



CIPFA Pensions Network Workshops Implementing new Governance arrangements

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30 September 2015

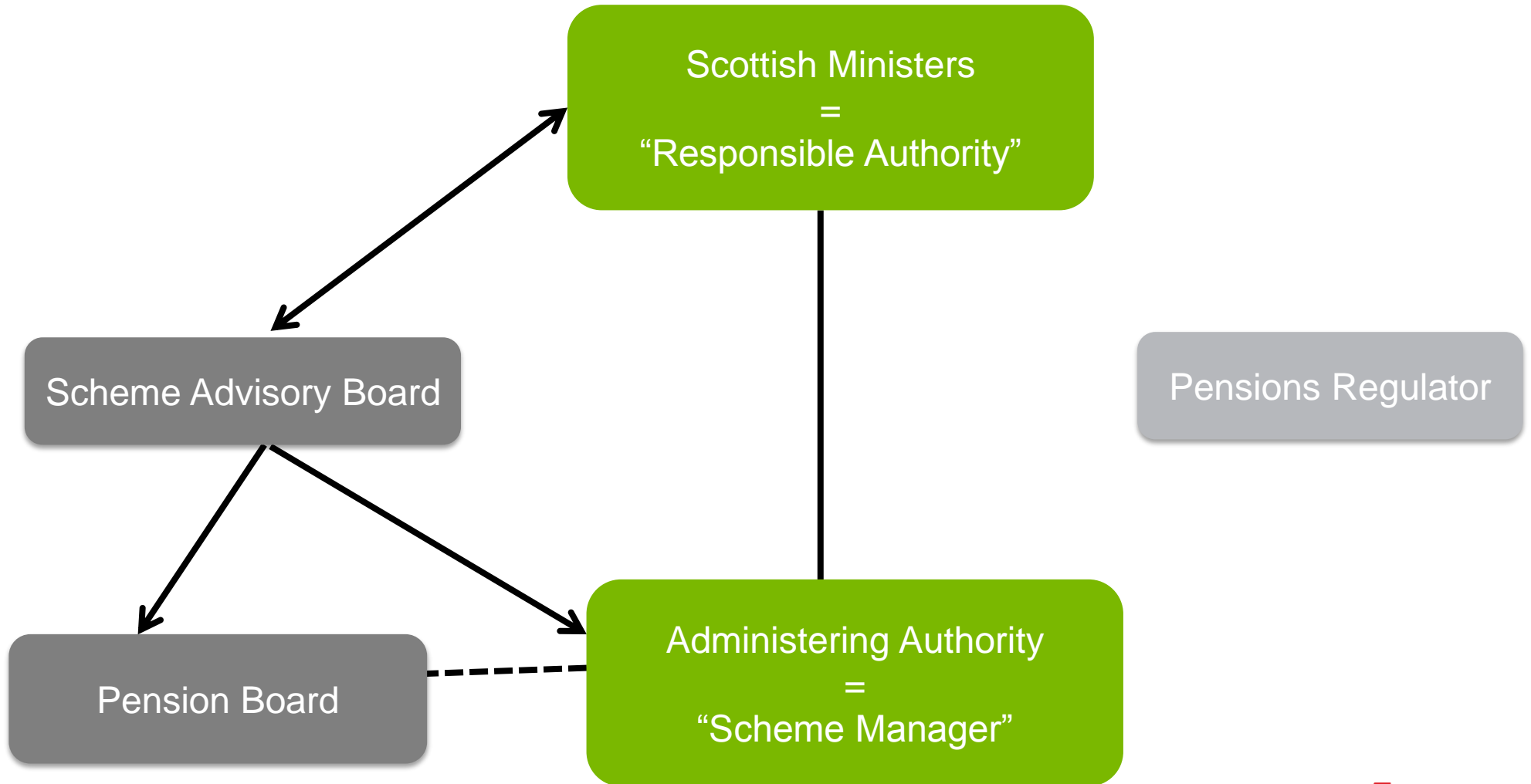
Agenda

Background to Local Pensions Boards

TPR and the Code of Practice

Pension Boards in practice – the story so far

New LGPS Governance Structure



Pension Boards from 1 April 2015

The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

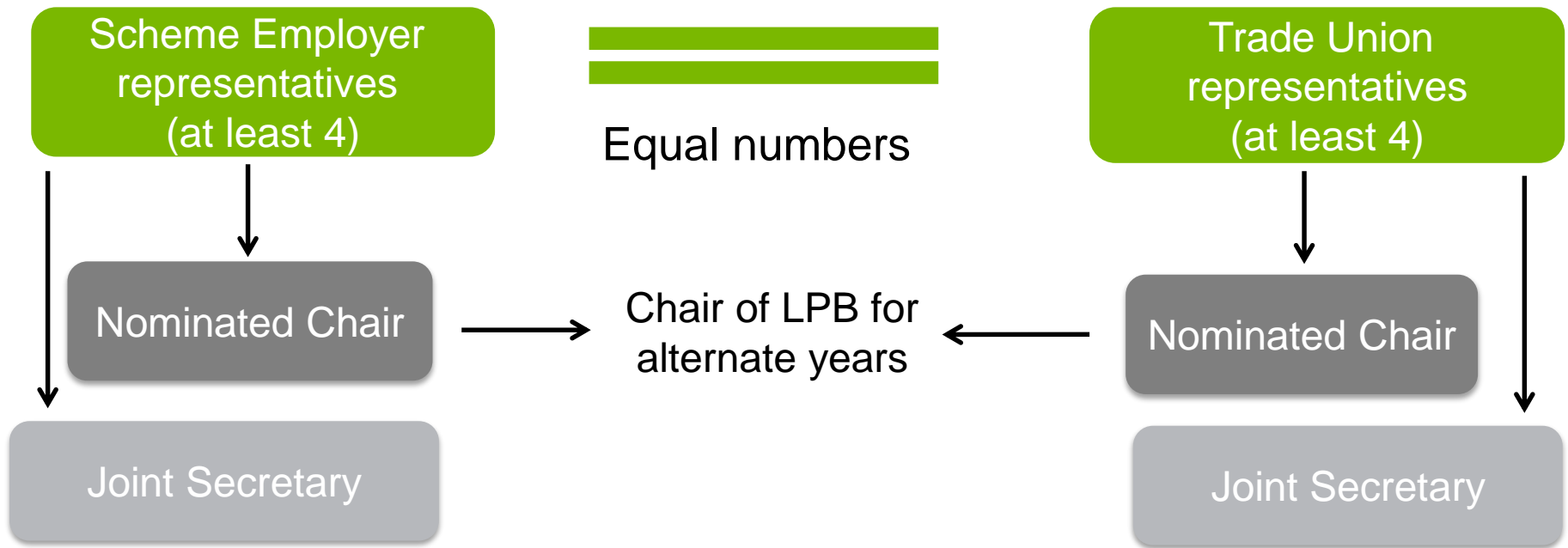
- 5.—(1) There is established in relation to each scheme manager a board with responsibility for **assisting the scheme manager** in relation to the matters specified in paragraph (2) (a “Pension Board”).

- (2) Those matters are—
 - (a) **securing compliance** with the **2014 Regulations** and other legislation relating to the **governance and administration** of the Scheme and any statutory pension scheme that is connected with it;

 - (b) **securing compliance** with requirements imposed in relation to the Scheme and any connected scheme by the **Pensions Regulator**

