



Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Tuesday, 17 December 2019 at 10.00 am at Aldermanbury House, Godwin Street, Bradford BD1 2ST

Members of the Committee

Employer Representatives	Member Representatives
Councillor S Lal (Chair) – Bradford	Mr G Nesbitt – GMB
Councillor D Jenkins– Leeds	Mr M Binks – Unison
Councillor M Johnson – Wakefield	Mr C Sykes – Unison
Ms R Manning - Employer	Mr M Morris - Unite

Notes:

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- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From:

Parveen Akhtar
City Solicitor
Agenda Contact: Jane Lythgow
Phone: 01274 4322700/1274 432280
E-Mail: jane.lythgow@bradford.gov.uk

To:

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) Officers must disclose interests in accordance with Council Standing Order 44.*

2. MINUTES

Recommended –

That the minutes of the meeting held on 8 October 2019 be signed as a correct record (previously circulated).

(Jane Lythgow – 01274 432270)

3. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Jane Lythgow - 01274 432270)

B. BUSINESS ITEMS

4. **REGISTER OF BREACHES OF LAW**

1 - 8

The Director, West Yorkshire Pension Fund, will present a report (**Document “S”**) which informs Members that, in accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) impose a requirement to report a matter to the Pensions Regulator as soon as it is reasonably practicable where that person has reason to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) The failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

A register of any breaches of the Pensions Code of Practice is maintained in accordance with the Pensions Regulators requirements and WYPF Breaches Procedure.

Recommended –

That the entries on the Register of Breaches of Law be noted.

(Caroline Blackburn – 01274 434523)

5. THE PENSIONS REGULATOR SCHEME RETURN

9 - 22

Members are aware that, in accordance with the Public Service Pensions Act, from April 2015 all Public Sector Pension Schemes come under the remit of the Pension Regulator.

The Pensions Regulator (tPR) requires all occupational pension schemes to complete an annual scheme return. The report of the Director, West Yorkshire Pension Fund, (**Document “T”**) provides an update on completion of the 2019 tPR scheme return.

Recommended –

That the report be noted.

(Tracy Weaver – 01274 433571)

6. GOOD GOVERNANCE IN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

23 - 78

The Director, West Yorkshire Pension Fund, will present a report (**Document “U”**) which informs Members that governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by the Pensions Regulator, introduction of Local Pensions Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments, which has changed the role of pension committees, and how LGPS Funds work with each other.

Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward. Document “U” updates members on the progress of that exercise.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

7. THE PENSIONS REGULATOR GOVERNANCE AND ADMINISTRATION SURVEY AND ENGAGEMENT

79 - 180

The report of the Director, West Yorkshire Pension Fund, (**Document “V”**) advises members that the Public Service Pensions Act 2013 introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements.

A survey was undertaken in 2015 to assess how schemes were meeting the new requirements and the standard to which they were

being run. Surveys were run in 2016, 2017 and 2018 to provide a further assessment of performance, understand barriers to improvement and delve deeper into the top risks of governance, record keeping and communications.

A summary of the 2018 results has now been produced by the Pensions Regulator (tPR). and can be found in the report Governance and Administration survey 2018: Research Report

TPR has also produced a report Governance and Administration risks in Public Sector Pension Schemes .

Recommended –

That the report be noted.

(Tracy Weaver – 01274 433571)

8. TRAINING, CONFERENCES AND SEMINARS

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Members are reminded that training to understand their responsibilities and the issues they will be dealing with is a very high priority.

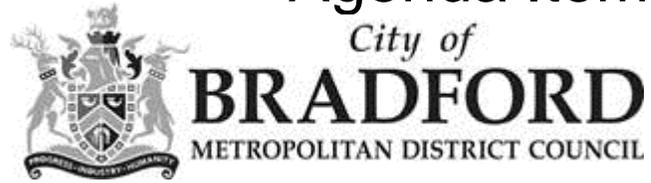
The report of the Director, West Yorkshire Pension Fund, (**Document “W”**) informs Members of training courses, conferences and seminars which may be of assistance.

Recommended -

That consideration is given by Board Members at the events in Section 1 and Members note the requirement to complete the Pension Regulators toolkit training.

(Caroline Blackburn – 01274 434523)

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 December 2019

S

Subject: Register of Breaches of Law

Summary statement:

In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A Register of Breaches of Law is therefore maintained in accordance with the Pensions Regulators requirements and WYPF Breaches procedure.

Recommendation

It is recommended that the Local Pension Board note the entries on the Register of Breaches of Law.

Rodney Barton
Director

Portfolio

Report Contact Caroline Blackburn
Phone: (01274) 434523
Email: caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area

1. **Background**

1.1 Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to the Pensions Regulator as soon as reasonably practicable where a person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

1.1 This requirement applies to:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

1.2 The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2. **Reporting Breaches Procedure**

2.1 A record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF maintains a record of all reported or unreported breaches.

2.2 The Register of Breaches of Law (reported or otherwise) is provided to each Joint Advisory Group meeting, and this will also be shared with the Pension Board.

4 Breaches from April 2019

4.1 The entries on the Register of Breaches for 2019/20 relate

- to the late payment of contributions, and
- Annual Benefit Statements not all issued by 31 August 2019 (99.6% were issued on time).

5 Recommendations

It is recommended that the Local Pension Board note the entries and action taken on the Register of Breaches.

6 Appendix

- Appendix A – Register of Breaches 2019/20

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WYPF Breaches of the Law 2019 -2020

Date	Category (eg administration, contributions, funding , investments)	Pensions Regulator code of practice	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported/Not reported	Outcome of report and or investigations	Outstanding Actions
Sept 19	Administration Issue of Annual Benefit Statements (ABS)	189	Scheme regulations require an ABS be provided to each active member by the 31 August each year At the 31 August 18 99.6% of statements had been sent out (91686/91973)	0.4% of active members will not have received their ABS within prescribed time limits	Only accurate ABS are sent out. Work is continuing to release ABS to be sent out as soon as the "block" has been cleared.	Not reported	Due to the improvement in the performance and the relative low numbers this breach is not regarded as of material significance	Outstanding ABS continue to be issues as soon as the ABS block has been resolved
April 19	Administration Maintaining contributions	147	Employee's pension contributions must be paid to the manager of the scheme by the 19th day of the month following deduction or by 22nd day if paid electronically. Please see schedule below for details of employers who failed to make payment by the appropriate date.	Contributions not received by the scheme within the prescribed timescales	Immediate action: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee and are notified that further late payments may be reported to the Pensions Regulator. Continuing Action: Employers are closely monitored. Records of each employer who fail to make payment each month are maintained along with details of the number of late payment occasions.	Not reported	All outstanding payments are chased up and all payments received	None

WYPF Breaches of the Law 2019 -2020

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2019 onwards

Month	Employer	Date contributions due	Date paid	Value of late contributions	No of times late in last 6 months prior to this month	No of times late in last 12 months prior to this month
April 19	Basketball England	17/05/19	05/07/19	924.76	0	0
	Pool Parish Council	17/05/19	14/06/19	291.34	0	0
	Carroll Cleaning (Whetley)	17/05/19	11/06/19	73.67	0	0
	Carroll Cleaning (Wakefield)	17/05/19	11/06/19	27.32	0	0
	Carroll Cleaning (Holy Trinity)	17/05/19	11/06/19	51.72	0	0
	Carroll Cleaning (Birkenshaw Primary)	17/05/19	11/06/19	41.77	0	0
	Carroll Cleaning (Lee Mount)	17/05/19	11/06/19	16.59	3	6
	Carroll Cleaning (Thornbury)	17/05/19	11/06/19	28.43	0	0
	Carroll Cleaning (Frizinghall)	17/05/19	11/06/19	39.47	0	0
	Carroll Cleaning Lepage Primary)	17/05/19	11/06/19	56.86	0	0
	Carroll Cleaning (Nessfield)	17/05/19	11/06/19	207.92	0	0
	Carroll Cleaning	17/05/19	11/06/19	397.14	0	0
	Enviroserve (Calder High)	17/05/19	02/07/19	970.94	6	9

May 19	Basketball England	19/06/19	05/07/19	924.76	2	2
	Community Accord	19/06/19	11/09/19	264.69	3	4
	Leeds Housing	19/06/19	26/06/19	887.34	0	0
	Aspens Services Ltd Featherstone	19/06/19	05/07/19	478.09	1	1
	Mellors (was Aspens Oasis)	19/06/19	05/07/19	881.12	1	1
	Mellors (was Aspens Appleton)	19/06/19	05/07/19	1413.20	1	1

June 19	Community Accord	19/07/19	11/09/19	264.69	4	5
	Fleet factors Ltd	19/07/19	24/07/19	201.77	2	3
	Aspens services Ltd Featherstone	19/07/19	23/07/19	533.42	2	2

WYPF Breaches of the Law 2019 -2020

	Mellors (was Aspens Oasis)	19/07/19	23/07/19	904.99	2	2
	Mellors (was Aspens Appleton)	19/07/19	23/07/19	1369.24	2	2
	Arcadis (UK) Ltd	19/07/19	06/08/19	6565.56	0	0
	Carlton Bolling	19/07/19	23/08/19	37551.71	0	0

July 19	Groundwork Leeds	19/08/19	23/08/19	1541.91	0	0
	Community Accord	19/08/19	11/09/19	264.69	5	6
	Aspens services Ltd Featherstone	19/08/19	06/09/19	537.14	3	3
	Consultant Cleaners Ltd WY Fire	19/08/19	28/08/19	102.47	0	0
	Mellors (was Aspens Oasis)	19/08/19	06/09/19	881.12	3	3
	Mellors (was Aspens Appleton)	19/08/19	06/09/19	1366.88	3	3
	Consultant Cleaners LTD (Westborough high school)	19/08/19	28/08/19	374.57	0	0
	Carlton Bolling	19/08/19	23/08/19	29615.69	1	1

August 19	Basketball England	19/09/19	01/10/19	924.75	1	1
	Aspens Services Ltd Featherstone	19/09/19	03/10/19	177.61	4	4
	Mellors (was Aspens Oasis)	19/09/19	03/10/19	193.34	4	4
	Mellors (was Aspens Appleton)	19/09/19	03/10/19	1363.01	4	4

Sept 19	Leeds Society for the Deaf and Blind	19/10/19	21/10/19	398.59	1	1
	Innovate Services Ltd (Crossflats)	19/10/19	22/10/19	547.10	1	1

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Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 December 2019

T

Subject: The Pensions Regulator Scheme Return

Summary statement:

In accordance with the Public Service Pensions Act, from April 2015 all Public Sector Pension Schemes come under the remit of the Pension Regulator.

The Pensions Regulator (TPR) requires all occupational pension schemes to complete an annual scheme return.

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Tracy Weaver
Technical Services Manager
Phone: (01274) 433571
E-mail: tracy.weaver@wypf.org.uk

Overview & Scrutiny Area:

1. SUMMARY

- 1.1 The Pensions Regulator (TPR) requires all occupational pension schemes to complete an annual scheme return.
- 1.2 This report provides West Yorkshire Pension Fund Pension Board with an update on completion of the 2019 tPR scheme return.

2 TPR Scheme return

- 2.1 On 10 October 2019 notification was received from TPR that the trustees or managers of the Scheme are required by law to provide it with certain information about the Scheme by submitting a Scheme Return to it on or before **20 November 2019**.

2.2 The information on the scheme return includes:

- **Scheme details – name and address, status and HMRC reference, membership numbers and record keeping (data scores).**
- **Governance details – manager of the scheme and pension board members.**
- **Employer details**
- **Service Provider details – pensions administrator, auditor, insurer.**
- **Contact details – return, pension tracing service and consent to electronic service.**

3 PROGRESS

- 3.1 The information held by TPR was reviewed and updated as necessary.
- 3.2 Due to large number of employers participating in WYPF it is not possible to provide details of employers over the internet and we have been asked to provide a spreadsheet with details of all employers.
- 3.3 The scheme return was submitted on 14 November 2019, attached is a copy at Appendix A, and the spreadsheet was sent on week commencing 18 November 19.

