



## Regulatory and Other Committee

### Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>9 January 2020</b>
Subject:	<b>The Pensions Regulator – Governance and Administration "Deep Dive" Engagement Report</b>

#### Summary:

This report introduces the Pensions Regulator's Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

#### Recommendation(s):

That the Board note the Pensions Regulator's report its findings.

#### Background

1. In the Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this.
2. The engagement took place between October 2018 and July 2019, following the results of TPR's annual governance and administration survey, in which it was identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR carried out the review at a high level, based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.
3. It was not a comprehensive evaluation of the funds' operations and was not intended to replace audit requirements, nor was it to be considered as regulatory assurance or an endorsement of the fund by TPR.
4. The full report is attached at Appendix A, and the key recommendations are shown below, taken from the Hymans Robertson 60 Second Summary, attached at Appendix B:

- **Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.
- **Internal controls** – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks
- **Administrators** – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.
- **Member communication** – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.
- **Internal dispute resolution** – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.
- **Pension Boards** – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.
- **Employers and contributions** – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.
- **Cyber security** – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.
- **Internal fraud and false claims** – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

## Conclusion

4. The TPR's Governance and Administration Risks in Public Service Pension Schemes Engagement Report sets out the findings and recommendations from a deep dive into the administration and governance of 10 LGPS funds.

## Consultation

### a) Have Risks and Impact Analysis been carried out?

Yes

### b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report
Appendix B	Hymans Robertson TPR Engagement Report 60 Second Summary

## Background Papers

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

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