. Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.

144. Schemes should understand:

- their obligations as data controllers and who the data processors are in relation to the scheme
- the difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998)
- how data are held and how they should respond to data requests from different parties
- the systems which need to be in place to store, move and destroy data, and
- how data protection affects member communications.

Other legal requirements

145. In addition to the requirements set out in the Record Keeping Regulations, there are various other legal requirements that relate to record-keeping in public service pension schemes. Those requirements apply variously to managers, administrators and employers. Not all requirements apply to all public service pension schemes, but some of the key requirements are set out under the following legislation:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010⁶⁶
- Occupational Pension Schemes (Scheme Administration) Regulations 1996
- Registered Pension Schemes (Provision of Information) Regulations 2006
- Data Protection Act 1998, and
- Freedom of Information Act 2000.

146. Where applicable, schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements. Schemes should read the relevant legislation and any guidance in conjunction with this code where applicable.

⁶⁶ See the regulator's guidance about automatic enrolment for more information about record-keeping requirements under this legislation.

Maintaining contributions

Legal requirements

147. Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable⁶⁷.
148. Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period')⁶⁸, or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.
149. Where employee contributions are not paid within the prescribed period, if the scheme manager⁶⁹ has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period⁷⁰. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law. For more information about reporting breaches of the law, see this section of the code.

67
Section 70A of the Pensions Act 2004.

68
Section 49(8) of the Pensions Act 1995 and regulation 16 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

69
The legal requirement to report late payments of employee contributions is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

70
Section 49(9) of the Pensions Act 1995.

71
See paragraph 25 for the definition of 'schemes'.

Practical guidance

150. As part of the requirement to establish and operate adequate internal controls, scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.
151. Schemes⁷¹ should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.

152. Adequate procedures and processes are likely to involve:

- developing a record to monitor the payment of contributions
- monitoring the payment of contributions
- managing overdue contributions, and
- reporting materially significant payment failures.

153. These procedures and processes should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator, as well as ensuring the effective management of scheme contributions and payment of the right pension.

Developing a record for monitoring the payment of contributions

154. There are legislative requirements for managers of DB schemes to keep a schedule of contributions; and for DC schemes, a payment schedule, which allows managers to monitor contributions to their scheme. There are various exemptions from these requirements including for DB and DC schemes which are established by or under an enactment and which are guaranteed by a Minister of the Crown or other public authority, and for DB schemes which are pay-as-you-go schemes⁷².

155. Public service pension schemes which meet these exemptions should nonetheless develop a record for monitoring the payment of contributions to the scheme (a contributions monitoring record, which must reflect any requirements in scheme regulations where relevant). Schemes should prepare the contributions monitoring record in consultation with employers.

156. A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.

157. A contributions monitoring record should include the following information:

- contribution rates
- the date(s) on or before which employer contributions are to be paid to the scheme
- the date by when, or period within which, the employee contributions are to be paid to the scheme
- the rate or amount of interest payable where the payment of contributions is late.

72

Exemptions from the requirement to secure a schedule of contributions in respect of DB schemes under s227 of the Pensions Act 2004 are in regulation 17 of the Occupational Pension Schemes (Scheme Funding) Regulations 2005. Exemptions from the requirement to secure a payment schedule in respect of DC schemes under s87 of the Pensions Act 1995 is in regulation 17 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

158. The date when employer contributions must be paid is the date on or before which they are due under the scheme in accordance with the scheme regulations (or other scheme documentation). Schemes should assess the timing of payments against the date specified.
159. While there is a legal requirement for employee contributions to be paid to the scheme by the 19th day of the month following deduction, or by the 22nd day if paid electronically, this does not override any earlier time periods required by the scheme regulations. There are special rules for the first deduction of contributions on automatic enrolment under the Pensions Act 2008⁷³.
160. A contributions monitoring record should help schemes to identify any employers who are not paying contributions on time and/or in full, support schemes to ensure that contributions are paid and employers to develop and implement new processes, as appropriate. The contributions monitoring record should provide schemes with information to maintain records of money received and will be useful for schemes to ensure that their member records are kept up-to-date.

Monitoring the payment of contributions

161. Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.
162. Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring and which are likely to be of material significance and require the scheme manager to intervene.
163. Schemes should be aware of what is to be paid in accordance with the contributions monitoring record or other scheme documentation, which may be used by the pension scheme. Schemes should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.
164. For schemes to effectively monitor contributions they will require access to certain information. Employers will often provide the payment information that schemes need to monitor contributions at the same time as they send the contributions to the scheme, which may be required under the scheme regulations. Payment information may include:
 - the employer and employee contributions due to be paid, which should be specified in the scheme regulations and/or other scheme documentation
 - the pensionable pay that contributions are based upon (where required), and
 - due date(s) on or before which payment of contributions and other amounts are to be made.

73
Regulation 16 of the
Occupational Pension
Schemes (Scheme
Administration)
Regulations 1996.

165. Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member. Where the necessary payment information is not automatically available or provided by employers, schemes should request the additional information they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.
166. Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits⁷⁴, which will support them in their administration and monitoring responsibilities.
167. Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.

Managing overdue contributions

168. When schemes identify or are notified of a problem, they should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it. During their assessment, schemes should take into account:
- legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances
 - legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances
 - contributions paid directly to a pension provider, scheme administrator or investment manager
 - any AVCs included with an employer's overall payment.
169. Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:
- a. Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.
 - b. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.

74
Regulation 5 of the
Record Keeping
Regulations.

- c. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.
 - d. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.
170. Schemes should maintain a record of their investigation and communications between themselves and the employer. Recording this information will help to provide evidence of schemes' effective monitoring processes and could help to demonstrate that the scheme manager has met the legal requirement to establish and operate adequate internal controls. It will also form part of the decision of whether or not to report a payment failure to the regulator and, where relevant, members.
171. The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes should review current processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.
172. Ultimately, schemes have flexibility to design their own procedures so that they can obtain overdue payments and rectify administrative errors in the most effective and efficient way for their particular scheme.

Reporting payment failures which are likely to be of material significance to the regulator

173. Scheme managers must report payment failures which are likely to be of material significance to the regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions⁷⁵.
174. Where schemes identify a payment failure, they should attempt to recover contributions within 90 days from the due date or prescribed period having passed without full payment of the contribution.
175. While schemes are not expected to undertake a full investigation to establish materiality or investigate whether an employer has behaved fraudulently, schemes should ask the employer:
- the cause and circumstances of the payment failure
 - what action the employer has taken as a result of the payment failure, and
 - the wider implications or impact of the payment failure.

