



LOCAL PENSION COMMITTEE – 6 SEPTEMBER 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

THE PENSION REGULATOR'S CODE OF PRACTICE

Purpose of the Report

1. The purpose of this report is to summarise Fund Officers initial view of compliance against the Pension Regulator's General Code of Practice. There are a number of criteria with which Funds must comply to satisfy the requirements of the Code. This report records the findings from the initial assessment by Fund Officers across all relevant subject areas.

Background

2. In March 2024 The Pensions Regulator (TPR) combined various codes of practice into a single General Code of Practice which is applicable to most public and private occupational pension schemes, including the LGPS. The Code can be found in Appendix A attached to this report.
3. There are elements of the Code which do not apply to the LGPS (the "Value for Scheme Members" section) and not all requirements carry the same weight. Administering Authorities of LGPS funds must however comply with the sections relevant to them.

Initial Assessment

4. For this assessment the Code has been broken down into 15 categories, although there are no requirements for LGPS funds in the "Value for Scheme Members" category.
5. Within each of these categories, there are several different criteria, each with their own requirements. Using a compliance tracker tool, 136 different areas have been identified for assessment. These requirements are classed as either a 'Regulatory Requirement', 'TPR Expectation' or 'Best Practice'.
6. Officers have conducted an initial assessment of the Fund's current compliance against the Code. Initial findings are:

Fully Compliant Areas: 93
Partially Compliant Areas: 40
Non-Compliant Areas: 2
Areas not applicable: 1

7. Areas identified as partially compliant or non-compliant can be found in Appendix B attached to this report.
8. Some areas of partial compliance are linked and the completion of a single action may result in full compliance in multiple areas, for example, the creation of an Internal Controls Document.
9. Fund Officers are keen to meet the highest level of compliance, and whilst 40 partially compliant areas and two non-compliant areas may appear concerning, some areas identified as partially compliant only require minor adjustments to reach full compliance. For example, updating an element of the Administration and Communication Strategy to include reference to Cash Transfer Sums.

Next Steps

10. Officers will address the requirements where the Fund is not fully compliant. Priority will be given to those classed as Regulatory Requirements.
11. Responsibility has been allocated to Officers in Pensions, Investments and Democratic Services dependant on topic and this is indicated on the tracker (Appendix B).
12. The key areas that need to be addressed are set out below.

Creation of an Internal Controls Document

13. An Internal Controls document stating how controls are implemented will need to be drafted. Whilst these controls are already established, a document that explicitly details these would enable several of the partially compliant areas to become fully compliant.
14. The document would provide clear assurance that the scheme is operating correctly and in accordance with the law. This would include:
 - How the scheme is administered
 - Details of clear separation of duties in processes
 - Details of payment values 'sign-off' levels
 - How changes to the scheme are managed
 - How frequently the controls are reviewed
15. The document will align with the controls stated in other documents, including the Fund risk register, job profiles, the cyber policy and the Fund Administration and Communication Strategy.

Transfers Guide

16. Pension transfers are included in the 'Information Handling' category of the Code and an update to the existing transfer process notes is required, to link

together separate notes covering different aspects of the process, including requirements linked to McCloud, into one document.

Amendment of the Cyber Policy

17. The Code has highlighted further details that need to be added to the cyber policy to ensure full compliance.

Data Improvement Plan

18. Whilst the Fund has had a Data Improvement Plan since 2017, a refresh is required to attain full compliance. Officers will assess whether a new document would need to be produced or if it could be incorporated into an updated Administration and Communication Strategy.

Breaches of Law Policy

19. Officers will review the current processes relating to how the Fund reports breaches of law and collate these into one document.

Timeline

20. The aim is to complete this exercise and be as fully compliant in as many areas as possible by 31 March 2025. Officers will initially concentrate on the areas classified as a 'Regulatory Requirement' by 31 October 2024 and then focus on the 'TPR Expectation' and 'Best Practice' areas between 1 November 2024 and 31 March 2025, though some areas may overlap.

Audit

21. Officers will share this report with Internal Audit, who will shortly begin an initial audit to confirm the findings detailed in this report. Upon completion of the exercise, a further report may be required to confirm full compliance.
22. A final update will be presented to the Committee after March 2025.

Recommendation

23. It is recommended that the Committee note the report.

Equality Implications

24. There are no Equality implications arising from this report.

Human Rights Implications

25. There are no human rights implications arising from this report.

Appendices

Appendix A: General Code of Practice

Appendix B: Code of Practice Areas Not Fully Compliant

Officers to Contact

Ian Howe, Pensions Manager

Telephone: 0116 305 6945

Email: Ian.Howe@leics.gov.uk

Stuart Wells, Pensions Project Manager

Telephone: 0116 305 6944

Email: Stuart.Wells@leics.gov.uk

Simone Hines, Assistant Director – Finance, Strategic Property and Commissioning

Telephone: 0116 305 7066

Email: Simone.Hines@leics.gov.uk