4 RECOMMENDATION

- 4.1 It is recommended that the Local Pension Board note this report.

Your scheme details:

LGPS - West Yorkshire Pension Fund

1. Introduction

The following are the details that were on the scheme return submitted on 14 November 2019 03:57 PM.

The scheme return details were confirmed by Miss Tracy Weaver.

2. Scheme details (includes membership details)

Basic details	
Scheme name	LGPS - West Yorkshire Pension Fund
PSR number	10041078
Scheme address	The Director West Yorkshire Pension Fund Po Box 67 Bradford BD1 1UP United Kingdom
Scheme type	Occupational
Benefit type	Defined benefit
Current status	Open to new members since 01 April 1974
Scheme year-end (DD/MM)	31/03 since 01 April 1974
HMRC reference number (PSTR)	00328529RV

Number of members as at 31 March 2018 The Pensions Regulator requires to know the number of members present at the scheme year-end between the dates 1 April 2017 and 31 March 2018.	
Active members	94842
Deferred members	91686
Pensioner members	84719
Total of members	271247

Number of members as at 31 March 2019 The Pensions Regulator requires to know the number of members present at the scheme year-end between the dates 1 April 2018 and 31 March 2019.	
Active members	88343
Deferred members	89660
Pensioner members	106689
Total of members	284692

3. Governance Details

PSR number: 10041078

Manager of the scheme	
Role or organisation name	City of Bradford Metropolitan District Council
Address of manager of the scheme	West Yorkshire Pension Fund 4 Godwin Street BRADFORD West Yorkshire BD1 2ST United Kingdom
Telephone number	01274 434999
Email address	pensions@wypf.org.uk

Pension board member	
Name of pension board member	Mr Mark Morris
Pension board member type	Member
Chair of pension board	No
Address of pension board member	
Telephone number	01274 434523
Email address	Mark.Morris@kirklees.gov.uk

Pension board member	
Name of pension board member	Mr Colin Sykes
Pension board member type	Member
Chair of pension board	No
Address of pension board member	
Telephone number	01274 434523
Email address	csykes@wds.co.uk

PSR number: 10041078

Pension board member	
Name of pension board member	Mr Mick Binks
Pension board member type	Member
Chair of pension board	No
Address of pension board member	
Telephone number	01274 434523
Email address	Mick.Binks@leedsunison.org.uk

Pension board member	
Name of pension board member	Mr Gary Nesbitt
Pension board member type	Member
Chair of pension board	No
Address of pension board member	
Telephone number	01274 434523
Email address	Gary.Nesbitt@bradford.gov.uk

Pension board member	
Name of pension board member	Ms Ruth Manning
Pension board member type	Employer
Chair of pension board	No
Address of pension board member	Northern School of Contemporary Dance 98 Chapeltown Road LEEDS LS7 4BH United Kingdom
Telephone number	0113 2193052
Email address	ruth.manning@nscd.ac.uk

PSR number: 10041078

Pension board member	
Name of pension board member	Cllr Shakeela Lal
Pension board member type	Employer
Chair of pension board	Yes
Address of pension board member	City of Bradford Metropolitan District Council City Hall Centenary Square BRADFORD West Yorkshire BD1 1HY United Kingdom
Telephone number	01274 434999
Email address	Shakeela.Lal@bradford.gov.uk

Pension board member	
Name of pension board member	Cllr Martyn Johnson
Pension board member type	Employer
Chair of pension board	No
Address of pension board member	Wakefield Town Hall Wood Street Wakefield WF1 2HQ United Kingdom
Telephone number	01274 434999
Email address	Martynjohnson@wakefield.gov.uk

Pension board member	
Name of pension board member	Cllr David Jenkins
Pension board member type	Employer
Chair of pension board	No
Address of pension board member	Leeds City Council Civic Hall Calverley Street LEEDS LS1 1UR United Kingdom
Telephone number	01274 434999
Email address	David.jenkins@leeds.gov.uk

PSR number: 10041078

PSR number: 10041078

3. Record-keeping

Common data	
Have you measured your common data in the last three years?	Yes
When did you last measure your common data?	November 2019
What percentage of this data have you assessed to be present and accurate?	96%

Scheme-specific ('conditional') data	
Have you measured your scheme-specific ('conditional') data in the last three years?	Yes
When did you last measure your scheme-specific ('conditional') data?	November 2019
What percentage of this data have you assessed to be present and accurate?	77%

PSR number: 10041078

5. Employer details

Employers

Due to the large amount of employer data associated with this scheme we have provided you with these details under separate cover.
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PSR number: 10041078

6. Service provider details

Insurance company	
There is currently no insurance company listed as involved with this scheme.	

In-house administrator	
Main contact title	Mr
Main contact first name(s)	Rodney
Main contact surname	Barton
Address of in-house administrator	The Director W Yorkshire Pension Fund Po Box 67 Bradford BD1 1UP United Kingdom
Direct telephone number	01274 434999
Individual's email address	pensions@wypf.org.uk

Third-party administrator	
There is currently no third-party administrator listed as involved with this scheme. Details required are organisation name and address, telephone number and email address.	

Auditor	
Organisation name	Mazars LLP
Address of auditor	Mazars Mazars House, Gelderd Road Gildersome, Morley LEEDS LS27 7JN United Kingdom
Telephone number	07881 283340
Email address	steve.appleton@mazars.co.uk

PSR number: 10041078

PSR number: 10041078

7. Contact details

Scheme contact details	
Name of contact	Miss Tracy Weaver
Job title	Technical Services Manager
Address of contact	West Yorkshire Pension Fund PO Box 67 BRADFORD West Yorkshire BD1 1UP United Kingdom
Telephone number	01274 433571
Email address	tracy.weaver@wypf.org.uk

Pension Tracing Service contact details
There is no pension tracing service contact associated with this scheme.

Consent to electronic service details
There is no consent to electronic service associated with this scheme.

PSR number: 10041078

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 December 2019

U

Subject: Good Governance in the LGPS

Summary statement:

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by the Pensions Regulator, introduction of Local Pensions Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments, which has changed the role of pension committees, and how LGPS Funds work with each other.

Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director

Portfolio

Report Contact: Yunus Gajra
Phone: (01274) 432343
Email: Yunus.gajra@wypf.org.uk

Overview & Scrutiny Area

1.0 SUMMARY

- 1.1 A number of governance structures exist across LGPS Funds. A consultation was carried out to identify ways of further strengthening LGPS governance in the face of new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.
- 1.2 Key proposals that emerged from the exercise were:
- i) There should be an 'outcome based' approach to LGPS governance with minimum standards rather than a prescribed governance model.
 - ii) Critical features of the 'outcome based' model should include:
 - a) Robust conflict management including clarity on roles and responsibilities for decision making,
 - b) Assurance on sufficiency of administration and other resources and appropriate budget
 - c) Explanation of policy on employer and scheme member engagement and representation in governance, and
 - d) Regular independent review of governance.
 - iii) Enhanced training requirements for s151's and s101 committee members
 - iv) Update relevant guidance and better sign-posting.

2.0 BACKGROUND

- 2.1 The LGPS Scheme Advisory Board commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions. SAB asked Hyman Robertson to help them identify the real issues and potential options for change to the current arrangements which are proportionate, pragmatic and would improve LGPS governance in these areas.

3.0 PROCESS

3.1 Through the consultation process, Hymans gathered the views of as many stakeholders, representing all elements of the LGPS, as possible. Scheme stakeholders were invited to complete a short online questionnaire which asked for examples of actual conflicts that can arise, views on the effectiveness of current LGPS governance arrangements and suggestions for improvement. Further stages of the consultation included interviews and workshops with key stakeholders. This allowed the SAB to consult on a series of options that reflect the reality of LGPS governance as experienced by those who experience it first-hand.

3.2 Four Governance models were considered:

- Model 1 – Improved Practice
- Model 2 – Model 1 plus greater ring fencing
- Model 3 – Joint Committees, and
- Model 4 – Separate Local Authority Body

4.0 RESULTS

4.1 The on line survey responses indicated a preference for Model 2 (greater ring fencing) followed by Model 1 (improved practice).

4.2 Model 2 was also the clear preference in additional surveys at the PLSA conference in May and other events.

4.3 Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reason.

4.4 Some respondents could see value in Model 4 (separate LA body). However, the value was outweighed by concern about weakening relationships with Councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

4.5 Many stakeholders pointed out that their existing models provided many of the features and benefits of Model 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences.

4.6 Through this process Hymans identified:

- Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS, and
- Additional ideas for further strengthening governance within the current regulatory framework.

5.0 CONCLUSIONS FROM PHASE I

5.1 It is clear from the survey responses that governance structure is not the only detriment of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.

5.2 Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.

5.3 Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.

5.4 Respondents emphasised that independent review is needed to ensure consistency in application of standards.

6.0 PHASE II

6.1 Following on from the presentation of the Good Governance report to SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report (Phase II).

6.2 The first working group (Compliance and Improvement Workstream) were asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how those outcomes should be evidenced.

6.3 The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

- 6.4 The findings of both working groups have been reported back to SAB last month and includes detailed implementation proposals and a list of changes required to guidance to implement this framework.
- 6.5 The Working Group's recommended that SAB and MHCLG accept the recommendations of the working group and initiate phase III of the project.

7.0 PHASE III

- 7.1 Phase III should contain the following elements:
- a) MHCLG to draft the required changes to the Guidance
 - b) SAB to ask the national Framework to begin work on establishing Independent Governance review provider framework
 - c) SAB to establish the 10-15 KPI's referred to in the report
 - d) SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.
- 7.2 Final proposals for phase III of the project will be considered by the SAB when it next meets on the 3 February 2020.

8 Recommendation

It is recommended that the Pension Board note the report.

9. APPENDICES

Appendix A – Good governance in the LGPS

Appendix B – Good governance in the LGPS – Phase II report

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Good governance in the LGPS

July 2019



Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

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Authors



Catherine McFadyen

Head of LGPS Actuarial,
Benefits and Governance
catherine.mcfadyen@hymans.co.uk



John Wright

Head of Public Sector
john.wright@hymans.co.uk



Ian Colvin

Head of Benefits Consulting
ian.colvin@hymans.co.uk



Steven Law

Actuary
steven.law@hymans.co.uk

Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations



153 attendees at interviews and seminars



discussions with CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
 - (a) robust conflict management including clarity on roles and responsibilities for decision-making;
 - (b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
 - (c) explanation of policy on employer and scheme member engagement and representation in governance; and
 - (d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction



Governance in the LGPS is evolving to accommodate developments in the last decade...

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.

2. Process

The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

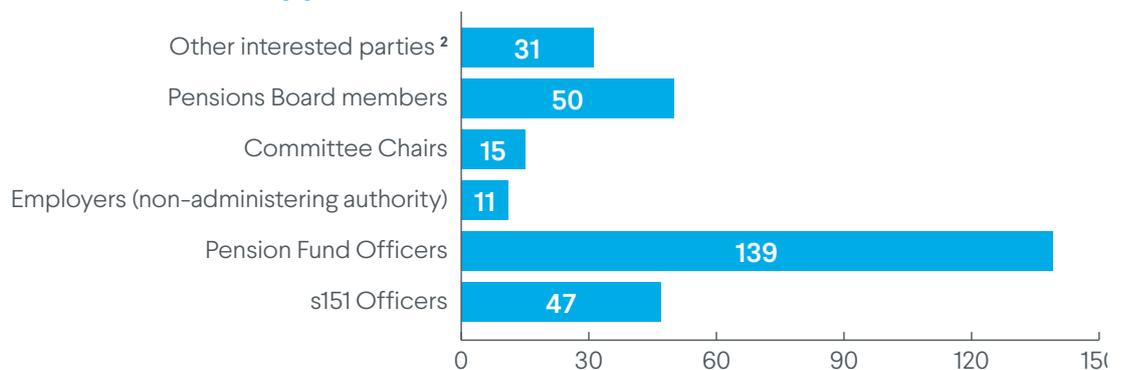
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1 Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2 Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3 Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4 Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5 Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6 Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.