75
Section 49(9)(b) of the Pensions Act 1995 and s70A of the Pensions Act 2004.

176. When reaching a decision about whether to report, schemes should consider these points together and establish whether they have reasonable cause to report.
177. Having reasonable cause means more than merely having a suspicion that cannot be substantiated. Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator.
178. Schemes may choose to take an employer's response to their enquiries at face value if they have no reason to believe it to be untrue or where their risk-based process indicates that there is a low risk of continuing payment failure. Where they receive no response, schemes may infer that an employer is unwilling to pay the contributions due.
179. Examples of payment failures that are likely to be of material significance to the regulator include:
- where schemes have reasonable cause to believe that the employer is neither willing nor able to pay contributions, for example in the event of a business failure or where an employer becomes insolvent and is unable to make pension payments
 - where there is a payment failure involving possible dishonesty or a misuse of assets or contributions, for example where schemes have concerns that an employer is retaining and using contributions to manage cash flow difficulties or where schemes have become aware that the employer has transferred contributions elsewhere other than to the pension scheme, which may be misappropriation
 - where the information available to schemes may indicate that the employer is knowingly concerned with fraudulently evading their obligation to pay employee contributions
 - where schemes become aware that the employer does not have adequate procedures or systems in place to ensure the correct and timely payment of contributions due and the employer does not appear to be taking adequate steps to remedy the situation, for example where there are repetitive and regular payment failures, or
 - any event where contributions have been outstanding for 90 days from the due date, unless the payment failure was a one-off or infrequent administrative error that had already been corrected on discovery or is thereafter corrected as soon as possible.

180. Examples of payment failures which are not likely to be of material significance to the regulator include:
- where a payment arrangement is being met by an employer for the recovery of outstanding contributions, or
 - where there are infrequent one-off payment failures or administrative errors such as where employees leave or join the scheme and those occasional failures or errors have been corrected within 90 days of the due date.
181. Schemes should identify and report to the regulator, as appropriate, any payment failures that may not be of material significance taken individually, but which could indicate a systemic problem. For example, an employer consistently failing to pay contributions by the due date or within the prescribed period, but paying within 90 days, may be due to inefficient scheme systems and processes. Schemes may also need to report payment failures that occur repeatedly and are likely to be materially significant to the regulator, depending on the circumstances.
182. Reporting payment failures of employer contributions as soon as ‘reasonably practicable’ means within a reasonable period from the scheme manager having reasonable cause to believe that the payment failure is likely to be of material significance to the regulator. Schemes should also consider whether it may be appropriate to report a payment failure of employer contributions to scheme members.
183. A reasonable period for reporting would be within ten working days from having reasonable cause to believe that the payment failure is likely to be of material significance. This will depend upon the seriousness of the payment failure and impact on the scheme. A written report should be preceded by a telephone call, if appropriate.
184. In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe that the payment failure is likely to be of material significance to the regulator, the failure must be reported to the regulator⁷⁶ and members within a reasonable period after the end of the prescribed period⁷⁷. A reasonable period for reporting to the regulator would be within ten working days and to members within 30 days of having reported to the regulator.
185. Reports relating to payment failures of employer contributions must be made in writing (preferably using our Exchange online service)⁷⁸. In exceptional circumstances the scheme manager could make a telephone report.

76
Reporting to the regulator does not affect any responsibility to report to another person or organisation.

77
S49(8) and (9) of the Pensions Act 1995 and regulation 16 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under s70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.

78
Section 70A of the Pensions Act 2004.

186. The regulator has standardised reporting procedures and expectations regarding content, format and channel. For more information, see the section of this code on 'Reporting breaches of the law'.

Providing information to members

Legal requirements

187. The law requires schemes⁷⁹ to disclose information about benefits and scheme administration to scheme members and others. This section summarises the legal requirements relating to benefit statements and certain other information which must be provided and should be read alongside the requirements in the 2013 Act, HM Treasury directions⁸⁰ and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation. See paragraph 211 for further details.

79
See paragraph 25 for the definition of 'schemes'.

80
Section 14 of the 2013 Act.

81
Section 14(1) and s30(1) of the 2013 Act.

Benefit statements

For active members of DB schemes under the 2013 Act

188. Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme⁸¹. The statement must include a description of the benefits earned by a member in respect of their pensionable service⁸².

82
Section 14(2)(a), *ibid.*

83
Section 14(4) and (5), *ibid.*

84
Section 14(2)(b) and (6), *ibid.*

189. The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force. Subsequent statements must be provided at least annually after that date⁸³.

85
The Occupational Pension Schemes (Managers) Regulations 1986 specify who is to be treated as the 'manager' (in certain occupational public service pension schemes) for the purpose of providing information under specified legislation, including the Disclosure Regulations 2013, which may differ from the person who is the 'scheme manager'.

190. Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members⁸⁴.

For active, deferred or pension credit members of any DB public service pension scheme under the Disclosure Regulations 2013

191. Managers⁸⁵ of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request⁸⁶.

86
Regulation 16 of the Disclosure Regulations 2013.

192. These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated⁸⁷. The full details depend on the type of member making the request.
193. The information must be given as soon as practicable but no more than two months after the date the request is made⁸⁸.

For members of a DC public service pension scheme under the Disclosure Regulations 2013

194. Managers of a scheme must provide a benefit statement to a member of a DC public service pension scheme, who is not an 'excluded person', within 12 months of the end of the scheme year⁸⁹. An 'excluded person' is a member or beneficiary whose present postal address and email address is not known to the scheme because the correspondence has been returned (in the case of postal correspondence) or has not been delivered (in the case of electronic correspondence)⁹⁰.
195. The information which must be provided includes the amount of contributions (before any deductions are made) credited to the member during the immediately preceding scheme year⁹¹, the value of the member's accrued rights under the scheme at a date specified by the managers of the scheme⁹² and a statutory money purchase illustration⁹³. The full detail of the information that must be provided is set out in the Disclosure Regulations 2013.

