Good Governance Review

Recommendations

General	Conflicts of interest	Representation	Skills & training	Service delivery for the LGPS Function	Compliance & Improvement

New Statutory Guidance

↓

LGPS Senior Officer

↓

New annual compliance statement

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Funds produce & publish conflicts of interest policy

↓

Reference Statutory & Fiduciary duties

Policy on scheme members & non-administering authority employers on committees & voting rights

Officer & Committee requirements

↓

s151 officers LGPS CPD requirement

↓

Publish training plan policy

↓

CIPFA etc s151 training & qualifications

Role & responsibilities matrix

↓

Publish administration strategy

↓

Report performance against new KPIs

↓

Business planning process

Independent biennial governance review & improvement plan assessed by SAB panel

↓

LGPS Fund peer review process

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West Sussex Pension Advisory Board
Good Governance Final Report was published on 15 February 2021
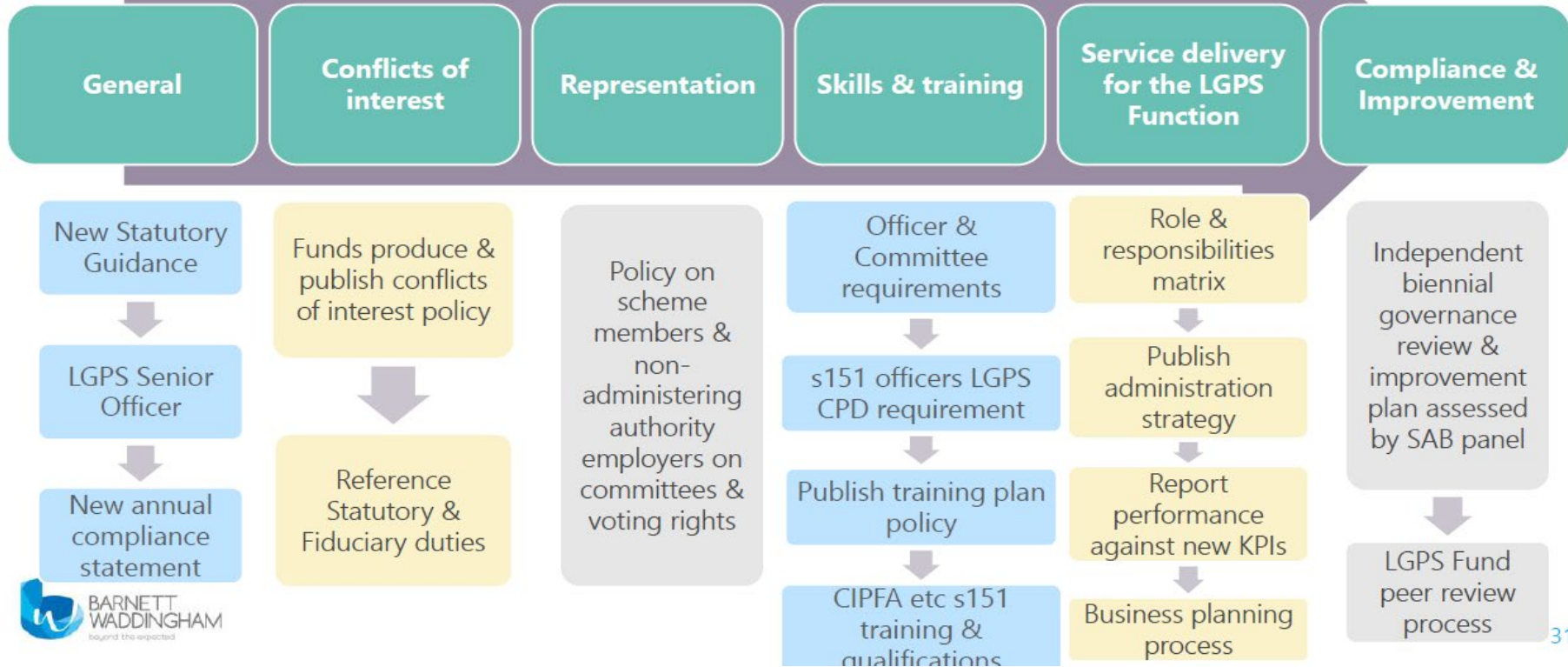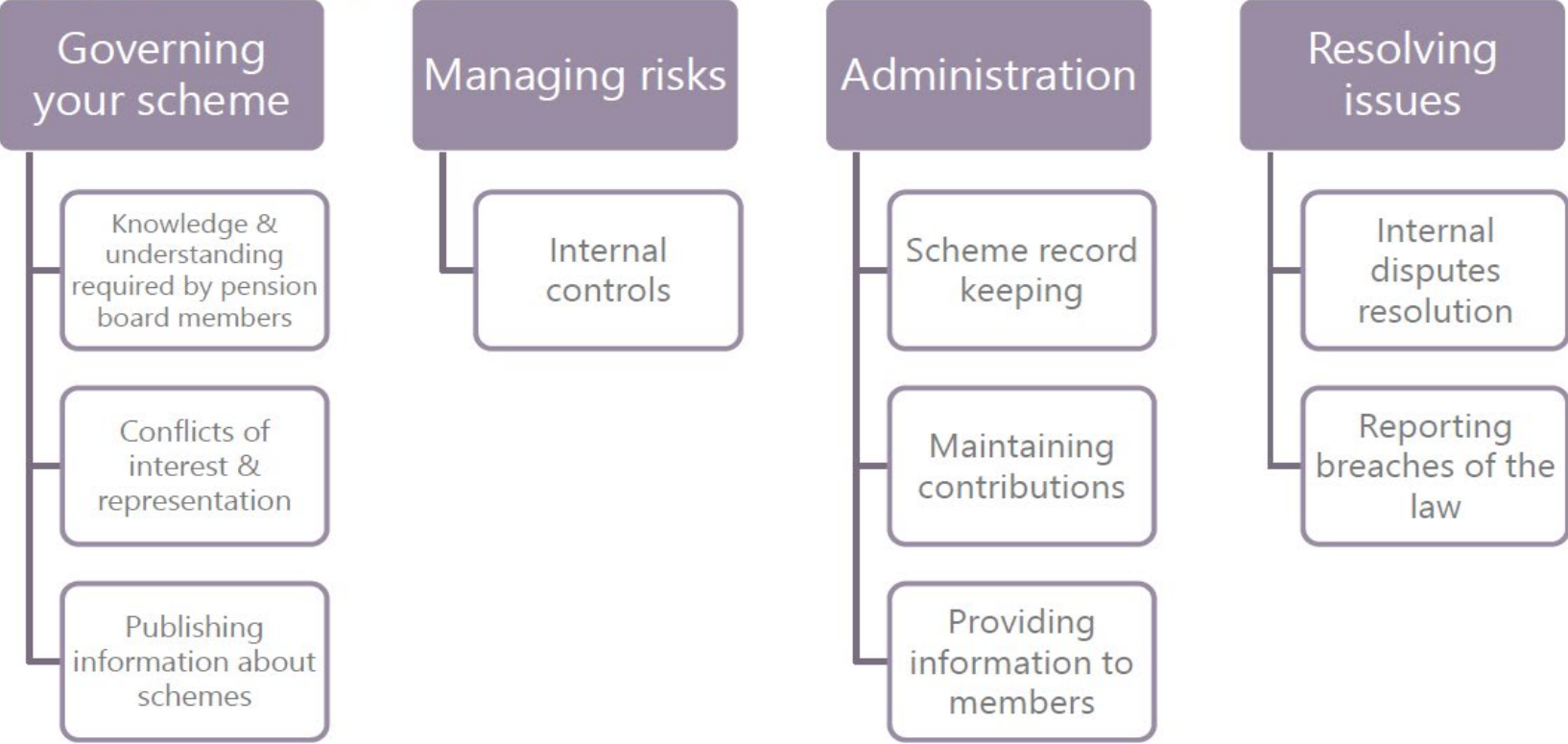**https://www.lgpsboard.org/**
Good Governance Review Recommendations