Mirrors the requirements of the Public Service Pensions Act 2013

Set up of Local Pension Board

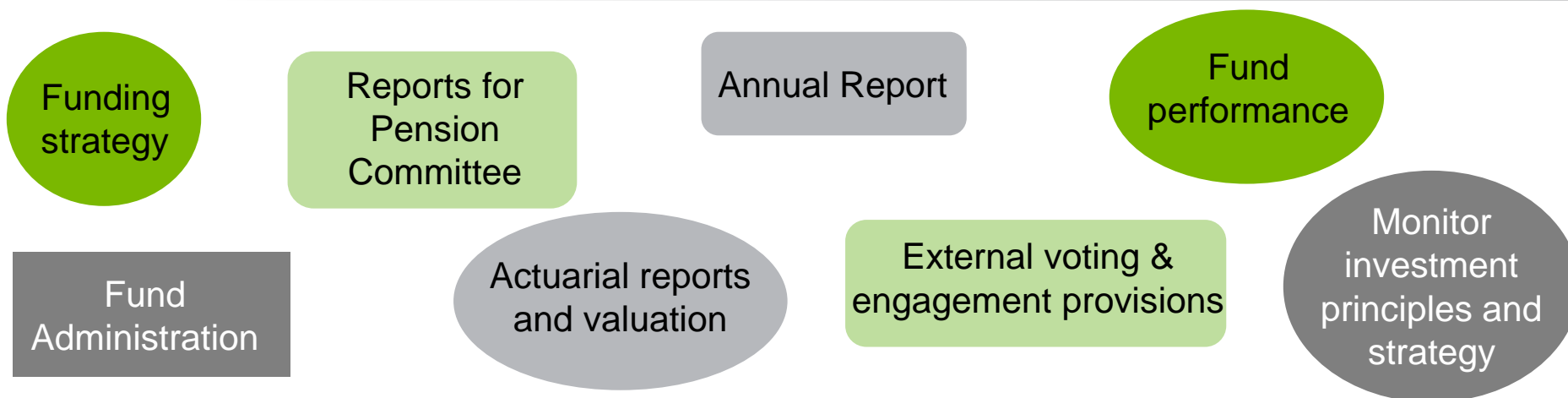


The Pension Board:

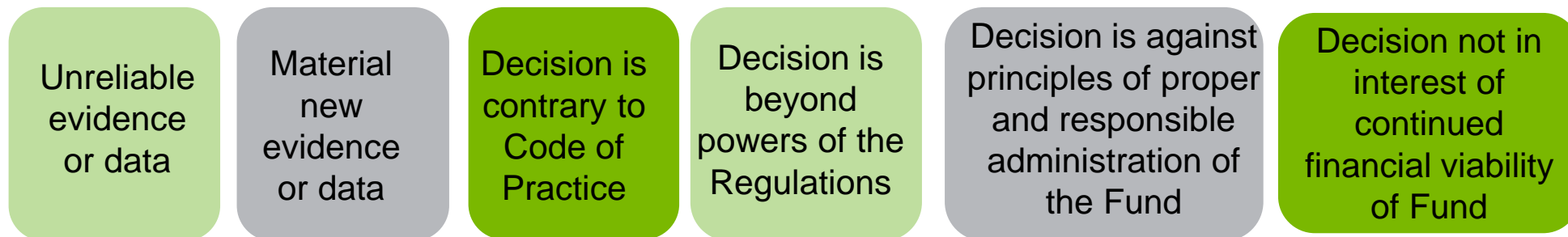
- a) is to **meet at the same place and time as the Pension Committee** ... to consider the same agenda as the Committee; but
- b) the Pension Board **may meet separately** from the Pension Committee with the agreement of the Pension Committee.