87
Regulation 16 and Schedule 5 of the Disclosure Regulations 2013.

88
Regulation 16(3), *ibid.*

89
Regulation 17, *ibid.*

90
Regulation 2, *ibid.*

91
'Scheme year' is defined in Regulation 2, *ibid.*

92
Regulation 17 and Schedule 6, *ibid.*

93
Paragraph 6 and Schedule 6, *ibid.* There are certain exceptions to the requirements to provide this information.

94
Regulation 4, *ibid.*

Other information about scheme administration

196. Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes:
- basic scheme information
 - information about the scheme that has materially altered
 - information about the constitution of the scheme
 - annual report (this requirement will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers⁹⁴)

- information about funding principles, actuarial valuations and payment schedules (these requirements will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers⁹⁵)
- information about transfer credits
- information about lifestyling (this requirement will not apply in respect of DB benefits in public service pension schemes⁹⁶)
- information about accessing benefits, and
- information about benefits in payment.

197. The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries⁹⁷.

Who is entitled to information

198. Managers of a scheme must ensure that scheme members and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person' (as defined above).

199. The Disclosure Regulations 2013 make provision for scheme members and others to receive information that is relevant to their pension rights and entitlements under the scheme. The categories of people who are entitled to receive information vary according to the different types of information, and there are exemptions where information has already been provided in a specified period. The detail of who is entitled to any particular type of information is set out in the Disclosure Regulations 2013 but may include any of the following ('a relevant person'):

- active members
- deferred members
- pensioner members
- prospective members
- spouses or civil partners of members or prospective members
- other beneficiaries, and
- recognised trade unions.

95
Regulation 4 of the
Disclosure Regulations
2013.

96
Regulation 18(1), *ibid.*

97
Regulation 4(7), *ibid.*

When basic scheme information must be provided

200. Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member⁹⁸. Where the manager has received jobholder information⁹⁹ for the member or prospective member they must provide the information within a month of the jobholder information being received¹⁰⁰. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme¹⁰¹.
201. Managers must also provide the information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 months before the request¹⁰².

What information must be disclosed on request

202. In addition to the basic scheme information, pension scheme members and other relevant persons are entitled to request certain scheme information or scheme documents including:
- information about the constitution of the pension scheme, and
 - information about transfer credits¹⁰³.

How benefit statements and other information must be provided

203. Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met¹⁰⁴. These include:
- scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme
 - managers being satisfied that the electronic communications have been designed:
 - so that the person will be able to access and either store or print the relevant information and
 - taking into account the requirements of disabled people

98
Regulation 6 of the Disclosure Regulations 2013.

99
Specified in regulation 3 of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010.

100
Regulation 6(5) of the Disclosure Regulations 2013.

101
Regulation 6(6), *ibid.*

102
Regulation 6(4) and (7), *ibid.*

103
Regulations 11, 14 and Parts 1 and 4 of Schedule 3, *ibid.*

104
Regulation 26, *ibid.*

- ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that:
 - it is proposed to provide information electronically in the future and
 - scheme members and beneficiaries may opt out of receiving information electronically by sending written notice.

204. Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient¹⁰⁵. They must ensure that the notice includes:

- a statement advising that the information is available on the website
- the website address
- details of where on the website the information or document can be read, and
- an explanation of how the information or document may be read on the website¹⁰⁶.

205. When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website¹⁰⁷. This notice will not be required where¹⁰⁸:

- at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address
- each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically
- a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and
- the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.

105
Regulation 27(1) and (5) of the Disclosure Regulations 2013.

106
Regulation 27(2), *ibid.*

107
Regulation 27(3) and (5), *ibid.*

108
Regulation 28, *ibid.*

206. In some cases, the Disclosure Regulations 2013 specify that information must be made available by one of the following methods¹⁰⁹:

- available to view free of charge, at a place that is reasonable having regard to the request
- published on a website (in which case the procedure to be followed before making information available on a website does not apply, except that the person or trade union must be notified of certain details)
- given for a charge that does not exceed the expense incurred in preparing, posting and packing the information, or
- publicly available elsewhere.

Practical guidance

207. Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.

208. Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.

209. Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage. Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information. Scheme managers and managers (where different) must provide information in accordance with the time periods specified in the 2013 Act and Disclosure Regulations 2013.

210. To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.

Other legal requirements

211. Managers (or any other person specified in legislation) must comply with other legislation requiring information to be provided to members of public service pension schemes in certain circumstances. Not all requirements apply to all public service pension schemes and some may only arise in limited circumstances.

¹⁰⁹ Regulation 29 of the Disclosure Regulations 2013.

Some of the requirements that schemes may need to be aware of are set out in or under the following legislation¹¹⁰:

- Occupational Pension Schemes (Contracting-out) Regulations 1996
- Occupational Pension Schemes (Transfer Values) Regulations 1996
- Occupational Pension Schemes (Winding up etc.) Regulations 2005
- Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008 (the requirements of these regulations are covered in the section of this code on 'Internal dispute resolution').

110

The legislation identified in this list is made under section 113 of the Pension Schemes Act 1993. There are other requirements that relate to providing information to members which arise under other legislation and which may be relevant to public service pension schemes (for example, under legislation relating to automatic enrolment and early leavers).

Resolving issues

212. This part covers:

- internal dispute resolution, and
- reporting breaches of the law.

Internal dispute resolution

Legal requirements

213. Scheme managers¹¹¹ must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. 'Pension disputes'¹¹² cover matters relating to the scheme between the managers and one or more people with an interest in the scheme. These exclude 'exempted disputes'.

214. There are certain 'exempted disputes' to which the internal dispute resolution procedure will not apply¹¹³. This includes disputes where proceedings have commenced in any court or tribunal, or where the Pensions Ombudsman has commenced an investigation into it. Certain other prescribed disputes, for instance medical-related disputes that may arise in relation to police and fire and rescue workers, are also 'exempted disputes'¹¹⁴.

215. A person has an interest in the scheme if they:

- are a member or surviving non-dependant beneficiary of a deceased member of the scheme
- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme
- are a prospective member of the scheme
- have ceased to be a member, beneficiary or prospective member or
- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.

216. Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters¹¹⁵.

111

Legal requirements relating to the internal dispute resolution provisions are imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

112

Section 50(3) of the Pensions Act 1995.

113

Section 50(9), *ibid.*

114

Regulation 4 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008.

115

Section 50(4A) of the Pensions Act 1995.

217. Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it¹¹⁶.
218. Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given¹¹⁷. The procedure must specify a reasonable period within which applications must be made by certain people¹¹⁸.
219. Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service (TPAS) and the Pensions Ombudsman to certain people at certain stages¹¹⁹.

