

PENSION BOARD			
REPORT TITLE	Pensions Board – General Update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Acting Chief Finance Officer		
CLASS	Part 1	Date:	October 2019

1. PURPOSE

- 1.1. This paper presents any standing items on the agenda and provides the Board with an update on several general matters to have arisen since the last meeting.

2. RECOMMENDATIONS

- 2.1. Members are recommended to:

- review and note the current Register of Conflicts of Interest, as per section 3.1;
- review and provide feedback on the Risk Management Policy, as per section 3.5;
- delegate to the Chair the drafting of the Pension Board Annual Report 2018/19, for inclusion in the Pension Fund Annual Report, ahead of the statutory December deadline, as per sections 3.21 to 3.23;
- review the Board's training record and advise of any amendments, as per sections 3.24;
- complete and return to officers a Learning Needs Analysis by the end of October 2019, as per section 3.27; and
- note the remainder of the report.

3. CURRENT CONSIDERATIONS

Register of Conflicts of Interest

- 3.1. The up-to-date Register of Conflicts of Interest is attached at Appendix 1. Members are asked to review and note the register.

Breaches of Law Log

- 3.2. Members agreed to adopt the Regulator's template for recording breaches of the law at the October 2018 meeting. At present there are no breaches that have been identified or that require further investigation.

- 3.3. The compliance review as reported in May 2019 identified the need to create a Breaches Policy to clearly set out the requirements of those responsible for reporting breaches. The administering authority will address this in the action plan presented as a separate item at this meeting.

Risk Management

- 3.4. Per the recommendations of the compliance review of May 2019, and to make the Fund compliant with regulations, this general update will include a standing item on risk management going forward, to evidence members' ongoing consideration of scheme risks and the monitoring of the controls in place to mitigate those risks,
- 3.5. The two main requirements of the Pensions Regulator with which the Fund is non-compliant is the need for a Risk Management Policy and a comprehensive risk register. A Risk Management policy has been drafted and is attached at Appendix 2 for the Board's review and feedback. Any suggested amendments will be made ahead of the policy going to PIC for formal approval and adoption in November 2019.
- 3.6. The risk register update is in progress and will be brought to the next meeting of the Board for review.

Internal Audit

- 3.7. The final report for the 2018/19 pension fund internal audit was released in March 2019 and identified four recommendations for action; one high priority recommendation relating to reconciliations, and three medium priority recommendations in relation to pension payments, contributions and amendments, and transfers in and out.
- 3.8. The high priority recommendation was implemented ahead of the agreed due date, and officers will present verbal updates on the three medium priority recommendations at the meeting.

Updates from the Scheme Advisory Board

- 3.9. Earlier in the year the Scheme Advisory Board (SAB) commissioned Hymans Robertson to conduct a survey on governance in the LGPS, the "Good Governance" survey. The purpose of the consultation was to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that potential conflicts of interest between the pensions function of administering authorities and their host local authority are addressed and managed appropriately.
- 3.10. Hymans's final report was published in July 2019 and is attached at Appendix 3 for the Board's attention.
- 3.11. In summary, the approach taken by Hymans was to engage with the sector and assess existing governance arrangements against the criteria of 'Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost'. They also sought an indication of preference against four proposed models of good governance, being 'improved practice, improved

practice plus greater ring-fencing, joint committee, or separate Local Authority body’.

- 3.12. The responses to the survey, to which there 140 respondents, and engagement via other means indicated a first preference for the improved practice and greater ring-fencing model, with many stakeholders indicating that their existing structures already provided many of the benefits of that model. As a result, Hymans were able to identify areas of best practice within current governance arrangements, with potential for wider application across the LGPS.
- 3.13. Hymans put forward four key proposals, as follows:
1. An **‘outcomes-based’ approach** to LGPS governance with minimum standards, rather than a prescribed governance model.
 2. **Critical features of the ‘outcomes-based’ model** should include:
 - Robust conflict management including clarity on roles and responsibilities for decision-making;
 - Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
 - Explanation of policy on employer and scheme member engagement and representation in governance; and
 - Regular independent review of governance.
 3. **Enhanced training requirements** for s151’s and s101 committee members (requirements for s101 should be on a par with LPB members)
 4. **Update relevant guidance and better sign-posting**. This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements, which predates both TPR involvement in LGPS oversight, local pension boards and LGPS pooling.
- 3.14. The SAB have agreed to take forward the findings and conclusions from the report to improve governance in the LGPS. It has established two working groups; one to focus on defining good governance outcomes and the guidance needed to clearly set them out, and the other to focus on options for the independent assessment of those outcomes and the mechanisms to improve their delivery. It aims to have an options report ready for the Board’s meeting in November, and any proposals agreed would be subject to a full stakeholder consultation before being put to MHCLG.