Quite different to England and Wales

Remit of Pension Board



- If, **at least half** of the members of a Pension Board disagree with a decision of the Pension Committee, the Board may request the PC in writing to review that decision.
- Grounds of review:



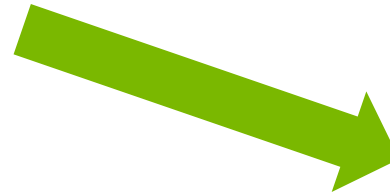
Knowledge and Understanding



Pension Board members **must**:

- have knowledge and understanding of the law relating to pensions
- be conversant with (i.e. have a working knowledge of) scheme rules and any document recording policy about the administration of the fund

know where they are relevant to an issue



understand and if necessary challenge any advice they are given

- Policies of which members **must** have a working knowledge include:

Conflicts of interest

Record keeping

Internal dispute resolution

Reporting breaches

Maintaining contributions

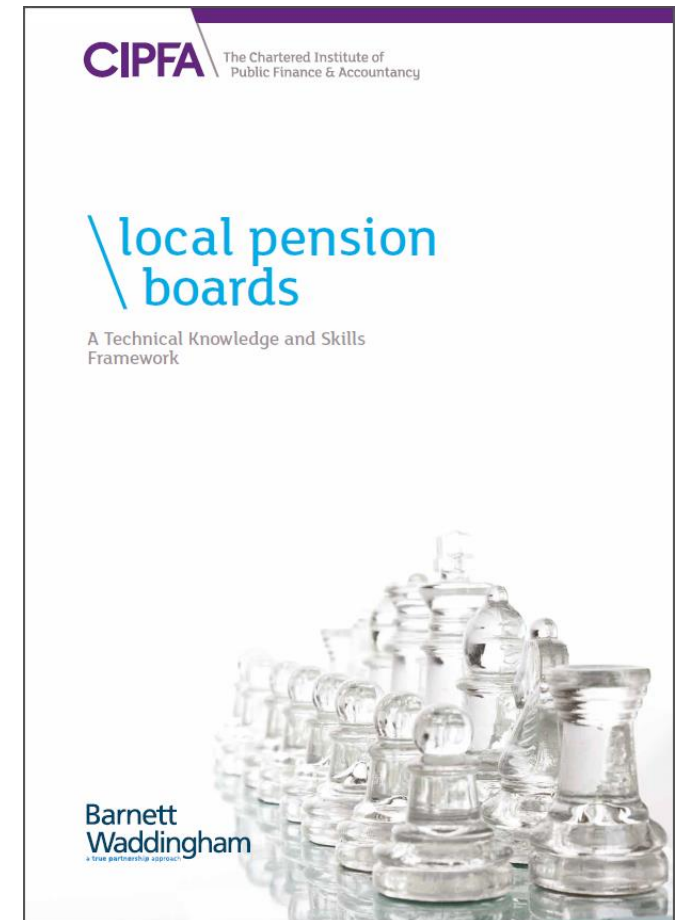
Documented policies about investment governance

- Immediate and personal requirement

Support from CIPFA

8 areas of knowledge and skills identified :

- „pensions legislation
- „public sector pensions governance
- „pensions administration
- „pensions accounting and auditing standards
- „financial services procurement and relationship management
- „investment performance and risk management
- „financial markets and product knowledge
- „actuarial methods, standards and practices.



“the core technical requirements for those working in public sector pensions finance”

The Pension Regulator's extended role (April 2015)

Legislative powers

- Examples of areas covered:
 - Pension Board conflicts
 - Pension Board representation
 - Pension Board knowledge
 - Record keeping
 - Internal controls
- Enforce:
 - Improvement notices
 - Penalties
 - Criminal prosecution
 - Appointment of a skilled person

Code of Practice – Educate and Enable

- Knowledge and understanding – Pension Boards
- **Conflicts of interest*** and representation
- Publishing information about schemes
- **Managing risk and internal controls***
- **Maintaining accurate member data***
- **Maintaining contributions***
- **Providing information to members and others***
- **Resolving disputes***
- **Reporting breaches*** and late payment of employer contributions