Practical guidance

220. Scheme members expect their pension scheme to be managed effectively. Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.
221. Internal dispute resolution arrangements provide formal procedures and processes for pension scheme disputes to be investigated and decided upon quickly and effectively. They play a key role in the effective governance and administration of a scheme.
222. Schemes¹²⁰ can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that is more appropriate for their scheme.
223. With the exception of certain matters outlined below, the law does not prescribe the detail of the dispute resolution procedure. Schemes should decide on this and ensure it is fit for purpose.

116
Section 50(5) of the Pensions Act 1995.

117
Section 50B(4), *ibid.*

118
Section 50B(3)(a), *ibid.*

119
Regulation 6 of, and Part 1 of Schedule 2 to, the Disclosure Regulations 2013 and regulation 2 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures) (Consequential and Miscellaneous Amendments) Regulations 2008.

120
See paragraph 25 for the definition of 'schemes'.

When applications should be submitted

224. Schemes may choose to specify time limits within which the following people must apply for a dispute to be resolved¹²¹:

- scheme members
- widows, widowers, surviving civil partners or surviving dependants of deceased scheme members
- surviving non-dependant beneficiaries of deceased scheme members, and
- prospective scheme members.

225. If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.

226. Scheme managers must ensure their scheme's procedure specifies a reasonable period within which applications by the following people must be made¹²²:

- a person who has ceased to be within the categories in paragraph 224 above
- a person who claims that they were a person within the categories in paragraph 224 above and has ceased to be such a person, and the dispute relates to whether they are such a person.

227. A reasonable period would be six months beginning immediately after the date on which the person ceased to be, or claims they ceased to be, a person with an interest in the scheme. However, schemes have the flexibility to exercise their judgement and take an application outside a specified time period, if appropriate.

When decisions should be taken

228. Managers and specified persons (where applicable) must decide the matter in dispute within a reasonable period of receiving the application. A reasonable period is within four months of receiving the application. In the case of a two-stage dispute resolution procedure, the reasonable period applies to each stage separately. Where a dispute is referred to scheme managers for a second-stage decision, the reasonable period begins when the managers receive the referral. However, there may be cases where it will be possible to process an application sooner than the reasonable time given. Where this is the case, there should not be a delay in taking the decision.

121
Section 50B(3)(b) of the Pensions Act 1995.

122
Section 50B(3)(a) of the Pensions Act 1995.

229. There may be exceptional circumstances of a particular dispute which may prevent the process being completed within the reasonable time period stated above. For instance, where the dispute involves unusually complex and labour-intensive calculations or research, or delays occur that are outside the control of the scheme manager (or specified person), or because they need to obtain independent evidence.
230. The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.

When applicants should be informed of a decision

231. Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made¹²³. Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.
232. Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome.

Implementing the procedure and processes

233. Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented.
234. Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making. This is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage.
235. Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website.

123
Section 50(5) of the
Pensions Act 1995.

236. Scheme managers must provide the following information about the procedure and processes the scheme has in place for the internal resolution of disputes to certain people in certain circumstances¹²⁴:

- prospective members, if it is practicable to do so
- any scheme members who have not already been given the information
- certain relevant people who request the information and who have not been given that information in the previous 12 months, and
- members or prospective members when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment.

237. Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.

238. In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages¹²⁵. Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.

239. Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make the following information available to applicants:

- the procedure and processes to apply for a dispute to be resolved
- the information that an applicant must include
- the process by which any decisions are reached, and
- an acknowledgement once an application has been received.

124
Regulation 6 of, and Part 1 of Schedule 2 to, the Disclosure Regulations 2013.

125
Regulation 2 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures) (Consequential and Miscellaneous Amendments) Regulations 2008.

240. When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.

Reporting breaches of the law

Legal requirements

241. Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty¹²⁶ which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions¹²⁷.

For further information about reporting late payments of employee or employer contributions, see the section of this code on 'Maintaining contributions'.

242. People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers¹²⁸
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers¹²⁹: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers¹³⁰ including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme¹³¹.

243. The report must be made in writing as soon as reasonably practicable¹³². See paragraph 263 for further information about how to report breaches.

126

The reference to a legal duty is to a duty imposed by, or by virtue of, an enactment or rule of law (s70(2)(a) of the Pensions Act 2004).

127

Section 70(2) of the Pensions Act 2004.

128

The legal requirement to report breaches of the law under section 70(1)(a) is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

129

As defined in s318 of the Pensions Act 2004.

130

As defined in s47 of the Pensions Act 1995.

131

Section 70(1) of the Pensions Act 2004.

132

Section 70(2), *ibid.*

Practical guidance

244. Schemes¹³³ should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.

Implementing adequate procedures

245. Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.

246. Procedures should include the following features:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board
- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator
- an established procedure for dealing with difficult cases
- a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable
- a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and
- a process for identifying promptly any breaches that are so serious they must always be reported.

133
See paragraph 25
for the definition of
'schemes'.

Judging whether a breach must be reported

247. Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.

Judging whether there is 'reasonable cause'

248. Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

249. Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

250. Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.

251. If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

252. In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Judging what is of 'material significance' to the regulator

253. In deciding whether a breach is likely to be of 'material significance' to the regulator. It would be advisable for those with a statutory duty to report to consider the:

- cause of the breach
- effect of the breach
- reaction to the breach, and
- wider implications of the breach.

254. When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.

Cause of the breach

255. The breach is likely to be of material significance to the regulator where it was caused by:

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law.

256. When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

257. A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

258. Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:

- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and
- any other breach which may result in the scheme being poorly governed, managed or administered.

259. Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

260. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.

261. A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

262. Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Submitting a report to the regulator

263. Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.

264. The report should be dated and include as a minimum:

- full name of the scheme
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter, and
- role of the reporter in relation to the scheme.

265. Additional information that would help the regulator includes:

- the reason the breach is thought to be of material significance to the regulator
- the address of the scheme
- the contact details of the scheme manager (if different to the scheme address)
- the pension scheme's registry number (if available), and
- whether the concern has been reported before.

266. Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
267. Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the reporter be confident that the regulator has received their report.
268. The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.
269. The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.
270. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
271. In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.

Whistleblowing protection and confidentiality

272. The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
273. The statutory duty to report does not, however, override 'legal privilege'¹³⁴. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

134
Section 311 of the
Pensions Act 2004.

274. The regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
275. The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.