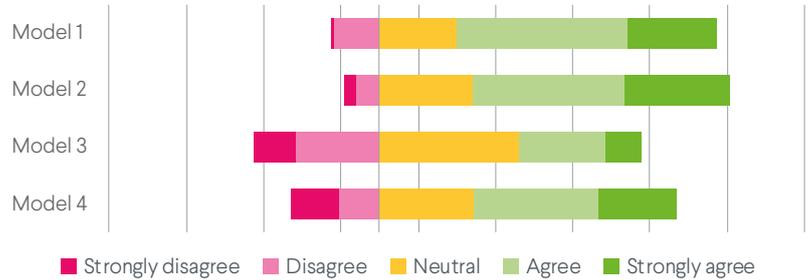
2. Survey results (continued)

The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

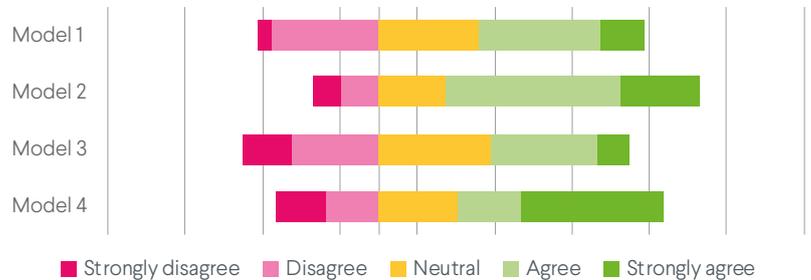
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

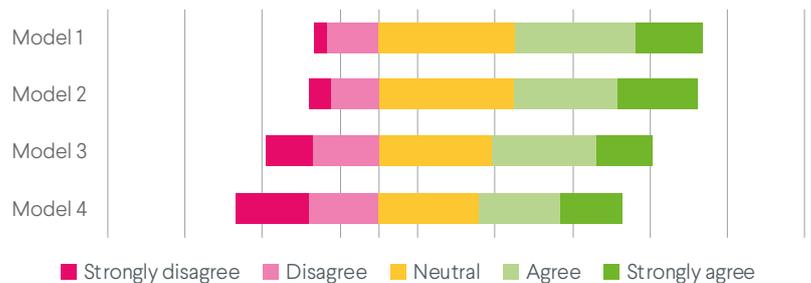
The model enables funds to meet the required standards



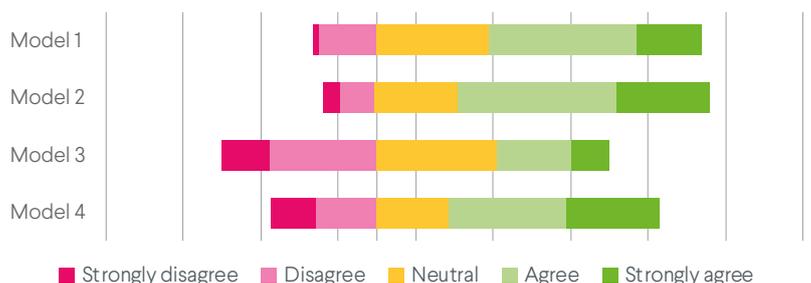
The model minimises conflicts between the pension function and the host local authority



The model allows for appropriate involvement in decision-making for key stakeholder

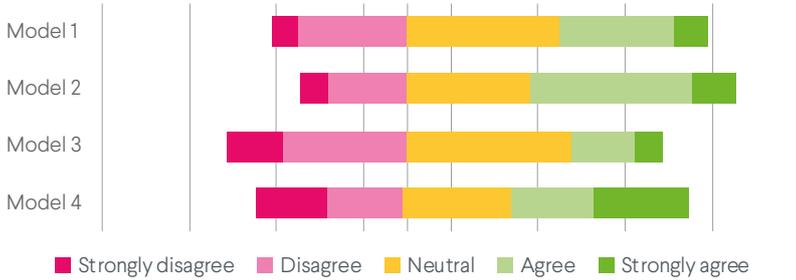


The model delivers clarity of accountability and responsibility for each relevant role

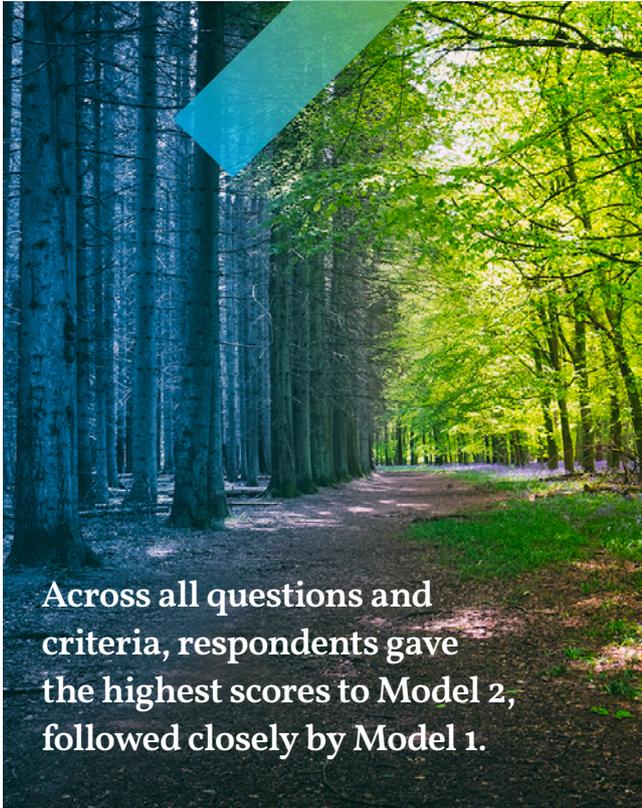
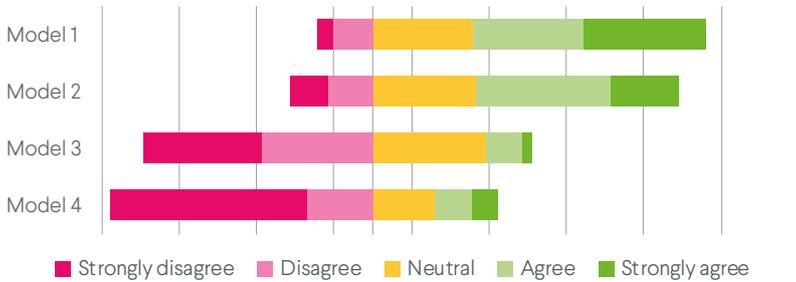


2. Survey results (continued)

The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



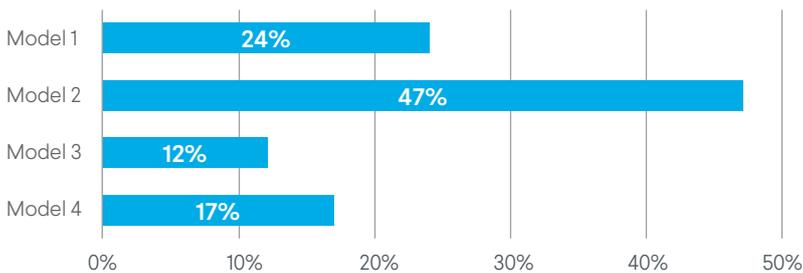
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

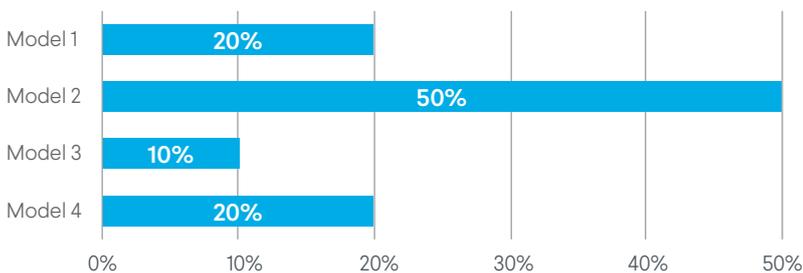
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union

Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

“It is a perversion that LPB members require a higher degree of training than elected members.”

Officer, LB

“[The] biggest issue is stability at elected member level. Too much turnover.”

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

“Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc.”

Officer, CC

“[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't.”

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **“Some decision-making conventions are lost in the mists of time.”**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

“My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the ‘wrong way’”.

Officer, CC

“Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions.”

Officer, CC

4. A number of respondents stated that “Statutory/ fiduciary duty clarity would be useful.”



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees, although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ol style="list-style-type: none"> Robust conflict management including clarity on roles and responsibilities for decision making. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance - this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ol style="list-style-type: none"> SAB should consult on: <ul style="list-style-type: none"> Desirable features and attributes of LGPS governance arrangements; The outcomes governance arrangements should be expected to deliver; and How each administering authority might evidence that its own governance model displays the required attributes. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the ‘outcomes-based’ model to include:</p> <ol style="list-style-type: none"> Robust conflict management. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an ‘outcomes-based’ model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> Published conflicts policy. Protocols for setting and managing budgets. Schemes of delegation. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ul style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any 'outcomes-based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ol style="list-style-type: none"> i. CIPFA to develop a CPD module for s151 practitioners in the LGPS. ii. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ol style="list-style-type: none"> i. CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and ii. CLG's statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ol style="list-style-type: none"> i. CIPFA to review and update guidance for s151s in respect of LGPS governance. ii. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. iii. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. iv. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts from administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.



Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an 'outcomes-based' model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an 'outcomes-based' governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a 'Good Administration' review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide 'assurance' that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: 'Outcomes-based' model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> • Conflicts policy. • Scheme of delegation or decision matrix setting out who makes what decisions. • Transparent process for approving budgets. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. • Process for setting administration budget. • Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> • Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. • Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. • Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> • Internal or external audit assessment; or • Scrutiny by Local Pension Board; or • External expert / consultant; or • Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> • Reviewing policies, meeting minutes. • Reviewing committee efficacy in decision-making, etc.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. The survey closed on 31 May 2019.

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 - New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Appendix B

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator

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London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk | www.clubvita.co.uk

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Good governance in the LGPS

Phase II report from Working Groups to SAB

November 2019

Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

Euan Miller Assistant Director of Pensions (Funding and Business Development), Greater Manchester Pension Fund

Peter Moore Chair of CIPFA's Pensions Panel

Mark Wynn Director of Corporate Services at Cheshire West and Chester Council, SCT

Nick Gannon TPR

Con Hargrave MHCLG

Jenny Poole Head of Finance & Audit/GO Shared Services at Cotswold District Council

John Raisin Independent Advisor

Joe Dabrowski Head of DB, LGPS and Standards, PLSA

Karen McWilliam Consultant, Aon

Jeffrey Dong Chief Treasury Officer at City & County of Swansea, SWT

Caroline Holland Director of Corporate Services at London Borough of Merton, SLT

Nicola Mark Head of the Norfolk Pension Fund, Practitioner representative to SAB

Annemarie Allen Consultant, Barnet Waddingham

Chris Moore Director of Corporate Services and Section 151 Officer, Carmarthenshire County Council

Rachel Brothwood Director of Pensions, West Midlands Pension Fund

Robert Holloway SAB secretariat, LGA

Jeff Houston SAB secretariat, LGA

Jon Richards Unison

David Aldous National Audit Office

Yvonne Johnson Chair of the Pension Fund Panel, London Borough of Ealing, Scheme Employer Representative, SAB.

Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law

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Terminology

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

Committee. A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

Workstream 1: Standards and outcomes

Proposals and background

A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.



A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.



B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.



D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to update last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.





E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

E.2 Each administering authority must publish an administration strategy.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

Workstream 2: Compliance and improvement

F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
 - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
 - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
 - c. It is critical that the IGR should be conducted by appropriate persons who:
 - properly understand the LGPS;
 - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
 - are in some way “accredited” to ensure consistent standards of review.
 - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
 - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
 - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
 - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
 - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
 - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
 - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
 - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
 - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
 - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
 - n. Failure to submit an IGR report by the required date will result in automatic referral.
 - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
 - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

F.2 LGA to consider establishing a peer review process for LGPS Funds.

Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG

Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



Appendix A

Summary of recommendations

Area	Proposal
A. General	A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
	A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
B. Conflicts of interest	B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
C. Representation	C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
D. Knowledge and understanding	D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
E. Service delivery for the LGPS function	E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes.
	E.2 Each administering authority must publish an administration strategy.
	E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.
	E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
F. Compliance and improvement	F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.

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London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk | www.clubvita.co.uk

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Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 December 2019

V

Subject: The Pensions Regulator Governance and Administration survey and engagement.

Summary statement:

The Public Service Pensions Act 2013 introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements.

A survey was undertaken in 2015 to assess how schemes were meeting the new requirements and the standard to which they were being run. Surveys were run in 2016, 2017 and 2018 to provide a further assessment of performance, understand barriers to improvement and delve deeper into the top risks of governance, record keeping and communications.

A summary of the 2018 results has now been produced by the Pensions Regulator (tPR), and can be found in the report Governance and Administration survey 2018: Research Report

TPR has also produced a report Governance and Administration risks in Public Sector Pension Schemes .

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Tracy Weaver
Technical Services Manager
Phone: (01274) 433571
E-mail: tracy.weaver@wypf.org.uk

Overview & Scrutiny Area:

1. BACKGROUND

- 1.1 The Public Service Pensions Act 2013 introduced a new requirement for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements.
- 1.2 A survey was undertaken in 2015 to assess how schemes were meeting the new requirements and the standard to which they were being run. Surveys were run in 2016, 2017 and 2018 to provide a further assessment of performance, understand barriers to improvement and delve deeper into the top risks of governance, record keeping and communications.

2. GOVERNANCE AND ADMINISTRATION SURVEY 2019

- 2.1 WYPF has responded to the Public Service and Governance survey 2019, in consultation with the Chair of the Pension Board.
- 2.2 A copy of the submission can be found at Appendix A
- 2.3 WYPF has responded positively to all the questions where documented policies and procedures are required.

3. GOVERNANCE AND ADMINISTRATION SURVEY 2018: RESEARCH REPORT

- 3.1 A summary/ research report prepared by the Pensions Regulator named “ Public service governance and administration survey 2018” has now been published and can be found at Appendix B. This report summarises the results for all the public sector pension scheme responses from the 2018 survey.

4. GOVERNANCE AND ADMINISTRATION RISKS IN PUBLIC SERVICE PENSION SCHEMES : AN ENGAGEMENT REPORT

- 4.1 Following the results from the annual governance and administration survey 2018 tPR engaged with 10 local government funds, selected from across the UK, to understand scheme managers’ approaches to a number of key risks.
- 4.2 Engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR noted that scheme managers were already sharing good practice with their LGPS peers and hope that working with them could offer scheme managers a new perspective on their funds.
- 4.3 An engagement report following the reviews undertaken by tPR has been produced and can be found at Appendix C.
- 4.4 WYPF was not one of the Funds selected for engagement, however the engagement report has been reviewed and WYPF has policies and procedures in place to address all the areas raised.

5. RECOMMENDATION

5.1 It is recommended that the Local Pension Board note this report.

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Public Service Governance and Administration Survey 2019

Please answer these questions in relation to LGPS - WEST YORKSHIRE



Introduction

Thank you for taking the time to complete this survey.

Please answer the questions in relation to the following scheme:

LGPS - WEST YORKSHIRE

Within the survey all references to 'the scheme' refer to the above. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pensions Regulator's (TPR's) engagement with you in the future.

If you would like to print out a hard copy of this questionnaire to help you when collecting information from colleagues, please click [here](#). Please note, however, that we need you to complete the questionnaire through this online survey and not by filling in a hard copy.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. They should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

There is a space at the end of the survey to add comments about your answers where you feel this would be useful. There is also an option to print/save your responses before submitting them.

Please click the arrow below to continue to the questionnaire.

Section A - Governance

The first set of questions is about how your pension board works in practice.

A1 Does your scheme have a documented policy to manage the pension board members' conflicts of interest?

- Yes
 No
 Don't know

A2 Does your scheme maintain a register of pension board members' interests?

- Yes
 No
 Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A3 Focusing on the scheme's pension board meetings in the last 12 months, please tell us the following:

Please write in the number for each of a-c in the boxes below

a) Number of board meeting that were scheduled to take place (in the last 12 months)

b) Number of board meetings that actually took place (in the last 12 months)

c) Number of board meetings that were attended by the scheme manager or their representative (in the last 12 months)

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- A4 Do the scheme manager and pension board have sufficient time and resources to run the scheme properly?
- Yes
 - No
 - Don't know

- A5 Do the scheme manager and pension board have access to all the knowledge, understanding and skills necessary to properly run the scheme?
- Yes
 - No
 - Don't know

- A6 How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?
- At least monthly
 - At least quarterly
 - At least every six months
 - At least annually
 - Less frequently
 - Never
 - Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- A7 On average, how many hours of training per year does each pension board member have in relation to their role on the pension board?

Please write in the number in the box below

hours per year

- A8 Does the pension board believe that in the last 12 months it has had access to all the information about the operation of the scheme it has needed to fulfil its functions?
- Yes
 - No
 - Don't know

- A9 Is the pension board able to obtain sufficient specialist advice on the following matters when it needs to?

Please select one answer per row

	Yes	No	Don't know
a) Administration	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Cyber security	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Legal	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A10 Focusing on the composition of your pension board, please tell us the following:

Please write in the number for each of a-d in the boxes below

a) Number of current board members

b) Number of vacant positions on the board

c) Number of members that have left the board in the last 12 months

d) Number of members that have been appointed to the board in the last 12 months

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A11 Does the scheme have a succession plan in place for the members of the pension board?

- Yes
 No
 Don't know

A12 Has the scheme manager delegated the responsibility for making the day-to-day decisions needed to run the scheme to another person?

- Yes
 No
 Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section B - Managing Risks

The next set of questions is about managing risks.

B1 Does your scheme have its own documented procedures for assessing and managing risk?

Please select 'No' if your scheme relies on your local authority's documented procedures for assessing and managing risk.

- Yes
 No
 Don't know

B2 Does your scheme have its own risk register?

Please select 'No' if your scheme relies on your local authority's risk register.

- Yes
 No
 Don't know

B3 In the last 12 months, how many of the 3 pension board meetings reviewed the scheme's exposure to new and existing risks?

Please write in the number in the box below

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

B4 To what do the top three governance and administration risks on your risk register relate?

Please select up to three options below

- Funding or investment
- Record keeping (i.e. the receipt and management of correct data)
- Guaranteed Minimum Pension (GMP) reconciliation
- Securing compliance with changes in scheme regulations
- Production of annual benefit statements
- Receiving contributions from the employer(s)
- Lack of resources/time
- Recruitment and retention of staff or knowledge
- Lack of knowledge, effectiveness or leadership among key personnel
- Poor communications between key personnel (board, scheme manager, administrator, etc.)
- Failure of internal controls
- Systems failures (IT, payroll, administration systems, etc.)
- Cyber risk (i.e. the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its IT systems and processes)
- Administrator issues (expense, performance, etc.)
- Other (please specify)
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section C - Administration and Record-Keeping Processes

The next set of questions is about administration and record-keeping.

C1 Does the scheme have an administration strategy?

- Yes
- No
- Don't know

C2 Which of the following best describes the scheme's administration services?

- Delivered in house
- Undertaken by another public body (e.g. a county council) under a shared service agreement or outsource contract
- Outsourced to a commercial third party
- Other
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C3 Which of the following do you use to measure the performance of your administrators (whether in-house or outsourced)?

Please select all that apply

- Performance against a service level agreement or service schedule
- Member satisfaction ratings
- 'Right first time' statistics
- Testing the accuracy of calculations
- Analysis of errors
- Complaints volumes and trends
- Volumes of rework required
- Assessing project delivery against initially agreed time and cost
- Benchmarking against the market
- Auditing administration functions and systems
- None of these
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C4 To what extent are the following processes automated?

A process is automated if it is completed through the use of technology, for example through a software platform, with minimal human intervention.

Please select one answer per row

	Fully automated	Mainly automated with some manual intervention	Mainly done manually	All done manually	Don't know
a) Verification and input of employer data	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Reconciliation of contributions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Reporting - data quality	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Reporting - complaints and issues	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Benefit value calculations	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Transfer value calculations	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Production of benefit statements	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Monitoring workload and resourcing	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C5 **What, if any, barriers do you face to automating more of the scheme's processes?**

Please select all that apply

- Lack of suitable technology
- Difficulty in integrating it with the scheme's existing systems
- The initial set-up costs involved
- Securing the necessary internal approval
- Internal resistance to (further) automation
- Lack of knowledge/expertise about how to implement this
- Poor quality of the data
- Other (please specify)
- No barriers to automating more of the scheme's processes
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C6 **In the last 12 months, how many of the 3 pension board meetings had administration as a dedicated item on the agenda?**

Please write in the number in the box below

3

C7 **Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?**

- Yes
- No
- Don't know

C8 **Does the scheme have an agreed process in place with the employer(s) to receive, check and review data?**

- Yes
- No
- Don't know

C9 **Is your scheme single employer or multi-employer?**

- Single employer scheme (i.e. used by just one employer)
- Multi-employer scheme (i.e. used by several different employers)

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C11 What proportion of your scheme's employers...

Please write in the percentage (from 0% to 100%) for each of a-d in the boxes below. If you do not know exactly, please give an approximate percentage

a) Always provide you with timely data?

%

Don't know

b) Always provide accurate and complete data?

%

Don't know

c) Submit data to you monthly?

%

Don't know

d) Submit data to you electronically?

%

Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C12 Does the scheme have a process in place for monitoring the payment of contributions?

Yes

No

Don't know

C13 Does the scheme have a process in place for resolving contribution payment issues?

Yes

No

Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section D - Cyber Security

The next set of questions is about your scheme's cyber security.

- D1 Which, if any, of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?

By 'cyber risk' we mean the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Please select all that apply

- Roles and responsibilities in respect of cyber resilience are clearly defined and documented
- Cyber risk is on the risk register and regularly reviewed
- Assessment of the vulnerability to a cyber incident of the key functions, systems, assets and parties involved in the running of the scheme
- Assessment of the likelihood of different types of breaches occurring in the scheme
- Access to specialist skills and expertise to understand and manage the risk
- System controls (e.g. firewalls, anti-virus and anti-malware products and regular updates of software)
- Controls restricting access to systems and data
- Critical systems and data are regularly backed up
- Policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working
- Policies on data access, protection, use and transmission which are in line with data protection legislation and guidance
- An incident response plan to deal with any incidents which occur
- The scheme manager has assured themselves of third party providers' controls (including administrators)
- The scheme manager receives regular updates on cyber risks, incidents and controls
- The pension board receives regular updates on cyber risks, incidents and controls
- None of these
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- D2 Have any of the following happened to your scheme in the last 12 months?

