

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

12 JUNE 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

PENSIONS REGULATOR'S GENERAL CODE OF PRACTICE – COMPLIANCE ASSESSMENT

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with an assessment of the Fund's current level of compliance with the Pensions Regulator's recently published General Code of Practice, together with a plan for addressing any gaps identified.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications resulting from this report.

4. BACKGROUND

- 4.1 The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. It has a wide range of responsibilities in relation to regulating trust-based (private sector) pension schemes and plays a more limited but still very significant, role in regulating public service pension schemes such as the Local Government Pension Scheme (LGPS).
- 4.2 The TPR produces guidance in relation to the governance and administration (but not the investment or funding) of public service pension schemes. As reported to the 13 March 2024 Pension Fund Committee, TPR has been through an exercise to merge its existing codes of practice into a single new code, the General Code of Practice, which came into force on 27 March 2024. The General Code of Practice can be found on TPR's website at the following link:
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-of-practice.ashx>
- 4.3 The General Code of Practice is divided into five sections (shown in bold below). Also shown below are the new modules included in the General Code of Practice (not present in the previous codes of practice). Some of these (asterisked and shown in italics) will not directly apply to the LGPS but where this is the case, compliance will usually be viewed as 'best practice' by TPR.

The governing body

- Meetings and decision-making
- *Remuneration and fee policy **
- *Managing advisers and service providers **
- *Scheme continuity planning **
- *Own risk assessment **

Funding and investment

- *Investment governance **
- *Investment monitoring **
- *Climate change **

Administration

- Planning and maintaining administration
- Financial transactions
- Transfers out
- Record-keeping
- Data monitoring and improvement
- Maintenance of IT systems
- *Cyber controls **

Communications and disclosure

- General principles for member communications
- Scams

4.4 Although the General Code of Practice took effect from 27 March 2024, TPR has indicated that it does not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. However, what is expected that schemes will have an awareness of where there are potential gaps in compliance and, ideally, a plan setting out how and when these gaps will be filled.

5. COMPLIANCE ASSESSMENT

5.1 Hymans Robertson (the Fund's actuary) has developed a spreadsheet-based assessment tool designed to assist LGPS Funds with determining where they comply with the General Code of Practice and where there are gaps. Hymans Robertson has analysed the General Code of Practice and legislation referred to in that document to categorise the requirements into regulatory requirements, TPR expectations and best practice. The assessment tool allows users to keep a history of assessments and track progress over time, and also facilitates the development of action plans and assists in prioritisation of actions.

5.2 After assessing other available options the assessment tool was purchased from Hymans Robertson for a one-off fee. Appendix A contains the initial assessment report together with a list of actions that need to be actioned to allow the Fund to gain full compliance with the General Code of Practice.

5.3 Overall, from the 14 chapters of the General Code of Practice that are analysed in the report, 5 show full compliance, with the remaining 9 showing levels of compliance between around 57% and 93%.

6. NEXT STEPS

6.1 Also included within Appendix A is a set of actions required to gain full compliance. These are set out below under the relevant headings, together with a suggested timescale for completion:

Task	Timescale
The Governing Body: Board Structure and Activities	
1. Include Nolan principles within induction training for Pension Fund Committee and Teesside Pension Board, to ensure non-Councillors are aware of required characteristics.	30/06/2024
2. Note - Going forward, Appendix 2 (qualities of a Chair) could be shared with group leaders prior to any appointment process for a future chair of the Pension Fund Committee	30/06/2024
Administration: Scheme Administration	
3. Develop a strategy for the long-term administrative objectives of the scheme and agree a process for delivering these with the administrator - will be picked up as part of the ongoing re-procurement of the outsourced pensions administration function.	31/12/2024
Administration: IT & Cyber Security	
4. Consider providing more detail to Committee on cyber risks and controls	30/09/2024
Communications and Disclosure: Information to Members	
5. Deferred members where no address is known do not receive benefit statements (although, technically, those statements are produced). Ongoing discussions about bulk address tracing with outsourced pensions administrator will be progressed. Assess on-line availability as a longer-term alternative.	31/12/2024
The Governing Body: Knowledge & Understanding	
6. Maintain list of key scheme documents available to access outside of the on-line learning academy.	30/09/2024
7. Further review of the Pension Committee and Board knowledge and understanding should be scheduled.	30/09/2024
8. Pension Board knowledge and understanding could be further reinforced by scheduling further Board training through the Pension Board workplan	30/09/2024
9. Could develop and document Pension Committee and Board training plans more fully.	30/09/2024
The Governing Body: Risk Management	
10. More formal annual review of all internal control documents need to be put in place.	31/12/2024
11. Further analysis is required to ensure all TPR expectations on the design of internal controls are covered.	31/12/2024

Task	Timescale
12. Diarise review of assurance reports (from external providers), assess whether any gaps exist i.e. any investment managers who do not / can not provide reports. Liaise with external audit, who also go through a process to collate these reports, to avoid duplication of effort.	30/09/2024
13. Review pensions administration provider's Business Continuity Plan at same six month frequency as the Fund's Plan Develop an annual review process of any potential conflicts of interest in relation to the six non- Middlesbrough Council Committee members.	31/12/2024
14. Develop an annual review process of any potential conflicts of interest in relation to the six non- Middlesbrough Council Committee members.	30/09/2024
15. Arrange to publish Board conflict register on website (although this is currently a 'nil' return).	30/06/2024
Investment	
16. Develop written policy on the use of advisers "These policies should consider the specific circumstances of the scheme, such as the investment knowledge and experience available to the governing body and the relevant legal requirements"	31/12/2024
17. Further onward reporting and additional analysis required to fully meet the standard outlined, for example including stress testing, scenario testing and any early warning triggers that are relevant. Work with other managers to fully understand their climate risk approach.	31/12/2024
Administration: Information Handling	
18. Annual review of processes and systems for financial transactions recommended. Finalise reporting on scheme-specific data.	31/12/2024
19. Formal data improvement plan should be devised and implemented - will progress once new pensions administration contract is in place.	31/12/2024
20. Carry out data reviews annually.	31/12/2024
Communications and Disclosure: Public Information	
21. Update IDRPs guide leaflet to include correct contact details of Money and Pensions Service.	30/06/2024
Reporting to TPR: Reporting Breaches	
22. Update breaches policy to include reference to advising TPR if another regulatory body e.g. ICO is advised of a breach.	30/06/2024

6.2 Updates will be provided to future Committee meetings to track progress on completion of these tasks and the Fund's compliance with the General Code of Practice.

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