

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 19 March 2015

Report by: Deputy Head of Pensions

Subject:	The Pensions Regulator's code of practice no. 14 – governance and administration of public service pension schemes
Purpose of the Report	To identify the legal requirements on the Scheme Manager and members of the Pension Fund Board and Investment Sub-Committee contained within the Pensions Regulator's code of practice.
Recommendations	That the board notes the code of practice.
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1. Background

- 1.1 In 2011, the Government accepted the recommendation made by Lord Hutton and the Independent Public Services Pension Commission that public sector pension schemes required more independent oversight. As a result The Public Service Pensions Act 2013 extended the powers of the Pensions Regulator into the public sector effective from 1 April 2015. Previously the Regulator had little involvement.
- 1.2 In December 2013, the Pensions Regulator produced a draft code of practice setting out certain requirements of pensions legislation and practical guidance as well as the standards of conduct and practice expected from scheme managers (administering authorities in the case of the Local Government Pension Scheme) and members of pension boards. This draft code was specific to the governance and administration of public service pension schemes. The Pensions Regulator had already produced 13 codes of practice that relate to pension provision in the private sector specifically.
- 1.3 The draft code of practice was open to public consultation during the period 10 December 2013 to 17 February 2014.
- 1.4 On 14 January 2015, the Pensions Regulator announced that the code of practice had been laid before Parliament to come into effect on 1 April 2015.

2. Legal status of the codes of practice

- 2.1 The code of practice is not a statement of law and no penalties can be imposed for failing to comply with it. It is also not necessary for all the provisions of a code of

practice to be followed in every circumstance. However, where an alternative approach to that suggested in the code of practice is used, the approach must still comply with the law, otherwise a penalty could be levied. A court or tribunal will use the code as a basis to determine whether a legal requirement has or has not been met.

- 2.2 The practical guidance sections in the code are not intended to prescribe the process for every scenario. The guidance does, however, provide principles, examples and benchmarks against which scheme managers and members of pension boards can consider whether or not they have understood their duties and obligations and are reasonably complying with them.
- 2.3 If scheme managers and pension board members are for any reason unable to act in accordance with the guidance set out in the code or an alternative approach that meets the requirements, they should consider their statutory duty under section 70 of the Pensions Act 2004 to assess the and if necessary report breaches of the law.

3. Content of the code of practice

- 3.1 The code is structured into four areas of scheme governance and administration:
 - governing your scheme;
 - managing risks;
 - administration; and
 - resolving issues.
- 3.2 A brief outline of each of the four areas highlighting the associated legal requirements that those involved in the governance and administration of the Fund need to be aware of is detailed in **Appendix 1**.
- 3.3 The Pensions Regulator has issued a brief guide to the code entitled “The essential guide to the public service code” which can be found in **Appendix 2**. The guide gives details of where the full code of practice can be obtained.

4. Actions as a result of the code of practice

- 4.1 There are no legal requirements within the code of practice that we were not aware of. Therefore there are no immediate remedial actions required in the area of administration or in the activities of the Pension Fund Board and Investment Sub-Committee.
- 4.2 The code of practice will be used by the Pensions Service, going forward to ensure any changes in processes are in line with the guidance of the Pensions Regulator and complies with the law in the cases where we feel it is better practice to take a slightly different approach.
- 4.3 The code of practice will be given to all new board members as part of their induction process and will be referenced in ongoing training for all board members during the training cycle.

4.4 Current board members are asked to familiarise themselves with the code of practice, particularly in the areas of knowledge and understanding, where the Pensions Regulator refers to the specific responsibilities of board members in this area. Appendix 2 provides a broad outline of these responsibilities.

4.4 The local pension board is also subject to this code of practice and will be established and operate in accordance with the guidance.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	<ul style="list-style-type: none"> Promote the Scheme as a valuable benefit. Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. Look for efficiencies in delivering communications including through greater use of technology.
Administration	<ul style="list-style-type: none"> Provide a high quality, friendly and informative administration service to the Funds' stakeholders. Administer the Funds in a cost effective and efficient manner utilising technology. Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. Maintain accurate records and ensure data is protected and has authorised use only. Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	<ul style="list-style-type: none"> To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. To ensure that sufficient resources are available to meet all liabilities as they fall due. To maximise the returns from its investments within reasonable risk parameters.

Perspective	Outcome
Governance	<ul style="list-style-type: none"> To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

6. Finance & Resources Implications

6.1 The code of practice does not give rise to any additional financial or resource implications.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Following the guidance in the code of practice or a suitable alternative approach will ensure that the Fund acts in accordance with the relevant laws and avoid the associated financial penalties of acting outside of the law.	The code of practice should be referred to when making a change in process in the areas of (but not limited to): governance, risk, administration and resolving issues.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Not following the guidance in the code of practice or a suitable alternative approach may result in the Fund or the Board acting outside of the requirements of the law. Whilst the code of practice has no legal status a tribunal or court could impose penalties on the Fund for not complying with the code.	Amber (as the code does not introduce any new legislation that we were not previously adhering to the requirements of).

8. Communication Implications

Induction	The code of practice will need to be incorporated into the induction pack for new board members.
Training	The code of practice will need to be incorporated into the training of new and existing pension board members.

9. Legal Implications

- 9.1 Failing to act in accordance with the code of practice and the legislation referenced within the code could result in the Fund acting outside of the law which may result in financial penalties.

10. Consultation with Key Advisers

- 10.1 There has been no consultation with professional advisers in the production of this report.

11. Alternative Options Considered

- 11.1 There is no alternative option to be considered. The Fund must act in accordance with the law.

12. Background Papers

- 12.1 There are no background papers for this report.

13. Appendices

- 13.1 Appendix 1 – Legal requirements detailed within the Pensions Regulator’s Code of Practice on governance and administration of public service pension schemes.
- 13.2 Appendix 2 – The Pensions Regulator’s “essential guide to the public service code”.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Chris Malyon – 06/03/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby - 11/02/15
Has the Chairman of the Pension Fund Board been consulted?	Councillor Count - 19/02/2015
Has this report been cleared by Legal Services?	Laurie Gould on behalf of Quentin Baker – 02/03/2015