Ref.	Heading	Recommendations	PAB Questions	PAB evidence / assurance	PAB satisfaction against recommendation?
1.1	General	New Statutory Guidance	- Is it published? - Have we seen it? - This will replace the current guidance written in 2008 which no longer recognises current practice		
1.2	General	LGPS Senior Officer	- Is a LGPS senior officer in place who is the named person to be responsible for all LGPS issues? - Is it the s151 officer or a separate role?		
1.3	General	New annual compliance statement	- How involved is PAB? - Is there an implementation plan? - What is the direction of travel? - Is any advance preparation underway?		
2.1	Conflicts of interest	Funds produce & publish conflicts of interest policy	- Is there a policy in place? - Have we reviewed it? - Are there any known conflicts? - e.g. dual role issues, employer & administering authority?		
2.2	Conflicts of interest	Reference Statutory & Fiduciary duties	- Does the policy reference both Statutory and Fiduciary duties? - Are there any known conflicts?		
3.1	Representation	Policy on scheme members & non-administering authority employers on committees & voting rights	- How often is it reviewed, considered, changed?		

Ref.	Heading	Recommendations	PAB Questions	PAB evidence / assurance	PAB satisfaction against recommendation?
4.1	Skills & training	Officers & Committee requirements	- Committee member knowledge is set to increase, but elected members minimum will be 'sufficient' knowledge and an understanding they can develop rather than necessity to have knowledge from day 1 - Is there a definition of 'suitable'?		
4.2	Skills & training	s151 officers LGPS CPD requirement	- All s.151 officers need to evidence CPD but not specifically on LGPS, CIPFA may introduce a pensions specific section on s.151 training & qualifications		
4.3	Skills & training	Publish training plan policy	- Policy is already required by tPR but will be enhanced and set out in guidance - Is there a plan for Committee training requirements? - How will compliance be monitored? - What happens in the event of non-compliance?		
4.4	Skills & training	CIPFA etc. s151 training & qualifications			
5.1	Service delivery for the LGPS Function	Role & responsibilities matrix	- This should determine how it is actually working and who is responsible for what?		
5.2	Service delivery for the LGPS Function	Publish administration strategy	- All funds should Administration Strategy in place - Who prepares/reviews it? - How often do we review it?		
5.3	Service delivery for the LGPS Function	Report performance against new KPI's	- Are there KPI's in place? - Are the KPI's suitable? - Are the KPI's comparable against other administrators?		
5.4	Service delivery for the LGPS Function	Business planning process			
6.1	Compliance & Improvement	Independent biennial governance review & improvement plan assessed by SAB panel			
6.2	Compliance & Improvement	LGPS Fund peer review process	- How will a Fund peer review process work? - Which peers would be sought to engage with WSPF? - How would inter-fund learning be utilised and/or monitored?		

Code of Practice 14

Governing your scheme
- Knowledge & understanding required by pension board members
- Conflicts of interest & representation
- Publishing information about schemes

Managing risks
- Internal controls

Administration
- Scheme record keeping
- Maintaining contributions
- Providing information to members

Resolving issues
- Internal disputes resolution
- Reporting breaches of the law

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LPB Members' Autumn Seminar October 2019   31

Ref.	Heading	Areas of focus	Principles / Requirements	PAB Questions / areas of focus	Details of PAB evidence / assurance	PAB satisfaction against recommendation?
0.0	CoP 14 - Expectations	The Pensions Regulator's expectation that PAB will have read it		-Are PAB members comfortable with this? - Have all PAB members read it? - Cyber security is not in CoP 14 but still considered important		
0.1	CoP 14 - Expectations	***Must*** = legal requirement ***Should*** = practical guidance / standards expected				
0.2	CoP 14 - Expectations	Online training - Public service toolkit modules for CoP14 areas				