Appendix

Corresponding Northern Ireland legislation

GB legislation	NI legislation
Pension Schemes Act 1993 (c. 48) - Chapter 1 of Part 4 - section 113	Pension Schemes (Northern Ireland) Act 1993 (c. 49) - Chapter 1 of Part 4 - section 109
Pensions Act 1995 (c. 26) - section 47 - section 49 - section 50 - section 50B - section 87	Pensions (Northern Ireland) Order 1995 (SI 1995/3213 (NI 22)) - Article 47 - Article 49 - Article 50 - Article 50B - Article 85
Employment Rights Act 1996 (c. 18)	Employment Rights (Northern Ireland) Order 1996 (SI 1996/1919 (NI 16))
Data Protection Act 1998 (c. 29)	Data Protection Act 1998 (c. 29)
Freedom of Information Act 2000 (c.36)	Freedom of Information Act 2000 (c.36)
Pensions Act 2004 (c. 35) - section 5 - section 13 - section 70 - section 70A - section 90A - Part 3 - section 227 - section 248 - section 248A - section 249A - section 249B - section 311 - section 318	Pensions (Northern Ireland) Order 2005 (SI 2005/255 (NI 1)) - Article 4 - Article 9 - Article 65 - Article 65A - Article 85A - Part 4 - Article 206 - Article 225 - Article 225A - Article 226A - Article 226B - Article 283 - Article 2
Pensions Act 2008 (c. 30)	Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13)

GB legislation	NI legislation
Public Service Pensions Act 2013 (c. 25) <ul style="list-style-type: none"> - section 1 - section 2 - section 3 - section 4 - section 5 - section 6 - section 7 - section 14 - section 15 - section 16 - section 28 - section 30 - Schedule 2 - Schedule 3 	Public Service Pensions Act (Northern Ireland) 2014 (c. 2) <ul style="list-style-type: none"> - section 1 - section 2 - section 3 - section 4 - section 5 - section 6 - section 7 - section 14 - section 15 - section 16 - section 28 - section 31 - Schedule 2 - Schedule 3
Occupational Pension Schemes (Managers) Regulations 1986 (SI 1986/1718)	Occupational Pension Schemes (Managers) Regulations (Northern Ireland) 1986 (SR 1986 No. 320)
Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)	Occupational Pension Schemes (Contracting-out) Regulations (Northern Ireland) 1996 (SR 1996 No. 493)
Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)	Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No. 94)
Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847)	Occupational Pension Schemes (Transfer Values) Regulations (Northern Ireland) 1996 (SR 1996 No. 619)
Occupational Pension Schemes (Winding up etc.) Regulations 2005 (SI 2005/706)	Occupational Pension Schemes (Winding up, etc.) Regulations (Northern Ireland) 2005 (SR 2005 No. 171)
Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)	Occupational Pension Schemes (Scheme Funding) Regulations (Northern Ireland) 2005 (SR 2005 No. 568)
Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)	Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

GB legislation	NI legislation
Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008 (SI 2008/649)	Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations (Northern Ireland) 2008 (SR 2008 No. 116)
Employers' Duties (Registration and Compliance) Regulations 2010 (SI 2010/5)	Employers' Duties (Registration and Compliance) Regulations (Northern Ireland) 2010 (SR 2010 No. 186)
Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 (SI 2010/772)	Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations (Northern Ireland) 2010 (SR 2010 No. 122)
Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734)	Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014 (SR 2014 No. 79)
Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014	Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations (Northern Ireland) 2014

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The Surrey Local Pension Board 25 April 2019

Review of Internal Dispute Resolution cases in 2018/19 (Quarter Four)

Recommendation

1. The Board is asked to note the content of this report.

Detail:

Introduction

2. Pursuant to the Local Government Pension Scheme (LGPS) Regulations 2013 (the Regulations) each scheme employer and administering authority must appoint an adjudicator to consider applications regarding the first instance decisions made by the scheme employer or where relevant the administering authority.
3. Under the Scheme of Delegation relating to section 106 agreements, the following officers are nominated to hear stage one and stage two Internal Dispute Resolution (IDRP) appeals:
 - The Acting Section 151 Officer.
 - The Director of Legal and Democratic Services.
 - The Director of People and Development.
 - The Head of Pensions (Pension Fund and Treasury).

Summary of the appeals in 2018/19 (quarter four)

Stage 1 IDRP Determinations relating to complaints from previous quarters

4. There was one determination and one quasi appeal in this category;
 - i. A member who requested a pension estimate shortly before they retired complained about the delay in providing it. The determination apologised for the delay but dismissed the appeal because the member had suffered no detriment.

- ii. A belated appeal was received from a financial services company acting on behalf of a member who transferred out in 2013. The adjudicator declined to hear the appeal because it was out of time but went on to explain that the transfer was completed in full compliance with the regulatory structure in force at the time.

Pensions Ombudsman final determination (1 case)

5. A letter was received from the Pension Ombudsman concerning an “IDRP” relating to a deferred member who wished to transfer out. Although a quotation was initially provided it was swiftly noticed that she was no longer eligible to transfer out because she had left pensionable employment and the GMP element of her pension had been put into payment. The investigating officer pointed out that Surrey Pension Fund did not agree that it was a formal IDRP because no formal application had been received and it had been dealt with under the local resolution (informal) process.

Complaint

6. There was one quasi appeal received during the quarter. A member requested flexible retirement in accordance with their employer’s policy; however, they subsequently complained when the employer requested an estimate to see whether they would have to bear any costs - as required by their published policy. It is more a GDPR complaint than a pensions issue and, although it is not being treated as a formal IDRP, an officer will investigate the case and write a reply addressing the issues raised.

Report contact: John Smith, Senior Advisor (Investments, Finance and Governance)

Contact details: T: 020 8213 2700 E-mail: john.smith@surreycc.gov.uk

Sources/background papers: The LGPS Regulations 2013

Ref	Legal requirement	TPR's guidance	How Surrey County Council complies with TPR guidance	Compliant	Action
<p>Governing the scheme</p> <p>Knowledge and understanding required by Pension board members</p> <p>[34 – 60]</p>	<p>A member of the pension board of a public service pension scheme must be conversant with:</p> <ul style="list-style-type: none"> • the rules of the scheme and • any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions, and • any other matters which are prescribed in regulations. <p>The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board²⁴</p>	<p>1. Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38].</p>	<p>1. The Fund maintains a training policy reflecting the requirements for Knowledge and Understanding. The policy was approved the fund committee in February 2019 and will be reviewed on an annual basis.</p>	<p>Yes</p>	<p>Regularly Update members on upcoming trainings.</p>
		<p>2. Schemes should designate a person to</p>	<p>2. The Pensions Accountant Advisor is responsible for</p>	<p>Yes</p>	

		take responsibility for ensuring that a framework is developed and implemented [38]	maintenance of training policy. However, it is Local Pension Board members' responsibility to establish and maintain their own personal knowledge and understanding.		
		3. Schemes should prepare and keep an updated list of documents and			

Governing the scheme

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Surrey Local Pension Board 25 April 2019

Quarter 4 Training Bulletin

1. This paper presents a brief outline of recent developments in pensions and it is intended help board members develop a broader understanding of the issues.