*The Pension Regulator's Toolkit

Individual responsibility – reporting breaches

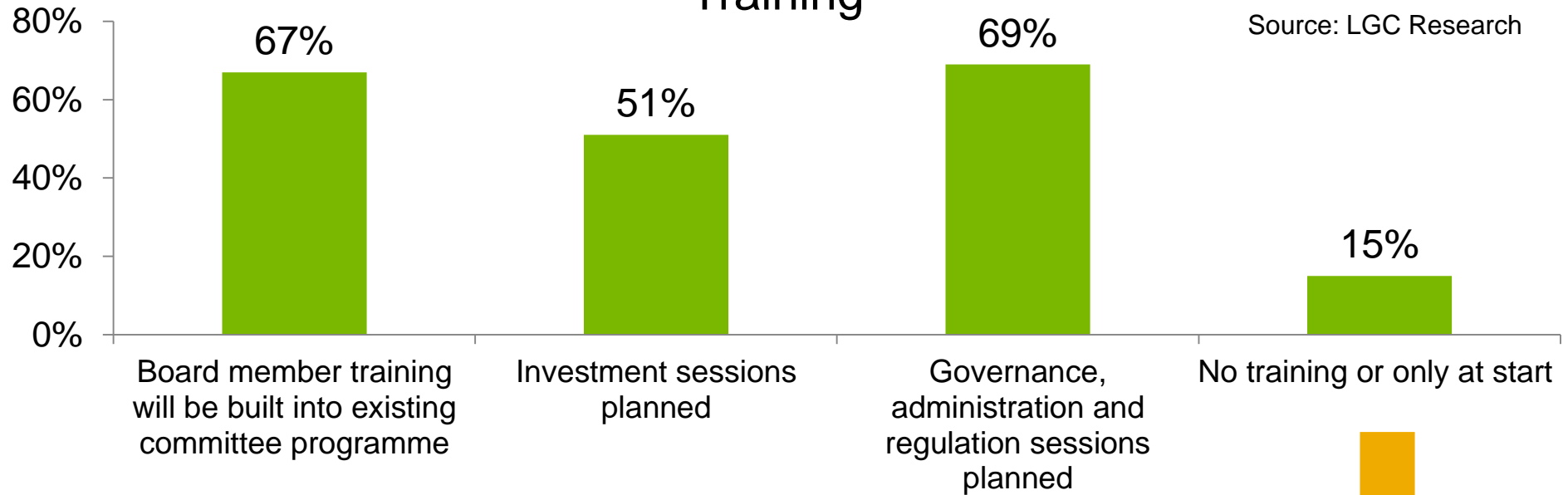
- Requirement to report breaches of the law to the Regulator ...
 - ...where there is reasonable cause to believe that:
 - a legal duty relating to the administration of the scheme has not been, or is not being, complied with
 - the failure to comply is likely to be of **material significance** to the regulator in the exercise of any of its functions



- The report must be made in writing as soon as reasonably practicable

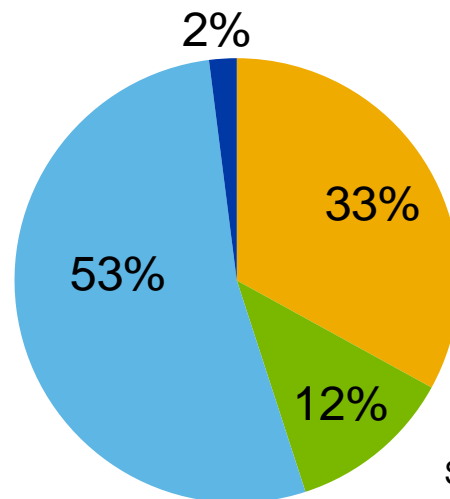
Pension Boards in practice

Training



Meetings

- Twice a year
- Three times a year
- Four times a year
- Five times a year



Source: LGC Research



Many respondents pointed out that each board meeting would incorporate some training

First Board meetings

Date of first meeting (E&W)	Number of Funds
Before deadline (31 July)	58
August	4
September (met or planned)	5
No evidence of meeting	24

Source: E&W SAB Item 6 Paper G of 21 September 2015 meeting

- Appointment of Chair and Vice Chair and Joint Secretaries
- Adopting Terms of Reference / Constitution
- Adopting policies and procedures
- Agreeing Work Plans



Knowledge and Understanding – TPR Toolkit



- <https://education.thepensionsregulator.gov.uk/login/index.php>
- In training policies and plans
- Completed as part of training meetings

The Trustee toolkit | The Pensions Regulator | Your learning - Windows Internet Explorer provided by AonHewitt

https://trusteetoolkit.thepensionsregulator.gov.uk/my/

The Trustee toolkit | The Pensions Regulator | Yo...