Please select all that apply

- Computers becoming infected with ransomware
- Computers becoming infected with other viruses, spyware or malware
- Attacks that try to take down your website or online services
- Hacking or attempted hacking of online bank accounts
- People impersonating your scheme in emails or online
- Staff receiving fraudulent emails or being directed to fraudulent websites
- Unauthorised use of computers, networks or servers by staff, even if accidental
- Unauthorised use or hacking of computers, networks or servers by people outside your scheme
- Any other types of cyber security breaches or attacks
- None of these
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section E - Data Review

The next set of questions is about your scheme’s approach to reviewing and improving its data.

E1 **When did your scheme last complete a data review exercise?**

- Within the last 12 months
- More than 12 months ago
- Never completed one
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E2 **Did your scheme’s most recently completed data review exercise identify any issues or problems with the following?**

Please select one answer per row

	Yes	No	Don't know
a) National insurance number	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) First name	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Surname	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) Expected retirement age	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) Anticipated income at retirement (based on expected retirement age)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
l) Other data item(s)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E3 Focussing just on the specific data items that you identified issues or problems with in your most recently completed data review, approximately what percentage of the scheme memberships were affected by each one?

Please select one answer per row

	Less than 1% of memberships	1-9%	10-19%	20-29%	30% or more of memberships	Don't know
a) National insurance number	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) First name	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Surname	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) Expected retirement age	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) Anticipated income at retirement (based on expected retirement age)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E4 Has any action been taken to address the issues or problems identified with the data?

Please choose one answer that most closely describes the action your scheme has taken to date.

- An improvement plan is in development
- An improvement plan is in place but rectification work is not yet complete
- An improvement plan has been put in place and rectification work has been completed
- Rectification work has been undertaken without an improvement plan
- No improvement plan has been developed and no work has been undertaken
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section F - Annual Benefit Statements

The next set of questions is about members' annual benefit statements.

F1 In 2019, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in the percentage in the box below. If you do not know exactly, please give an approximate percentage.

%

F2 Was the missed deadline for issuing active member statements reported to TPR?

- Yes - and Breach of Law report made
- Yes - but decided not to make a Breach of Law report
- No - not reported
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

F4 What proportion of all the annual benefit statements the scheme sent out in 2019 contained all the data required by regulations?

Please write in the percentage in the box below. If you do not know exactly, please give an approximate percentage.

%

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section G - Resolving Issues

The next set of questions is about resolving issues or complaints the scheme has received.

G1 Does the scheme have a working definition of what constitutes a complaint?

- Yes
- No
- Don't know

G2 Focusing on the complaints you have received in the last 12 months from members or beneficiaries in relation to their benefits and/or the running of the scheme, please tell us the following information.

Please write in the number for each of a), b) and c) below. The number at b) should be equal to or lower than the number at a). The number at c) should be equal to or lower than the number at b).

a) Total number of complaints received:

b) Number of these complaints that have entered the Internal Dispute Resolution (IDR) process:

c) Number of these complaints that were upheld by the IDR process:

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

G3 To what did the top three types of complaints going through the IDR process relate?

Please select up to three options below

- Slow or ineffective communication
- Inaccuracies or disputes around pension value or definitions
- Delays to benefit payments
- Disputes or queries about the amount of benefit paid
- Delay or refusal of pension transfer
- Inaccurate data held and/or statement issued
- Pension overpayment and recovery
- Eligibility for ill health benefit
- Other (please specify)
- Don't know

Please write in your 'Other' response in the box below

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section H - Reporting Breaches

The next set of questions is about the scheme’s approach to dealing with any breaches of the law.

H1 Does the scheme have procedures in place to allow the scheme manager, pension board members and others to identify breaches of the law?

- Yes
- No
- Don't know

H2 In the last 12 months, have you identified any breaches of the law that are not related to annual benefit statements?

- Yes
- No
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

H3 What were the root causes of the breaches identified?

Please select all that apply

Systems or process failure	<input type="checkbox"/>
Failure to maintain records or rectify errors	<input type="checkbox"/>
Management of transactions (e.g. errors or delays in payment of benefits)	<input checked="" type="checkbox"/>
Failure of the employer(s) to provide timely, accurate or complete data	<input type="checkbox"/>
Late or non-payment of contributions by the employer(s)	<input checked="" type="checkbox"/>
Other employer related issues (please specify)	<input type="text"/>
Something else (please specify)	<input type="text"/>
Don't know	<input type="checkbox"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

H4 Are there procedures in place to assess breaches of the law, and report these to TPR if required?

- Yes
- No
- Don't know

H5 In the last 12 months, have you reported any breaches to TPR as you thought they were materially significant? Please do not include any breaches that related to annual benefit statements.

- Yes
- No
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section I - Governance and Administration

The next set of questions is about your progress in addressing governance and administration issues.

11 What do you believe are the top three factors behind any improvements made to the scheme’s governance and administration in the last 12 months?

Please select up to three options below

Improved understanding of underlying legislation and standards expected by TPR	<input checked="" type="checkbox"/>
Improved engagement by TPR	<input checked="" type="checkbox"/>
Improved understanding of the risks facing the scheme	<input checked="" type="checkbox"/>
Resources increased or redeployed to address risks	<input type="checkbox"/>
Administrator action (please specify)	<input type="text"/>
Scheme manager action (please specify)	<input type="text"/>
Pension board action (please specify)	<input type="text"/>
Other (please specify)	<input type="text"/>
No improvements made to governance/administration in the last 12 months	<input type="checkbox"/>
Don't know	<input type="checkbox"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

12 What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

Please select up to three options below

- Lack of resources or time
- Complexity of the scheme
- The volume of changes that are required to comply with legislation
- Recruitment, training and retention of staff and knowledge
- Lack of knowledge, effectiveness or leadership among key personnel
- Poor communications between key personnel (board, scheme manager, administrator, etc.)
- Employer compliance
- Issues with systems (IT, payroll, administration systems, etc.)
- The McCloud judgement
- Other (please specify)
- There are no barriers
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section J - Perceptions of TPR

The final set of questions is about your views of TPR.

J1 Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) Tough	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Efficient	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Visible	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Fair	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Respected	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Evidence-based	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Decisive	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Clear	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Approachable	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

J2 Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

- Very effective
- Fairly effective
- Neither effective nor ineffective
- Not very effective
- Not at all effective
- Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

J3 And to what extent do you agree or disagree with the following statements?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) TPR is effective at bringing about the right changes in behaviour among its regulated audiences	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) TPR is proactive at reducing serious risks to member benefits	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section K - Attribution

Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments. Before you submit your answers, there are just a few more questions about your survey responses.

K1 Which of the following best describes your role within the pension scheme?

- Scheme manager*
- Representative of the scheme manager
- Pension board chair
- Pension board member
- Administrator
- Other (please specify)

** In this survey 'Scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department*

K2 What other parties did you consult with to complete this survey?

Please select all that apply

- Scheme manager
- Representative of the scheme manager
- Pension board chair
- Pension board member
- Administrator
- Other
- Did not consult with any other parties

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

K3 To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your scheme name would not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?

- Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR for this purpose
- No, I would like my responses to remain anonymous

K4 And would you be happy for the responses you have given to be linked to your scheme name and shared with the relevant scheme advisory board? This is to help inform the advisory boards of areas for improvement and to further their engagement with pension boards.

- Yes, I am happy for my responses to be linked to my scheme name and shared with the relevant advisory board
- No, I would like my responses to remain anonymous

K5 TPR may conduct some follow up research on this topic to improve their advice and engagement with schemes such as yours. Would you be willing for us to pass on your name, contact details and relevant survey responses to them so that they, or a different research agency on their behalf, could invite you to take part?

You may not be contacted and, if you are, there is no obligation to take part. Your contact details will be stored for a maximum duration of 12 months, before being securely destroyed.

- Yes, I am happy to be contacted for follow-up research
- No, I would prefer not to be contacted for follow-up research

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- K6 Please record your name below. This is just for quality control purposes and will not be passed on to TPR (unless you have agreed that they can contact you for follow-up research).

- K7 Finally, please use the box below if you have any other comments or would like to clarify/explain any of the answers you have given.

If you would like to print and/or save a copy of your responses then please click the 'print' button below. This will open a new browser window (you may need to allow pop-ups from this site for it to open). You can then print this or choose to save it as a pdf document. Please do this before clicking the submit button.

IMPORTANT: Please click the 'tick' button below to submit your survey.

Once you have submitted your survey you will not be able to go back and change any of your answers or print/save a copy of your responses.

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Public service governance and administration survey 2018

Research report

Prepared for The Pensions Regulator

By OMB Research

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1. Executive summary

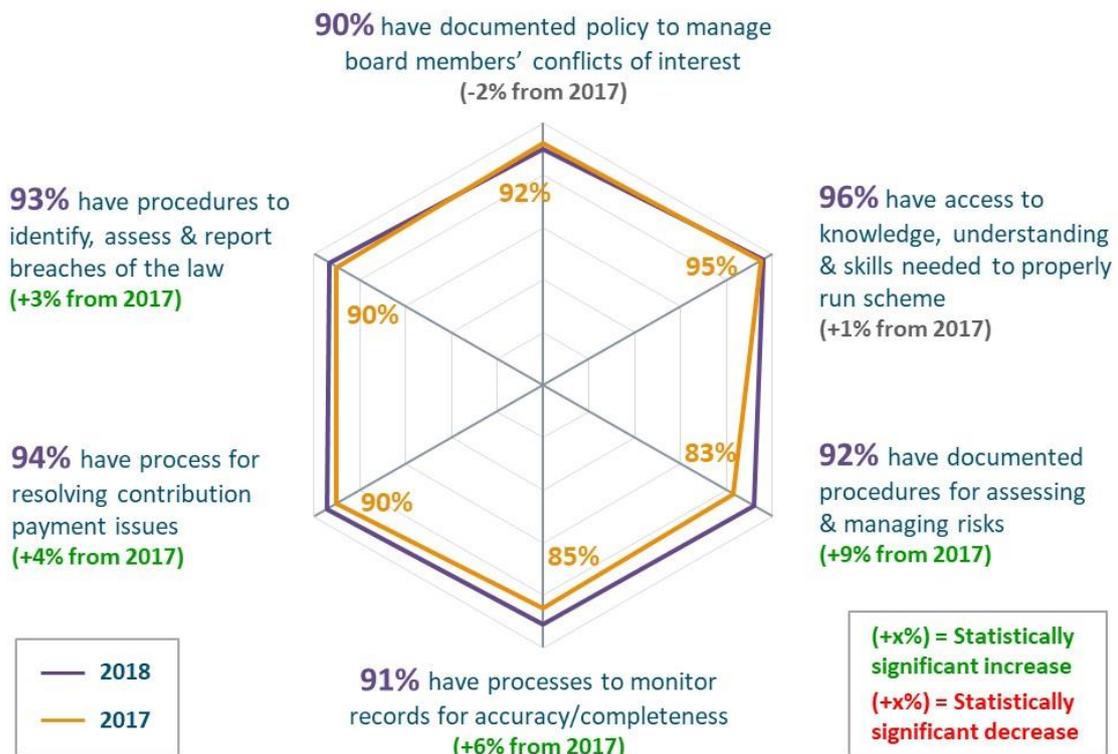
1.1 Key processes

Four of the six key processes that The Pensions Regulator (TPR) monitors as indicators of public service scheme performance have improved since 2017. Three-quarters (74%) of schemes had all six processes in place.

The greatest improvements were seen in the proportion of schemes with documented procedures for assessing and managing risks (92%, compared with 83% in 2017) and processes to monitor records for accuracy and completeness (91%, compared with 85% in 2017).

There was also an increase in the proportion of schemes with procedures to identify, assess and report breaches of the law (93%, compared with 90% in 2017) and the proportion with a process for resolving contribution payment issues 94%, compared with 90% in 2017). However, the latter measure was not directly comparable with the surveys in previous years¹.