Miscellaneous Amendment Regulations

2. The LGPS (Miscellaneous Amendment) 2018 Regulations came into force on 10th January 2019. They introduced the power for MHCLG to issue statutory guidance, enabled members under the 1995 regulations members to elect to draw their pensions from age 55 and, with a nod to Walker v Innospec, provided parity with widows' pensions for the survivors of civil partnerships and same sex marriages. The Pension Section stated that it has complied with the Disclosure Regulations requirements by sending members a copy of the LGA update leaflet.

Consultations

3. MHCLG issued an informal consultation on pooling and a further one on Fair Deal, which is intended to strengthen pension protections when member's jobs are outsourced. Both consultations have closed and we await the outcomes.

Exit payments

4. MHCLG will consider making regulatory changes / issuing statutory guidance to ensure that, where contractors have been shielded from risk (e.g. pass through agreements), it will be reflected in any exit payment to prevent unintended/undeserved windfalls.

Miscellaneous

5. The **cost cap** element of public sector pension scheme valuations has been paused while the implications of the McCloud (age discrimination) judgement are digested. The LGPS undershot the cost cap, which meant that proportional improvements to the benefit structure were being considered. However, the reasoning behind the McCloud judgement raises questions about some of the savings achieved by changes to the LGPS.
6. Revised **actuarial guidance** flowing from the adjustment to the SCAPE discount rate has been issued.

7. HMRC has reminded administering authorities that detailed guidance on **event reporting and accounting for tax (AFT)** reporting can be found in the Pension Tax Manual; <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm162000>
8. **ROPs** (overseas) transfers must be reported within 60 days and any tax charges must be recorded on the accounting for tax (AFT) return.
9. **Revised** employee contribution bands, pension purchase limits (£7,026 from 1st April), lifetime allowance limit (£1,055,000), updated revaluation orders, a week's pay for redundancy (£525 from 6th April), auto enrolment (still £10,000), National Insurance bands and Pension Increase tables have been published.

Report contact: John Smith, Senior Advisor (Investments, Funding & Governance)

Contact details: T: 020 8213 2700 E: john.smith@surreycc.gov.uk

Sources/background papers:

Annexes:



The Surrey Local Pension Board 25 April 2019

Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Asset Pooling

Recommendations:

1. The Board is asked to **note** the content of this report.

Detail:

Introduction

2. On 2 January 2019 the Secretary of State for the Ministry for Housing, Communities and Local Government (MHCLG) issued a limited circulation consultation on proposed changes to the current statutory investment pooling guidance (attached as Annex 1).
3. The statutory guidance and the proposed changes to it apply to Local Government Pension Scheme (LGPS) Administering Authorities and direct how they are required to invest their assets.
4. A joint response to the consultation was agreed by the Border to Coast Joint Committee at its meeting of 11 March 2019 and was issued on 27 March 2019 (it is included as Annex 2).
5. An individual response on behalf of Surrey County Council, from Leigh Whitehouse, Executive Director of Finance, was issued to MHCLG on 21 March 2019, after consultation with, Cllr Tim Evans, Chairman of the Surrey Pension Fund Committee (it is included as Annex 3).

Background

6. The reform of investment management in LGPS for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities (including our

Partner Funds) responded by coming together in groups of their own choosing to form eight asset pools, one of which was Border to Coast Pensions Partnership.

7. The stated intention of the latest draft guidance is to clarify several matters raised by Administering Authorities and others) that have come to light through the implementation to date, and further clarify what MHCLG expects in terms of future progress in the next stage of pooling and reporting / monitoring of associated costs and savings in meeting these obligations.
8. Once finalised this will replace all matters in the current guidance at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 LGPS Investment Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015. As such it will become part of the LGPS regulations and Administering Authorities will have to either follow the guidance or explain and account for any instances where they have not followed it.
9. One significant change of approach from MHCLG evident in the draft guidance is the move to impose a more consistent approach to investment pooling across the LGPS. Comments from Government in previous years had supported an environment where each LGPS Pool and its constituent funds had scope to determine what structure it would use to meet the Government's pooling criteria, provided those criteria were achieved.
10. The draft guidance marks a change of tone and imposes a more uniform approach to the way LGPS investment pooling should operate. This includes requiring each Pool to include a Pool company (or companies) to implement investment strategies, and mandating that these Pool companies are regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities.
11. While this is not a specific concern for the Surrey Fund, and in fact effectively endorses the approach we have taken to investment pooling, it demonstrates a move away from allowing different versions of pooling to co-exist and towards further central control over the approach to investments in the LGPS.

Report contact: Neil Mason, Strategic Finance Manager (Pensions)

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Sources/background papers:

Annexes:

1. MHCLG Draft Pooling Guidance
2. Border to Coast JC response to the Draft Pooling Guidance
3. Surrey County Council response to the Draft Pooling Guidance

Local Government Pension Scheme

Statutory guidance on asset pooling

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- 5 Transition of assets to the pool**
- 6 Making new investments outside the pool**
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- 8 Reporting**

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company

'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

'Retained asset' an existing investment retained by a pool member during the transition period

'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
 - asset transition during the reporting year
 - transition plans for local assets
 - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
 - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

By email to LGPensions@communities.gov.uk

Teresa Clay
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27 March 2019

Dear Ms Clay

Consultation on Draft Statutory Guidance on Asset Pooling in the Local Government Pension Scheme

Thank you for the opportunity to comment on this draft guidance. This response is on behalf of the Joint Committee (the 'pool governance body') of Border to Coast Pensions Partnership. Separate responses will also be sent / have already been sent by each of the Administering Authorities that jointly own Border to Coast (the 'pool members') and also by Border to Coast Pensions Partnership Limited ('the pool company').