The Pensions Regulator

You are logged in as Karen McWilliam (Log out)

Home | **Your learning** | Resources | Help

Your learning

The toolkit features various courses. Select a course to view the course page and choose an activity:

Key ● ● ● Topic progress ☆ Assessment not attempted ☆ Assessment attempted ☆ Assessment passed

Essential learning for trustees

These are the modules you must pass to achieve the required level of trustee knowledge and understanding based upon your scheme type and size selected (or indicated) at registration. If the selection looks incorrect, you may need to **change your profile criteria**.

Introducing pension schemes

The trustee's role

Running a scheme

Pensions law

Development record

Download your development record

Settings

► My profile settings

Things that might help

General study planner - Sample

Study planner

A quick guide to personal development

Accessing your learning

Internet | Protected Mode: On

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Making this work cost effectively

- Coincident meetings (in Scotland)
 - Common papers for PC and PB
 - 2 funds in E&W permitted to combine Board and Committee
 - Boards shared between different funds
- Update Business Plans
- Single policies and strategies to cover both PB and PC
 - Training
 - Conflict of interest
 - Breaches procedure



Practice in England – all procedure and policy documents approved by committee and then made available to the LPB.

Breaches



- Formal procedure
- Training on requirements

<http://www.thepensionsregulator.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf>



Where the **cause, effect, reaction** and **wider implications** of a breach, when considered together, are likely to be of material significance, the breach is 'red'. These must be reported to the regulator.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance, the breach is 'amber'.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance, the breach is 'green'. These should be recorded but do not need to be reported.



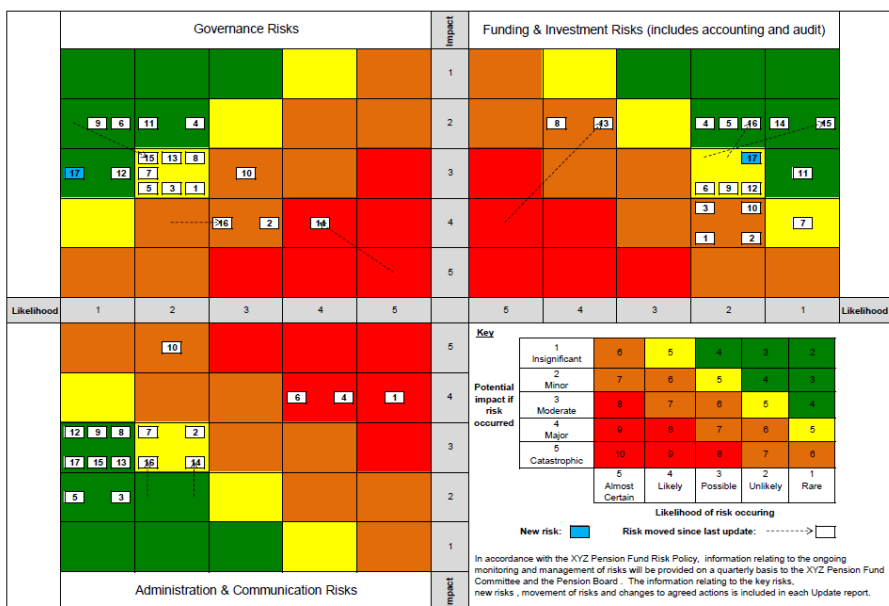
Late benefit statements following new 2015 Scheme implementation



Late contributions

Risks and Internal controls – best practice

All Fund Risk Heat Map and Summary of Governance Risks



- Develop risk management policy
- Review of risk register
- Review of administration processes

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below.