Figure 1.1.1 Schemes' performance on key processes



¹ In 2015-2017 the question wording for having a process for resolving contribution payment issues included “and assessing whether to report payment failures to TPR”. The overall sense of the question remained the same so the change over time has been shown, but the different wording should be considered when interpreting these results.

Overall, 74% of public service schemes had all six of these key processes in place (compared with 58% who had all six in 2017), representing 75% of all memberships.

The majority (80%) of Local Government schemes and approaching three-quarters (73%) of both the 'Other' and Police schemes had all six processes in place. While this proportion was lower for Firefighters' schemes (63%), this was an increase on the 41% in 2017.

1.2 The pension board²

Half of all schemes held four or more pension board meetings in the previous 12 months³, and the mean number of current board members at the time they completed the survey was 6.8.

Schemes held an average of 3.4 board meetings in the previous 12 months, with half (50%) reporting that they held four or more and a quarter (26%) that they met twice or less. 'Other' schemes were most likely to have held at least four board meetings in the previous 12 months (73% had) and Firefighters' schemes least likely (20% had).

On average, 93% of board meetings were attended by the scheme manager or their representative.

Two-thirds (64%) of schemes had more than five current board members at the time they completed the survey. The mean number of current board members was 6.8. Approaching a third (30%) of schemes had at least one vacant position on the board at the time they completed the survey. On average, 5% of the total positions on the board were vacant. Eleven schemes (6%) reported that they had fewer current board members at the time they completed the survey than specified by their respective regulations⁴.

Overall, 96% of schemes believed that the scheme manager and pension board had access to all the knowledge and skills necessary to properly run the scheme. A slightly lower proportion (91%) felt that the scheme manager and pension board had sufficient time and resources to run the scheme properly.

In the majority of schemes (82%) the scheme manager or pension board evaluated the board's knowledge, understanding and skills at least annually. This proportion was lower among 'Other' schemes, where a third (36%) did not evaluate their board at least annually.

² Some new questions were added to the 2018 survey about the frequency of pension board meetings, the number of board members and their turnover that were not included in the previous surveys.

³ TPR sets an expectation that the governing boards of pension schemes should meet often enough to maintain effective oversight and control, which in most cases will be at least quarterly.

⁴ Nine of these 11 schemes reported that they had vacant positions on their board at the time they completed the survey. If these vacant positions were filled, each of these nine schemes would have met the minimum requirement for the number of pension board members for their type of scheme. Of the remaining two schemes that had fewer current board members at the time they completed the survey than required by their regulations, one was a Police scheme that had no vacant positions and the other was a Local Government scheme that answered "don't know" to the question on number of vacant positions.

1.3 Managing risk

Risk management procedures and registers were more consistently used than in 2017, but the proportion of schemes that regularly reviewed their risk exposure remained around half.

Most schemes had documented procedures for assessing and managing risks (92%, up from 83% in 2017) and had a risk register (94%, up from 88%). Around half (52%) had reviewed their exposure to new and existing risks on at least a quarterly basis (unchanged from 2017).

The most significant improvements since 2017 were seen in relation to Firefighters' and 'Other' schemes. However, Firefighters' schemes were still less likely to have risk management processes than the other types of public service scheme, and the proportion that had reviewed their risk exposure at least quarterly fell in 2018 (24%, down from 35% in 2017).

1.4 Administration and record-keeping

Administrator attendance at meetings and provision of reports by administrators was widespread but penalties were used less, the same as in 2017.

Most schemes (87%) indicated that administrators regularly delivered reports to the scheme manager and/or pension board. A similar proportion (85%) said the administrators regularly attended meetings with the scheme manager and/or pension board.

A range of other processes were used to manage and monitor administrators, including the use of performance metrics in contracts or service level agreements (73%), reviews by independent auditors (58%) and the provision of independent assurance reports (33%). The use of service level agreements was less prevalent where schemes were administered in-house (48%, compared with 90% of those administered by another public body and 96% of those administered by a commercial third party).

Penalties were less frequently used as a means of managing administrators than other methods, with 18% of schemes imposing these if contractual terms or service standards were not met.

A significant minority of schemes (14%) had never reviewed who should provide their administration services, rising to 29% of those administered in-house.

Four in ten (42%) schemes said their employers always provided timely data and a similar proportion (39%) said they always provided accurate and complete data.

These proportions were lower for multi-employer schemes than single employer schemes. One in ten (12%) multi-employer schemes said their employers always provided timely data compared with nine in ten (90%) single employer schemes. A similar proportion (11%) of multi-employer

schemes said their employers always provided accurate and complete data compared with 85% of single employer schemes.

Almost nine in ten (88%) multi-employer schemes had a defined escalation process for dealing with employers who do not provide timely or accurate data. The most common actions included in the process were chasing in writing (97%), chasing by telephone (93%) and escalating the matter to senior staff (92%). 'Other' schemes were less likely to assess for breaches of the law and impose penalties as part of this escalation process.

Six in ten (56%) schemes reported that all their employers submitted data monthly and seven in ten (66%) that all their employers submitted it electronically.

As with timeliness of data and its accuracy and completeness, these proportions were lower for multi-employer schemes than single employer schemes. Four in ten (44%) multi-employer schemes said all their employers submitted data monthly compared with eight in ten (78%) single employer schemes. Half (51%) of multi-employer schemes said all their employers submitted data electronically compared with nine in ten (92%) single employer schemes.

1.5 Cyber security⁵

Schemes were asked about 14 specific cyber controls, and three-quarters had at least half of these in place (i.e. seven or more of the controls).

The most common types of protection were controls restricting access to systems and data (83%), system controls such as firewalls and anti-virus software (82%), policies on data access, protection, use and transmission in line with data protection legislation and guidance (81%), policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working (80%), and regular back-ups of critical systems and data (80%).

Comparatively few schemes indicated that the scheme manager or pension board received regular updates on cyber risks, incidents and controls (39% and 26% respectively).

Half of schemes reported that they had experienced some kind of cyber breach or attack in the previous 12 months.

These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (42%). In most cases (85%) these incidents had not had any impact. Where negative impacts were reported, this tended to be either the scheme's website or online services being taken down or made slower (9%) or temporary loss of access to files or networks (7%).

⁵ A new section on cyber security was included in the 2018 survey.

1.6 Data reviews

The majority of schemes had completed a data review in the previous 12 months, had identified issues and were taking action to address them.

Over three-quarters (83%) of schemes had completed a data review in the previous 12 months (up from 75% in 2017), and a further 8% reported that one was currently underway. The proportion of Local Government schemes that had completed a data review in the previous 12 months increased from 74% in 2017 to 93% in 2018, but the proportion of 'Other' schemes that had done so fell from 100% in 2017 to 82% in 2018.

Overall, 97% of the most recently completed data reviews had looked at common data, 80% scheme-specific data and 60% had included member existence checks. While the proportion looking at common data was similar across all scheme types, Police schemes were less likely to have covered scheme-specific data in their most recent review (41%).

Approaching three-quarters (72%) of schemes that had reviewed their common data, and 80% of those that had reviewed their scheme-specific data, had identified issues. Most had either put a data improvement plan in place but not yet completed rectification work or were in the process of developing an improvement plan.

1.7 Annual benefit statements

The majority of active members had received their annual benefit statement by the statutory deadline.

Overall, 66% of schemes reported that they had met the statutory deadline for all their active members (compared with 60% in 2017). This proportion was higher for Firefighters' and Police schemes (78% and 75% respectively) but lower for 'Other' (55%) and Local Government (56%) schemes (both of which are multi-employer schemes and typically have a greater number of members).

Most schemes that missed the deadline for any active members did not report this to TPR (62%). A quarter (26%) made a breach of law report. Those schemes who did not report the missed deadline typically said this was because it was not seen as material, either because few members were affected, or the delay was very short.

The vast majority of schemes (90%) reported that all of the statements they sent out contained all the data required by regulations.

1.8 Resolving issues and reporting breaches

Around 11,000 complaints were estimated to have been made to public service schemes in the last year, equating to 7 per 100 members.

The types of complaints made varied by scheme type, but at an overall level the top types related to eligibility for ill health benefit (39%), disputes or

queries about the amount of benefit paid (31%), slow or ineffective communication (29%) and delays to benefit payments (28%).

Nine in ten schemes had procedures to identify breaches of the law and to assess the breaches and report them to TPR if required.

Three in ten schemes (30%) had identified breaches (excluding those relating to annual benefit statements) in the previous 12 months. Around a third of these schemes (11% of all schemes) had reported these to TPR. ‘Other’ and Local Government schemes (which are typically larger) were most likely to have both identified breaches (45% and 43% respectively) and reported them (each 18%).

1.9 Addressing governance and administration issues

Scheme complexity, lack of resources or time and the volume of changes required to comply with legislation were seen as the top three barriers to improving scheme governance and administration in the next 12 months.

The complexity of the scheme was identified as a main barrier to improving scheme governance and administration by 70% of schemes and was the most widely mentioned barrier among all scheme types. Approaching half of schemes also identified lack of resources or time (47%) and the volume of changes required to comply with legislation (45%) as main barriers.

Improved governance and administration was attributed to a better understanding of expected standards and the risks facing the scheme, as well as improved engagement by TPR.

Around two-thirds of schemes felt that the improvements they had made to scheme governance and administration over the previous 12 months were down to better understanding of the underlying legislation and the standards expected by TPR (67%) and of the risks facing their scheme (63%); 45% also attributed this to improved engagement by TPR.

1.10 Perceptions of TPR

More schemes agreed that TPR was ‘tough’, ‘evidence-based’ and ‘visible’ than in 2017.

Schemes were most likely to agree that TPR was ‘visible’ and ‘respected’ (89% and 78% respectively). While schemes were least likely to agree that TPR was ‘decisive’ and ‘tough’ (53% and 55% respectively), the proportion agreeing with the latter had increased from 47% in 2017.

TPR was generally felt to be effective at improving standards of governance and administration in public service pension schemes.

Overall 88% of schemes judged TPR to be very or fairly effective at improving standards of governance and administration in public service schemes. The ‘Other’ schemes were most positive in this respect, with 45% rating TPR as very effective.

2. Introduction

2.1 Background

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the 2013-2014 Acts) introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The 2013-2014 Acts also gave TPR an expanded role to regulate the governance and administration of these schemes from 1 April 2015. In January 2015, TPR published its draft code of practice for the governance and administration of public service pension schemes (the PSPS code), which sets out the standards of conduct and practice it expects of those responsible, as well as practical guidance about how to comply with the legal requirements. The code came into force by 1 April 2015.

As part of its expanded role, TPR is responsible for 207 public service schemes in respect of eight public service workforces, covering around 16.9 million memberships.

A survey was undertaken in 2015 to assess how schemes were meeting the new requirements, and the standards to which they were being run. Further surveys were run in 2016, 2017 and 2018 to provide a further assessment of performance, understand barriers to improvement, and delve deeper into the top risks of governance, record-keeping and communications.

2.2 Communications activities

TPR continues to engage with those acting in the public service pension scheme landscape. In 2018-19 this activity included:

- direct engagement through pension board meetings,
- presenting and holding workshops at cohort-wide training events and conferences,
- engagement with associated employers at training events and conferences,
- communications setting out TPR's expectations for pension boards and scheme managers and;
- regular pro-active engagement with scheme managers and scheme advisory boards.

The focus of this engagement is tailored to the audience and situation and ranges from overviews and summaries of scheme manager and pension board responsibilities and duties, to focused training on topics such as data improvement and governance.

In addition to direct engagement, TPR produced guidance products and conducted a range of associated communications campaigns following the lessons learned from previous PSPS governance and administration surveys.

3. Methodology

As with the previous surveys, an online self-completion approach was adopted for the following reasons:

- The large amount of data to collect would have made a telephone interview very long and burdensome for respondents.
- It was anticipated that many schemes would need to do some checking/verification in order to answer the questions accurately.
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute.