In general the Joint Committee welcomes the guidance, which provides some clarity on how investment pooling within the Local Government Pension Scheme (LGPS) should operate. The approach set out is generally consistent with the approach to pooling that has been adopted by the pool members within the Border to Coast Pensions Partnership, for example in the following areas:

- Confirming that all Pool members must pool their assets (with some limited exceptions such as some passive investments and local investments);
- Specifying the need for a Financial Conduct Authority (FCA) regulated entity at the heart of the pooling proposition (either owned or procured);
- Confirming that strategic asset allocation remains the responsibility of Pool members, recognising their authority's specific liability and cash-flow forecasts;
- Providing definitions to help all when communicating how each Pool works (although these will need some rewording to work for all Pools);
- Clarifying that decision making on selection, appointment and management of asset managers rests with the Pool company;
- Confirming that internal management can be offered by Pool companies, although Pool members can choose whether or not to invest through internal management;
- Clarifying that the aim is for reduced costs balanced against risk adjusted returns – so value, not cost, is the key metric;
- Highlighting that providing too many asset allocation choices restricts the ability to use scale to drive up value, but recognising there is a need to provide enough choice to provide the diversification needed to meet the Pool members' liability profile and cash flow requirements;

- Requiring demonstration of how these considerations have been balanced and that they be kept under regular review;
- Confirmation that a long-term view of implementation costs should be taken, and that Pool members do not seek just to minimise costs in the short term;
- Outlining that transition of existing assets into the Pool should happen as quickly and cost effectively as possible, with transition of listed assets to be undertaken over a relatively short period;
- Providing Government's view that cost sharing of transition expenses (explicit and implicit) is allowable under the regulations;
- Requiring that Pool members working with the Pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the Pool;
- Confirming that although no target has been set for infrastructure allocations, MHCLG expects Pool members to "set an ambition on investment in this area". Pool companies are expected to provide access to infrastructure investment in the UK or overseas or both, with the expectation that over time Pools will move towards "levels of infrastructure investment similar to overseas pension funds of comparable aggregate size"

The Joint Committee would like to make specific comments in connection with the views set out in the draft guidance in relation to

- the use of the word 'temporary' in relation to the retention of existing assets;
- the apparent implicit bias towards passive management;
- the implication that administering authorities have a fiduciary duty to beneficiaries who are not part of their fund; and
- the timing of the introduction of new reporting requirements and the extent to which they should be detailed in the guidance.

These are set out in the table on the following pages.

Please contact me if you have any questions or wish to discuss this response.

Yours sincerely

Cllr Doug McMurdo
 Joint Committee Chairman
 Border to Coast Pensions Partnership

Paragraph in draft guidance	Comment
<p><i>Regular review of active and passive management</i> 3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.</p>	<p>Evidence was provided to highlight and counter the flaws in the consultant research that supported the views held in some parts of Government that passive management was the way forward for the industry, including the LGPS in the early 2015/16 discussions on pooling, so it is disappointing that this has been reintroduced as a key theme.</p> <p>As such we do not accept the premise behind this paragraph that passive management delivers better net of fees long term risk adjusted returns, but that the only relevant test to the chosen implementation model should be that as set out in the final sentence of this paragraph, “should seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles”</p>
<p>4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.</p>	<p>The Council agrees that administering authorities should take a long-term view in relation to the costs/benefits of pooling, however there is a general issue in regard to how Administering Authorities can possibly “take account of the benefits across the Pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers”. The clear legal fiduciary duty each Administering Authority has is towards its own beneficiaries, not to those of the “scheme as a whole”.</p>
<p><i>Temporary retention of existing assets</i> 5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.</p>	<p>Paragraphs 5.4 and 5.5 are on one level common-sense. However, for alternative assets such as private equity the description of these arrangements as temporary is unhelpful. Holding a private equity fund to maturity where the initial commitment was made this financial year may well be a 10 year period which is not really temporary. The ability of Pool companies to manage these assets either within pooled structures or simply on behalf of its Pool members will very much</p>

<p>5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.</p>	<p>depend on the pooling vehicle proposed and the regulatory permissions in place. Border to Coast will, in due course, be offering the ability to transfer such legacy assets into the pooled structure but this may not suit all circumstances and may not be the case for all Pools. It should be acknowledged that 'temporary' or 'interim' arrangements may in fact last a number of years, until an investment matures.</p>
<p><i>Section 8 'Reporting'</i></p>	<p>Administering Authorities are required to report in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Preparing the Annual Report, the only issue being that this publication is not due to be published until April 2019 when most Funds will already have closed their books and be well on their way to finalising their accounts. Whilst according to the regulations the Annual Report does not need to be finalised until December the audit cannot be signed off without it, which means in reality it has to be available in June. Simply put the guidance is too late for application in this reporting period.</p> <p>Detailed information on reporting requirements should not be included within the draft guidance. It is enough to state that CIPFA guidance should be followed – adding further detail of that guidance just means the overall investment pooling guidance could need amending every time the CIPFA guidance changes in future.</p>

Tel: 020 8213 2739

Our Ref: LGPS Statutory guidance on asset
pooling
Your Ref:

E-Mail: neil.mason@surreycc.gov.uk

Teresa Clay
LGF Reform and Pensions Team
Ministry for Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

21st March 2019

Dear Teresa,

RE: Consultation on the Local Government Pension Scheme statutory guidance on asset pooling

Surrey County Council (Surrey) welcomes the opportunity to respond to the Government's consultation on the Local Government Pension Scheme statutory guidance on asset pooling.

Surrey is the Administering Authority for the Surrey Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS). The Fund has assets of over £4billion and includes nearly 300 employers. Surrey is a partner of the Border to Coast asset pool, along with our other 11 partner funds.

This response represents the considered views of Surrey, but, should be read alongside the response of the Joint Committee of Border to Coast Pension Partnership.

Surrey welcomes the attempt by Government to produce guidance to enable clarity over the understanding of what is meant by pooling and setting out some basic requirements for each of the pools. We believe that the guidance is supportive of how Border to Coast and its constituent

partner funds have approached pooling. However, there are some areas, which we include in this response, which we believe require further clarification.

3. Structure and scale

Paragraph 3.1

Surrey is in agreement with the benefits of scale noted in the guidance. However, an ambition for Surrey is also to improve net of fees investment returns through pooling and we believe this aim should be specifically included as a desirable benefit of pooling.

Paragraph 3.2

We welcome the fact that the guidance makes it clear that the decision to invest through internal or external managed vehicles is an administering authority decision. However, use of internal or external management is presented as a binary choice. In some cases the optimal outcome could be to merge these two management styles into a single hybrid sub-fund. We believe this option should be recognised in the guidance.