Ref.	Heading	Areas of focus	Principles / Requirements	PAB Questions / areas of focus	Details of PAB evidence / assurance	PAB satisfaction against recommendation?
1.1	CoP 14 - Governing your scheme	Knowledge & Understanding required by pension board members	- **Must** be conversant (i.e. working knowledge) with rules of scheme documents and policies - **Must** have knowledge & understanding of pensions law & other matters prescribed in regulations tPR cohort review recommendations: - Individual TNAs assessed & recorded - Impact of loss of experienced members - Policy for underperforming LPB members? - Minimum 4 meetings per year - Both Chairs attend meetings (Committee & Board)	- General report area of focus for PAB - Policies, Strategies, risk assessments, new risks, booklets, compliance	- Register of Pension Fund Policy documents is kept and policies/strategies/registers are reviewed by PAB (e.g. Admin, Breaches, Comms, Conflict of interest, funding, governance, IDPR, investment, privacy, risk) - All PAB members have completed the tPR toolkit and keep a training log, reviewed at each board meeting - Individual 1:1 meetings held annually with chair - 4 meetings held per year	
1.2	CoP 14 - Governing your scheme	Conflicts of interest & representation	- Equal no. of scheme members & employer rep's - No conflicts of interest on appointment or subsequently - Actual conflicts prohibited - 3 stages: identify / monitor / manage - Independent chair not compulsory but can help effective operation - Board voting rights clear?	- Policies, compliance - Right balance of skills, experience & representation - Risk of PAB member turnover - Are there any dual interests (cost savings, employer contribution levels) and how would it be dealt with or evidenced? - Is the Pension Committee a politics free zone?	-Register of interests kept and included as a opening agenda item - Independent Chair - Seven principles of public life (Nolan) apply to PAB members - Conflict of interest policy reviewed every 3 years - Governance Policy & Compliance Statement reviewed annually - Equal numbers of scheme & employer members	
1.3	CoP 14 - Governing your scheme	Publishing information about schemes	**Must** publish: - who PAB members are - their representative role - matters falling within PAB's responsibility **Must** keep up to date with any HMT directions tPR cohort review recommendations: - information should be clear, precise & free from jargon - senior oversight of commuications - measure effectiveness of communications - clear on line presence? - work through employers - publish satisfaction surveys	- Policies, Strategies, booklets, transparency, compliance	- Full and formal selection and appointment process - PAB members are published on the Scheme Administrator website - Full terms of reference - Agenda and minutes published	

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2.1	CoP 14 - Managing risks	Internal controls	**Must** establish and operate internal controls **Must** secure compliance with scheme rules and the law Internal controls cover; - arrangements and procedures to be followed in admin & management, and for safe custody & security of assets - systems for monitoring admin & management tPR cohort review recommendations: - Risk register should be in place covering all potential risk areas and regularly reviewed by PAB - PAB should have good oversight fo risks and review each meeting - Controls & processes should avoid over-reliance on key person - Processes should be documented & reviewed regularly - Payment authorisation procedures should be reviewed by scheme managers to protect assets against fraud	- Report area of focus - internal controls - Report area of focus - internal fraud & false claims - How do we identify risks? - Evaluating risks & establishing adequate internal controls - Managing risks by operating internal controls - Monitoring controls effectively - Are there additional controls for outsourced services? tPR cohort review questions: - How are new risks identified? - Who 'owns' the risks? - How are impact & likelihood & mitigations assessed & monitored? - Is there an order of priority for risks? - Are internal audit reports available for review by PAB?	- Risk Register reviewed annually - Annual Accounts and external audit opinion reviewed by PAB and separate training sessions held to ensure understanding and allow for questions - Outsourced Administration function monitored with performance and KPI's reported regularly	