Owing to the nature and the amount of information required, a carefully structured research approach was necessary, giving respondents early warning of the kinds of information that we were seeking to collect and allowing them to devote an appropriate amount of time and effort to providing accurate and reliable information, liaising with colleagues if needed.

Therefore, a multi-stage approach was adopted:

- **Stage 1:** Pre-notification emails were sent by TPR to the pension board chairs and scheme managers to explain the nature of the research, introduce OMB Research (OMB), warn schemes that their participation would be requested and ask them to let OMB know whether the scheme manager or their representative would be completing the survey and, if necessary, provide their contact details.
- **Stage 2:** OMB sent a tailored invitation email to each scheme manager or their chosen representative. This contained a unique survey URL and a link to a 'hard copy' of the questionnaire (for reference when compiling information prior to completion).
 - In the case of referrals, sample details were updated so that the most appropriate person was contacted going forward.
- **Stage 3:** OMB sent a further two tailored reminder emails to schemes that had either not started the survey or had only partially completed it.
- **Stage 4:** OMB executives undertook a phase of telephone chasing with non-responders. These calls ensured that the invitation email had been received, confirmed the identity of the most appropriate individual to complete the survey and encouraged schemes to take part.

The approach was supported by other TPR communications and engagement (including promotion by key stakeholders such as scheme advisory boards).

3.1 Sampling

The sample for this research was extracted from TPR's scheme registry database. The target audience was scheme managers of open public service schemes or their representatives. For the purpose of the survey, each locally-administered section of relevant Firefighters', Police and Local Government schemes was treated as a separate scheme, forming a total universe of 207 schemes.

Scheme managers or their representatives were asked to work with the pension board chair to complete the survey and, where necessary, seek input from others with specialist knowledge (e.g. the scheme administrator).

3.2 Fieldwork

All surveys were completed between 5 November and 21 December 2018. In total, 195 of the 207 public service pension schemes completed the survey. This equates to a 94% response rate, covering 99% of all memberships.

Table 3.2.1 Interview numbers and universe

Scheme type	Interviews	Schemes		Memberships	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	10,011,614	100%
Firefighters	46	51	90%	115,841	93%
Local Government	94	99	95%	6,385,338	98%
Police	44	46	96%	369,704	97%
Total	195	207	94%	16,882,497	99%

Three-quarters (76%) of the completed surveys were submitted in response to the initial email and reminders, with the remainder submitted during the telephone chasing phase.

3.3 Respondent profile

Scheme managers or their representatives contributed to 90% of submitted surveys, and directly completed it in 73% of cases. Over half (55%) of the surveys were completed with input from the pension board chair, with other board members involved in 23%. Over half (58%) involved consultation with the scheme administrator.

Table 3.3.1 Respondent role

Respondent role	Completed	Consulted	Total
Scheme manager	30%	23%	52%
Representative of the scheme manager ⁶	43%	29%	59%
Pension board chair	6%	49%	55%
Pension board member ³	3%	21%	23%
Administrator	14%	45%	58%
Other	5%	12%	16%
Net: Scheme manager/representative	73%	44%	90%
Net: Pension board chair/ member	8%	55%	59%

⁶ For 'representative of the scheme manager' and 'pension board member', the *total* percentage is lower than the sum of the *completed by* and *consulted with* percentages. This is because there can be more than one person at the scheme in these roles, and in some cases, one completed the survey, and another consulted on it, so they appear in both these columns (but only count once in the total column).

3.4 Analysis and reporting conventions

Throughout this report, results are reported at an aggregate level for all respondents and by cohort: Local Government, Firefighters', Police and 'Other'⁷ schemes. The cohorts are grouped in this way to reflect the different governance structures, funding methods and employer profiles.

To ensure that results are representative of all public service pension schemes, the data throughout this report is shown weighted. **Scheme** data has been weighted based on the number of public service schemes of each type. **Membership** data has been weighted based on the total number of memberships in each scheme type. It should be noted that the membership-weighted results are heavily influenced by the 'Other' schemes, which account for 59% of all memberships. The narrative commentary in this report therefore typically focuses on the scheme-weighted findings.

Where available and comparable, the results from the 2015, 2016 and 2017 PSPS governance and administration surveys have been included⁸.

When interpreting the data presented in this report, please note that results may not sum to 100% due to rounding and/or due to respondents being able to select more than one answer to a question.

Data presented in this report are from a sample of public service schemes rather than the total population. This means the results are subject to sampling error. Differences between cohorts and different years of the research have been tested for statistical significance, using finite population correction (i.e. reflecting that 94% of the total public service scheme universe completed the survey). Differences are commented on in the text only if they are statistically significant at the 95% confidence level. This means there is no more than a 5% chance that any reported differences are not real but a consequence of sampling error.

⁷ Centrally administered unfunded schemes excluding relevant Local Government, Firefighters' and Police schemes.

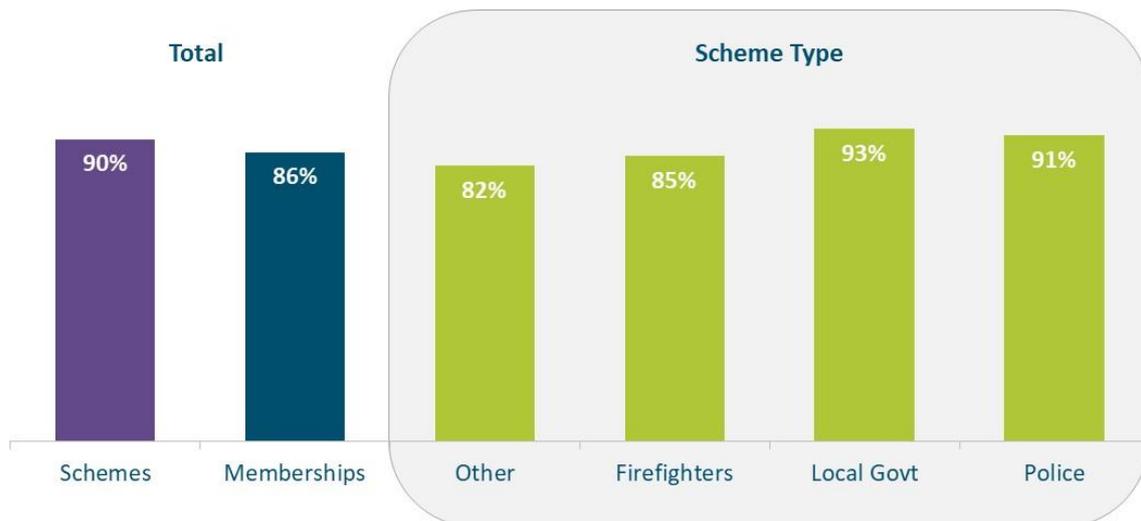
⁸ Although data was reported unweighted in the published 2015 report, weights have been retrospectively applied to this data to ensure direct comparability with the results from subsequent surveys. For this reason, the 2015 figures do not always exactly match those in the published 2015 report.

4. Research findings

4.1 Scheme governance

Overall, 90% of schemes had a documented policy to manage board members' conflicts of interest, representing 86% of memberships.

Figure 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 0%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 1%, 0%), Police (44, 5%, 0%)

Local Government (93%) and Police (91%) schemes were most likely to have a documented policy to manage conflicts of interest. Firefighters' and 'Other' scheme were least likely to have this in place (85% and 82% respectively). Incidence increased with scheme size; 96% of schemes with over 100,000 memberships had a policy compared with 91% of those with 5,001-100,000 memberships and 85% of those with 5000 or fewer memberships.

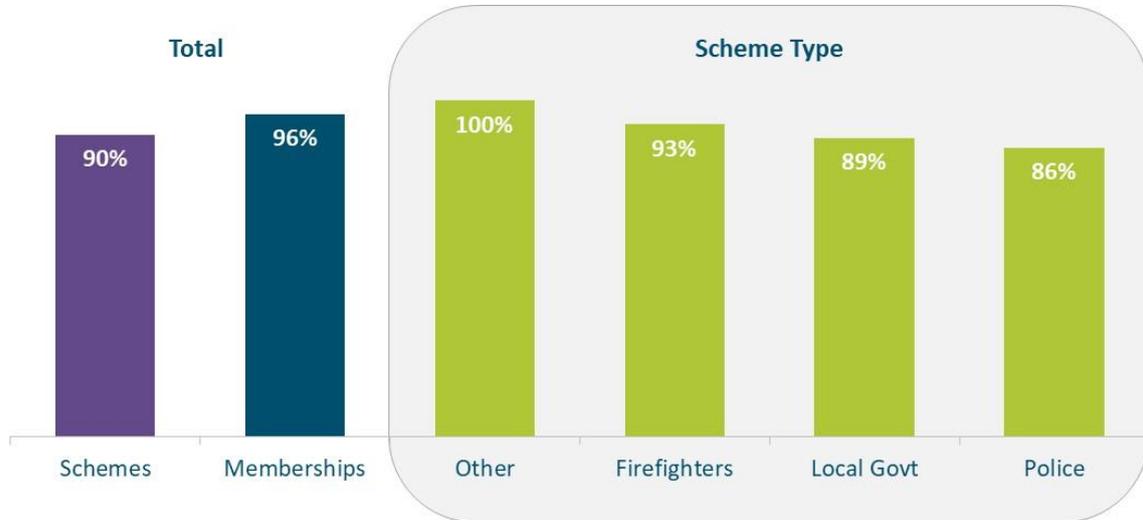
While overall the proportion of schemes with a documented policy to manage conflicts of interest had not changed compared with 2017 (90% in 2018 and 92% in 2017), the proportion of 'Other' and Firefighters' schemes with a policy each fell by 9 percentage points.

Table 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	90%	82%	85%	93%	91%
PSPS Survey 2017	92%	91%	94%	92%	91%
PSPS Survey 2016	81%	100%	80%	85%	71%
PSPS Survey 2015	85%	100%	79%	87%	86%

Overall, 90% of schemes maintained a register of pension board members' interests, with every 'Other' scheme (100%) doing so.

Figure 4.1.2 Proportion of schemes that maintained a register of pension board members' interests



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 4%, 0%), Police (44, 7%, 0%)

The proportion of schemes with a register of interests increased since the 2017 survey, from 84% to 90%. This increase was evident for Police and 'Other' schemes (+16 and +9 percentage points respectively).