Paragraph 3.3

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 3.4

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 3.5

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 3.6

We are pleased to note the confirmation that allocations to active and passive management are strategic asset allocation decisions and rest with Administering Authorities. However, we do not accept the premise in this paragraph that passive management delivers better net of fees long term risk adjusted returns. Evidence was provided to highlight and counter the flaws in the consultant research that supported the views held in some parts of Government that passive management was the way forward for the industry, including the LGPS in the early 2015/16 discussions on pooling.

We also believe that the reference to a period over which the comparison between active and active management is measured is ambiguous.

Please provide clarification on why this clause is needed.

4. Governance

Paragraph 4.1

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 4.2

The statement on holding the pool company to account is welcome and is embedded as part of existing pooling governance arrangements.

Paragraph 4.3

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 4.4

We are supportive of the assertion that Administering Authorities should take a long term view in relation to the costs/benefits of pooling and believe that this should produce scheme wide benefits. However, consistent with Paragraph 4.4 of the consultation, the primary responsibility of the Administering Authorities is to the employers, members and local taxpayers of their own fund.

Paragraph 4.5

We are pleased to note that this reflects our current understanding of and approach to pooling. The Surrey Local Pension Board is engaged with all pool activity.

Paragraph 4.6

We are pleased to note that this reflects our current understanding of and approach to pooling. There exists a non-voting scheme member representative drawn from the Scheme Member representatives on the Local Pension Boards on the Border to Coast Joint Committee.

Paragraph 4.7

We welcome the confirmation that responsibility for deciding on the investment strategy and asset allocation rests with individual pool members (Administering Authorities).

Paragraph 4.8

Whilst not disagreeing with this point it is also important to recognise the differences between each fund and the responsibilities each fund has to its employers, members and local taxpayers.

Therefore, any decisions on what is tactical and what is strategic should be set within sufficiently wide parameters to allow each fund to implement their current and proposed strategic allocations as determined by each fund.

Paragraph 4.9

This reflects our current understanding of and approach to pooling. The question of investment choice versus scale is an ongoing conversation between the partner funds and pools.

Paragraph 4.10

Current arrangements are compliant with the guidance.

Paragraph 4.11

We are pleased to note that this reflects our current understanding of and approach to pooling.

5. Transition of assets to pools

Paragraph 5.1

We broadly agree with the sentiment, however, the priority for funds should be that sub-fund capability is fully assured before assets are transitioned.

Paragraph 5.2

The guidance is correct to the extent that the transitions take place inside an authorised contractual schemes (ACS), but not if it is to take place outside an ACS. In these circumstances it is the fund who remains the legal owner of the assets and therefore responsible for decisions around the transition.

We would like this distinction between transitions inside and outside of an ACS to be made clear in the guidance.

Paragraph 5.3

While the clarification in the guidance is welcome, we believe that these assurances require the support of legal opinion to provide administering authorities with sufficient comfort.

Paragraphs 5.4 & 5.5

The definition of “temporary” is problematic, as this may include classes of assets, such as alternatives. Holding some alternative assets to maturity may well be at least a 10 year period. The ability of pool companies to manage these assets either within pooled structures or simply on behalf of its pool funds will very much dependent on the pooling vehicle proposed and the regulatory permissions in place.

The confirmation that it is appropriate that certain assets can be retained outside of the pool by funds is welcome. As is the specific mention of life insurance contracts for the purpose of passive investment and direct property investments.

Paragraph 5.6

We are pleased to note that this reflects our current understanding of and approach to pooling.

6. Making new investments outside of the pool

Paragraph 6.1

We agree with this sentiment. Funds should consider their investment strategy in alignment with the capacity of the pool company’s capacity to deliver the suitable investment choices.

Paragraph 6.2

Investments in local initiatives will be considered where they are consistent with investment strategy statement of the fund. It should be noted that, at some point it may be possible for such investments to be housed within a pool.

We would seek clarification as to how an aggregate figure of 5% of fund assets was reached.

Paragraph 6.3

We require further clarification regarding this section. The guidance could be read to mean that funds can invest in pools other than that which they are a member of. This suggest the creation of competition between the pools, which runs counter to the Government's original policy intend.

Paragraph 6.4

The confirmation that funds can continue to make new investments outside of the pool, in circumstances where the pool is unable to offer a suitable investment vehicle consistent with strategic asset allocation is welcome.

7. Infrastructure investment

Paragraph 7.1

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 7.2

We welcome the absence of a target and the acceptance of the need for such investments not just to be concentrated in the UK. The allocation to infrastructure in fund portfolios should only be when it is consistent with the investment strategy. We do not believe a specific ambition for investment in this asset class, above others, should be singled out by the Government.

Paragraph 7.3

We are comfortable with the guidance.

Paragraph 7.4

Our treatment of these assets is consistent with the guidance.

Paragraphs 7.5 & 7.6

We are comfortable with the guidance.

8. Reporting

Administering Authorities are required to report in line with the CIPFA Guidance on Preparing the Annual Report, the only issue being that this publication is not due to be published until April 2019 when most Funds will already have closed their books and be well on their way to finalising their accounts. Whilst per the regulations the Annual Report does not need to be finalised until December the audit cannot be signed off without it, which means in reality it has to be available in June. Simply put the guidance is too late for application in this reporting period

Paragraph 8.1

We are comfortable with the guidance.

Paragraphs 8.2, 8.3 & 8.4

Paragraph 8.1 requires pool members to follow the CIPFA guidance. Clauses 8.2, 8.3 and 8.4 are therefore unnecessarily prescriptive. We would ask that they be removed.

Paragraph 8.5

We are pleased to note that this reflects our current understanding of and approach to pooling.

Paragraph 8.6

This requirement is supported, on the basis that additional requests for information are reasonable and proportionate.

Paragraph 8.7

We welcome the commitment to the SAB code of cost transparency.

Paragraph 8.8

The SAB report will be published after the pension fund annual reports, and the pool annual report. We believe it is therefore for the SAB to ensure consistency.

Paragraph 8.9

We are comfortable with the guidance. However, should there be an issue of non-compliance there will be a reason for it. The issue and the reason would be reported. This effectively introduces a “comply or explain” requirement. It is therefore suggested that this is made more explicit.

As mentioned we are broadly supportive of the Government’s attempt to produce guidance to enable clarity over the understanding of what is meant by pooling. We are pleased to note that, in the main, the guidance as currently written is consistent with the Surrey and Border to Coast approach to pooling.

Yours sincerely



Leigh Whitehouse
Executive Director of Finance

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of the Local Government Act 1972.

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