Updates from the Pensions Regulator (TPR)

TPR Public Service Governance and Administration Survey 2018

- 3.15. In November 2018 officers completed the annual TPR survey on behalf of the Fund and with guidance from the Chair of the Board. In July 2019 the Regulator published its research report detailing the results of the survey; a question by question comparison of Lewisham’s submission against the aggregate responses in the report can be found at Appendix 4. The full TPR report can be found at the link below, and a short summary published by Hymans Robertson is attached at Appendix 5:
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2019.ashx>
- 3.16. Some key points raised in the report are summarised as follows:

- Four of the six key processes that the Regulator monitors as indicators of public service scheme performance have improved since 2017. The two processes which showed little or no change included having documented policies to manage board members' conflicts of interest, and having access to the knowledge, understanding and skills needed to properly run the scheme.
- Half of all schemes held four or more pension board meetings in the previous twelve months, and the mean number of board members at the time of survey completion was 6.8.
- Risk management procedures and registers were more consistently used than in 2017, but the proportion of schemes that regularly reviewed their risk exposure remained around half.
- Four in ten schemes said their employers always provided timely data, and a similar proportion said they always provided accurate and complete data.
- Schemes were asked about fourteen specific cyber controls, and three quarters had at least half of these in place. Few schemes indicated that the scheme manager or pension board received regular updates on cyber risks, incidents and controls, despite half of schemes reporting that they had experienced some kind of cyber breach or attack in the previous twelve months.
- Around 11,000 complaints were estimated to have been made to public service pension schemes in the past year, equating to 7 per 100 members. Complaint types varied but, at an overall level, common complaints focussed on eligibility for ill health benefit, disputes or queries about the amount of benefit paid, slow or ineffective communication, and delays to benefit payments.
- Scheme complexity (identified by 70% of schemes), lack of resources or time (47% of schemes) and the volume of changes required to comply with legislation (45% of schemes) were seen as the top three barriers to improving scheme governance and administration in the next twelve months.
- Overall, 88% of schemes judged TPR to be very or fairly effective at improving standards of governance and administration in public service pension schemes. More schemes agreed that TPR was 'tough', 'evidence-based' and 'visible' than in 2017.

TPR Public Service Governance and Administration Survey 2019

- 3.17. TPR intended to issue the 2019 public service pension scheme return to scheme managers in the last week of September 2019. At the time of writing, this has not yet been received.

Good Governance Review

- 3.18. In September 2019 the Pensions Regulator published its report into governance and administration risks in public service pension schemes, which was produced following an engagement process with ten local government funds from across the UK. The report summarises the key findings against the Regulator's Code of Practice 14, both in terms of exceeding and falling short of required standards, and will be discussed in detail when the SAB next meets in November.
- 3.19. In summary, the report identifies four key improvement areas which also align with the results of the Regulator's annual governance and administration survey:

1. **Key person risk.** Many funds have a lack of comprehensive documented policies and procedures.
 2. **Pension Boards.** Engagement levels vary, with concerns raised about the frequency some Boards meet and their appetite to build their knowledge and understanding. The Regulator saw evidence of some Boards not wanting to review full documents, instead relying on much reduced summaries.
 3. **Fraud/scams.** Although there was evidence of scheme managers learning from wider events and taking steps to secure scheme assets, not all were as vigilant when it came to protecting members from potential scams.
 4. **Employers.** The Regulator saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer solvency.
- 3.20. The full report with further detail is available only via the Regulator's website, at the following link: <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#pagetop>

Annual Report

- 3.21. The LGPS (Administration) Regulations 2008 require an administering authority of a Pension Fund to prepare an annual report which summarises the performance, management and administration of the Fund. It consolidates information from the accounts and a number of published statutory statements, including the Investment Strategy Statement and Funding Strategy Statement, into one document. The authority must publish the annual report on or before 1 December following the financial year end.
- 3.22. Included within that document should be a report from the Pension Board summarising the role of the Board, its activities in the year, and any training its members have undertaken.
- 3.23. The 2018/19 annual report will be taken to PIC in November for approval for publication. Due to the timing of this Board meeting, it has not been possible to prepare a draft document for the Board's input. Officers ask that members delegate the drafting of the Pension Board annual report to the Chair, to be included in the overall Pension Fund annual report published before the December deadline.

Training

- 3.24. The latest member training record held by officers is attached at Appendix 6. Board members are asked to review the log and inform officers of any inaccuracies or amendments to be made. Any training or events attended that are relevant to members' roles and duties for the Board should be recorded on the log as a record of members' commitment to undertake the required learning.
- 3.25. Officers continue to recommend that members complete the Pension Regulator's Public Service Toolkit, a self-learning modular resource which includes courses on areas that Board members are expected to be conversant with. As it stands, only one confirmation has been received that the toolkit has been completed.

- 3.26. External training opportunities, workshops and conferences will continue to be recommended by officers for members' attention. Appendix 7 lists a number of upcoming events; should members find any of the sessions of interest, or have identified and attended any other training or events, please keep the Principal Accountant informed so that the training log can be updated. As per the results of the compliance review, the log will be published on the Fund's website going forward.
- 3.27. At the May 2019 meeting members agreed to complete an updated Learning Needs Analysis and return it to officers by the end of June; however, only one response has been received at the time of writing. To comply with the compliance review, training requirements need to be informed by members' completed learning need analyses. As such, members are asked again to complete the attached template at Appendix 8 and return to officers by the end of October 2019.
- 3.28. Members are reminded that there is a small budget in place for training; please contact the Principal Accountant for further information should you wish to attend a fee-paying event.

Work Programme

- 3.29. The work programme is attached at Appendix 9 to be developed on an ongoing basis, and has been updated to reflect the action plans compiled in response to the compliance issues identified from the Aon review.

4. FINANCIAL IMPLICATIONS

- 4.1. There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1. There are no direct legal implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

- 7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

- Appendix 1 – Register of Conflicts of Interest
- Appendix 2 – Risk Management Policy
- Appendix 3 – Good Governance in the LGPS Report
- Appendix 4 – TPR Survey Comparison
- Appendix 5 – Hymans TPR Survey Summary
- Appendix 6 – Training Record
- Appendix 7 – Training and Events Programme
- Appendix 8 – Learning Needs Analysis Template
- Appendix 9 – Work Programme

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

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