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3.1	CoP 14 - Administration	Scheme record keeping	Scheme managers must keep records of information relating to: - member information - transactions - pension board meetings & decisions Be able to demonstrate records are accurate, up to date & enduring Scheme managers must establish & operated adequate internal controls, processes & systems to support record keeping Work with employers tPR - Scheme Managers should know how data is measured - review data regularly - implement improvement plan - should record & track to ensure common & scheme specific data of good quality - pension administration strategy should be implemented - PAB should review adn ensure it stands up to employer challenge	- Report area of focus - record keeping - Report area of focus - administrator performance - Legal requirement - Failure affects ability to carry out basic fucntions and can lead to incorrect benefits & ineffective management of investment risks - Data review at least annually including accuracy and completeness - Reconcile information with employers - Data improvement plan to address issues? - Report common & scheme specific data on Scheme Retun, since 2018 - Do PAB see the data improvement plan? - Do PAB see data KPI's? - Have you measured common & scheme specific data? - Has it been used to talk to employers?	- Fund has a close relationship with the administrators - SLA in place with administrators - Fund monitors service providers, understand what they should achieve and challenge and escalate if not met - Administrators attend PAB - PAB do actively challenge KPI and progress reports - Pension Administration Strategy in place and reviewed every 2 years	
3.2	CoP 14 - Administration	Maintaining contributions	- Employer contributions **must** be paid to scheme in line with scheme requirements - Employee contributions **must** be paid to scheme by 19th of month following deduction or 22nd if paid electronically - If either paid late & scheme manager believes of material significance **must** inform tPR & members - Schemes should have effective procedures & processes to identify payment failures tPR cohort review recommendations: - Employer solvency should be considered on ongoing basis - Scheme managers should understand financial position of employer & take risk based proportionate approach to identify risk of not paying contributions - Engage early with employers who outsource payroll on risks to help manager supplier - Have policy for exiting employers - Understand security types; consider whether accepting a range is more effective - Scheme managers should understand which employers don't have security & consider how to get it - Scheme managers should have policy on when to trigger security	- Report area of focus - employers & contributions - Schemes should monitor contributions, resolve issues & report payment failures - Employer contributions report as soon as reasonably practical - Employee contributions within reasonable period - Procedures & processes include a record to monitor payments, overdue contributions and reporting payment failures - Attempt to recover wihtin 90 days, consider potential for fraud etc. - Have you seen a review of participating employer covenant? - Do you know which employers have security and a plan to increase others? - Do you help employers manage their payrolls, a key information source? - Do you have reports on ceasing		

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3.3	CoP 14 - Administration	Providing information to members	- Legal requirements to disclose information about benefits & scheme administration to members & others - includes disclosure regulations 2013 - HMT directions may specify how ABS must be provided - Disclosure Regulations allow electronic communication, subject to certain steps & safeguards - Communications should be designed & delivered in a way to ensure members can engage with their pension tPR cohort review recommendations: - Information should be clear, precise & jargon free - There should be senior oversight of communications to members & prospective members - Measure effectiveness of communications	- Report area of focus - member communication - Must provide annual benefit statements by 31 August, notification of scheme changes, basic scheme information within deadlines - Disclosure Regulations include active, deferred, pensioner, prospective members, spouses/civil partners, other beneficiaries, recognised trade unions - Members and others can request information on scheme constitution and transfer credits - Members can opt out of electronic data - Information should be clear, simple to understand, accurate & easily accessible - Do you test your communications for understanding with members & pension board members? - Where information is provided online,		

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4.1	CoP 14 - Resolving issues	Internal disputes resolution	- Scheme manageres **must** make & implement legally compliant dispute resolution arrangements which help resolve disputes - **Must** make decisions and notify applicant in reasonable period - Procedures **must** say how to make application, how decisions reached & specify timescales - Scheme manager **must** communicate arrangements to members & signpost to Pension Ombudsman etc. tPR cohort review recommendations: - Should be clear internal policy on handling complaints, including escalation - Those entitled to use IDPR should be given easily accessible clear information about how it operates - Pension Board & Scheme Manager should have oversight of all complaints and outcomes, including those not dealt with in-house	- Report area of focus - IDRP - Does not apply to exempted disputes e.g. court/tribunal proceedings - Schemes decide most matters for procedure & should ensure it is fit for purpose - LGPS Internal Dispute Resolution Procedure (IDRP) requirements detailed in LGPS regulations, provide 2 months to decide the matter - Can be 2 stage or 1 stage process - LGPS is 2 stage process - Do you see a register of complaints & outcomes? - Are complaints & compliments analysed to identify changes to improve operations?		
4.2	CoP 14 - Resolving issues	Reporting breaches of the law	- Scheme managers & pension board members made aware of legal requirements & to report breaches of the law to tPR where: the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions - Must report in writing as soon as reasonably practicable. Use of TPR's Exchange online service - Procedure for reporting breaches policy document - Could be fined for failure to report wihtout reasonable excuse	- Assess if an actual breach has occurred? - Assess materiality (Cause / Effect / Reaction / Wider implication) - Referral process for decision & for difficult cases? - System for recording breaches (whether reportable or not)? - Prompt timescales? Red - Report Amber - decide whether to report Green - record but don't report - Do you have a breaches register? - Have you reported a breach to tPR? - If you haven't had a breach, are you sure there weren't any?		