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	In progress	Partially compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	In progress	Partially compliant
B4	In progress	Not compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Partially compliant
B9	Fully completed	Fully compliant
B10	Fully completed	Fully compliant
B11	In progress	Partially compliant
B12	Not yet relevant	Not yet relevant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	In progress	Non-compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	Fully completed	Fully compliant
C11	In progress	Non-compliant
Publishing Information		
D1	Fully completed	Fully compliant
D2	Fully completed	Fully compliant
D3	Not yet relevant	Not yet relevant
D4	Not yet relevant	Not yet relevant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	In progress	Partially compliant
E7	Fully completed	Fully compliant
E8	Fully completed	Fully compliant
Maintaining Accurate Member Data		
F1	Fully completed	Fully compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Fully compliant
F4	Not yet relevant	Not yet relevant
F5	Not yet relevant	Not yet relevant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Partially compliant
F9	Fully completed	Fully compliant
F10	Fully completed	Partially compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Fully compliant
G8	Fully completed	Employers - Partially compliant
G9	Fully completed	Fully compliant
Providing Information to Members and Others		
H1	Fully completed	Employers - Partially compliant
H2	In progress	Non-compliant
H3	Fully completed	Fully compliant
H4	Fully completed	Partially compliant
H5	Fully completed	Fully compliant
H6	Fully completed	Fully compliant

No.	Completed	Compliant
Internal Dispute Resolution		
I1	Fully completed	Fully compliant
I2	Fully completed	Fully compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Partially compliant
I8	Fully completed	Fully compliant
I9	Fully completed	Fully compliant
Reporting Breaches		
J1	Fully completed	Partially compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Partially compliant
Scheme Advisory Board Requirements		
K1	Fully completed	Fully compliant
K2	In progress	Partially compliant
K3	Fully completed	Fully compliant
K4	Fully completed	Fully compliant
K5	In progress	Non-compliant
K6	In progress	Partially compliant
K7	Fully completed	Fully compliant
K8	Fully completed	Fully compliant
K9	In progress	Non-compliant
K10	In progress	Partially compliant
K11	Fully completed	Fully compliant
K12	Fully completed	Fully compliant
K13	Not yet relevant	Not yet relevant
K14	Fully completed	Fully compliant
K15	Fully completed	Fully compliant

- Review of compliance with TPR Code of Practice
- LGPS 2014 benefit audit and findings (E&W)
 - Employer audit

Other areas of focus

- Revisit objectives and overall strategic aims
- Measurement against objectives
- Reviewing / developing policies and procedures
 - Administration
 - Communications
 - Training
 - Breaches procedure
 - Governance statements
 - Funding strategy statement
 - Statement of investment principles
 - Admissions policy
 - Exit policy
- Funding (in advance of 2016 valuations in E&W)



Challenging decisions

- Require evidence of:
 - Process of making decisions...
 - ... compared with agreed strategy / policies
 - Advice provided and how advice was used
- Timescales for review – e.g. investment
- Code of Practice
- Grounds for review



- Next big project – 2016/ 2017 valuations
 - Consider review of Funding Strategy in advance

The Regulator

- Report on results of administration and governance survey expected this autumn
 - Results also used (with other information) for risk assessment / intervention
- Further annual surveys to monitor improvement
- Annual scheme returns
- Thematic reviews
- League tables?
- Enforcement
 - Initially engagement to help make improvements
 - Compliance and enforcement policy



<http://www.thepensionsregulator.gov.uk/doc-library/compliance-and-enforcement-policy-for-public-service-pension-schemes.aspx>

In conclusion

- Potentially lots for LPBs to do!
- Ideal opportunity to drive up standards / assist admin auths in responding to new oversight arrangements
- Will provide an evidential base to demonstrate good governance in the LGPS
- Need to keep an eye on costs, collaboration and sharing will help

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