Table 4.1.2 Proportion of schemes that maintained a register of pension board members' interests – Time series

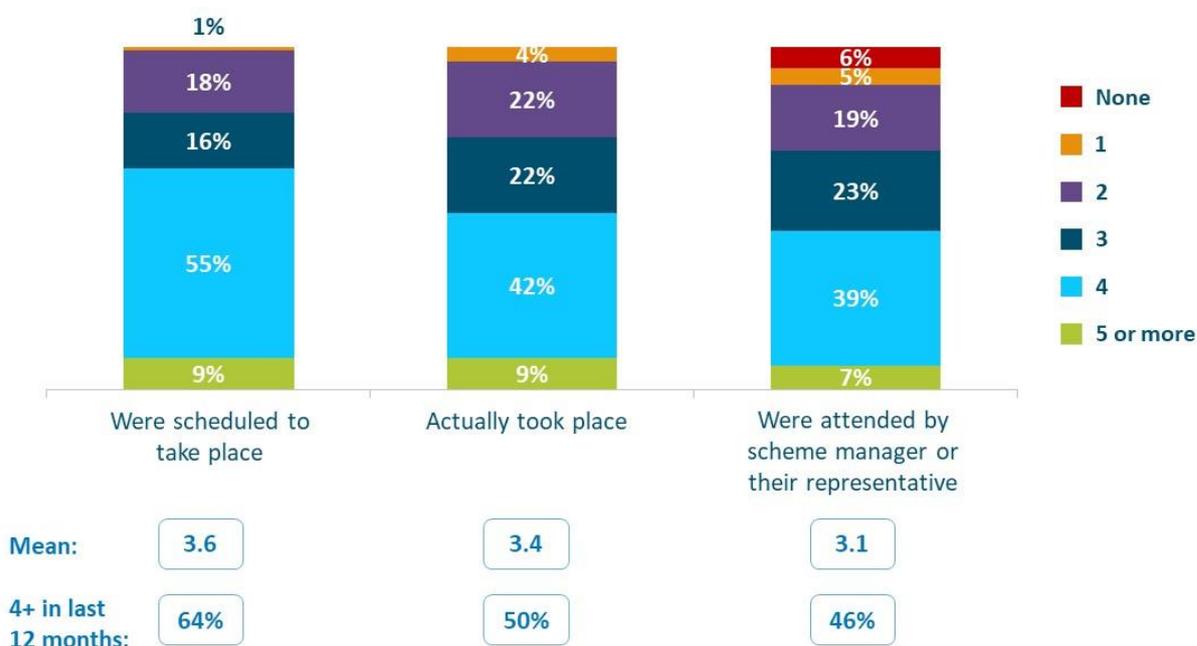
	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	90%	100%	93%	89%	86%
PSPS Survey 2017	84%	91%	92%	86%	70%
PSPS Survey 2016	85%	100%	86%	87%	74%
PSPS Survey 2015	75%	92%	57%	77%	86%

On average, schemes had scheduled 3.6 pension board meetings in the previous 12 months, with two-thirds (64%) of schemes scheduling four or more board meetings.

However, not all the scheduled meetings went ahead; schemes reported that they had actually had an average of 3.4 board meetings in the previous 12 months, with half (50%) holding four or more. A quarter (26%) of schemes reported that their pension boards had met twice or less in the previous 12 months.

Most pension board meetings were attended by the scheme manager or their representative. On average they had attended 3.1 meetings in the previous 12 months. Approaching half (46%) of schemes indicated that the scheme manager or their representative had attended four or more board meetings.

Figure 4.1.3 Number of pension board meetings in the last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 1%, 1%)

Across all schemes, the mean proportion of scheduled pension board meetings that actually took place was 93%. On average, 93% of the meetings that took place were attended by the scheme manager or their representative.

Table 4.1.3 Proportion of pension board meetings that went ahead and were attended by the scheme manager/representative

	Total schemes
Base: All respondents	195
% of scheduled meetings that took place (mean)	93%
% of meetings taking place attended by scheme manager/representative (mean)	93%

'Other' schemes were most likely to have scheduled and held at least four board meetings in the previous 12 months (91% and 73% respectively). Firefighters' schemes were least likely to have done so, with one in five (20%) holding four or more board meetings in the previous 12 months (and a mean of 2.5 meetings).

Table 4.1.4 Number of pension board meetings in the last 12 months - by scheme type

		Scheme Type			
		Other	Firefighters	Local Govt	Police
<i>Base: All respondents</i>		11	46	94	44
Scheduled to take place	Mean	3.9	3.0	3.8	3.7
	4+ in last year	91%	41%	68%	73%
Actually took place	Mean	3.7	2.5	3.7	3.5
	4+ in last year	73%	20%	59%	61%
Attended by scheme manager/representative	Mean	3.7	2.3	3.5	3.2
	4+ in last year	73%	17%	54%	52%
% of scheduled meetings that took place (mean)		95%	85%	96%	96%
% of meetings taking place attended by scheme manager/representative (mean)		100%	89%	94%	91%

Larger schemes typically held a greater number of board meetings; 66% of schemes with over 30,000 memberships had at least 4 meetings in the previous 12 months, compared with 51% of those with 2,001-30,000 memberships and 18% of those with 2,000 or fewer memberships.

The smallest single employer schemes (with 2,000 or fewer memberships) held board meetings least frequently, with 7% having at least four in the previous 12 months.

Schemes were asked whether the scheme manager and pension board had sufficient time and resources to run the scheme properly, and whether they had access to all the necessary knowledge, understanding and skills.

Figure 4.1.4 shows that almost all schemes (96%) believed the scheme manager and pension board had access to all the knowledge and skills necessary to properly run the scheme. Schemes were slightly less likely to report that they had sufficient time and resources, but 91% still agreed this was the case.

Every 'Other' scheme felt they had sufficient knowledge, understanding and skills, and sufficient time and resources.

Figure 4.1.4 Scheme manager and pension board resources and knowledge



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2-3%, 0-1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0-2%, 0%), Local Government (94, 1-3%, 0%), Police (44, 5%, 0-2%)

There was an increase since 2017 in the proportion of schemes that reported that the scheme manager and pension board had sufficient time and resources (up from 81% to 91%), particularly for Police and 'Other' schemes (+21 and +18 percentage points respectively). While there was no overall change since 2017 in the proportion reporting that the scheme manager and pension board had access to all the necessary knowledge, understanding and skills, this had increased for 'Other' and Firefighters' schemes (+9 and +6 percentage points). However, fewer Police schemes believed this was the case than in 2017 (-5 percentage points).

Table 4.1.5 Scheme manager and pension board resources and knowledge – Time series

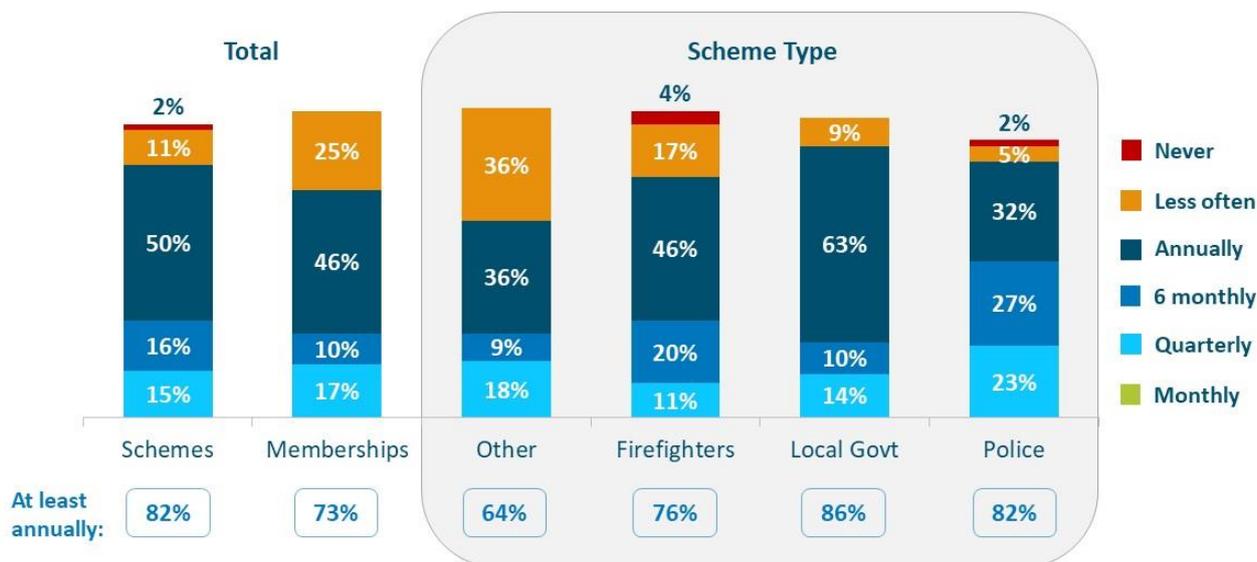
	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Sufficient time and resources to run the scheme properly⁹					
PSPS Survey 2018	91%	100%	87%	89%	95%
PSPS Survey 2017	81%	82%	82%	84%	74%
Access to all the knowledge, understanding and skills necessary to properly run the scheme¹⁰					
PSPS Survey 2018	96%	100%	98%	96%	93%
PSPS Survey 2017	95%	91%	92%	97%	98%
PSPS Survey 2016	93%	100%	94%	93%	89%
PSPS Survey 2015	73%	92%	36%	85%	82%

⁹ This question was not asked in 2015 or 2016 so no comparable data is available.

¹⁰ In the 2015 and 2016 surveys the question wording was slightly different with schemes asked if they had developed policies and arrangements to help pension board members acquire and retain the knowledge and understanding they require. The overall sense of the question remained the same so the change over time has been shown, but the different wording should be considered when interpreting these results.

In the majority of cases (82%) the scheme manager or pension board carried out an evaluation of the board’s knowledge, understanding and skills at least annually. This proportion was lower among ‘Other’ schemes, where a third (36%) did not evaluate their board at least annually.

Figure 4.1.5 Frequency of scheme manager or pension board carrying out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 6%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 5%, 0%), Police (44, 11%, 0%)

As shown in Table 4.1.6, two-thirds (64%) of schemes had more than five current members on their pension board at the time they completed the survey. The mean number of current board members was 6.8.

Table 4.1.6 Number of current pension board members

	Total schemes
<i>Base: All respondents</i>	195
2-3 current board members	5%
4-5 current board members	29%
6-7 current board members	32%
8-9 current board members	16%
10+ current board members	16%
Mean number of current board members	6.8
Don't know	2%
Did not answer question	1%

Eleven schemes (6%) reported that they had fewer current board members at the time they completed the survey than specified by their respective

regulations. Of these, six were Local Government schemes, three were Firefighters' and two were Police.

Schemes were also asked to provide details of the number of vacant positions on their board, the number of board members that had left in the previous 12 months and the number of members appointed in this period.

While the majority of schemes (71%) reported that one or more board member had left in the previous 12 months, 64% indicated that at least some of these had been replaced with new appointments. Approaching a third (30%) of schemes had at least one vacant position on the board at the time they completed the survey.

Figure 4.1.7 Turnover of pension board members

	Vacant positions	Members that left in last 12 months	Members appointed in last 12 months
<i>Base: All respondents</i>	195	195	195
0	67%	27%	32%
1	25%	34%	27%
2	3%	16%	17%
3	2%	14%	14%
4+	0%	7%	7%
Net: 1+	30%	71%	64%
Mean	0.4	1.4	1.4
Don't know	3%	2%	3%
Did not answer question	1%	1%	1%

Further analysis was conducted to assess the total number of board positions in each scheme. The number of 'total positions' on the board was calculated by combining the number of current board members and number of vacant positions.

As shown in Table 4.1.8, the mean number of total positions was 7.2. On average, schemes reported that 20% of the total positions on their board had left in the previous 12 months but 19% had been filled by new appointments. The mean proportion of total board positions that were vacant at the time the schemes completed the survey was 5%.

Table 4.1.8 Number of total pension board positions (current members plus vacant positions)

	Total schemes
<i>Base: All respondents</i>	195
Mean number of total positions on board (current + vacant)	7.2
Mean % of total positions that are vacant	5%
Mean % of total positions that left in last 12 months	20%
Mean % of total positions appointed in last 12 months	19%

'Other' schemes tended to have the greatest number of current board members (a mean of 10.4) and Firefighters' schemes had the fewest (a mean of 5.1).

Table 4.1.9 Number and turnover of pension board members – by scheme type

	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	11	46	94	44
Mean no. of current board members	10.4	5.1	6.6	8.2
Mean no. of vacant positions	1.0	0.3	0.3	0.4
Mean no. of board members that left in last 12 months	1.5	1.2	1.2	2.1
Mean no. of board members appointed in last 12 months	1.5	1.1	1.2	2.1
Mean no. of total positions (current + vacant)	11.4	5.4	7.0	8.6
Mean % of total positions that are vacant	8%	6%	5%	5%
Mean % of total positions that left in last 12 months	11%	21%	18%	24%
Mean % of total positions appointed in last 12 months	12%	18%	18%	24%

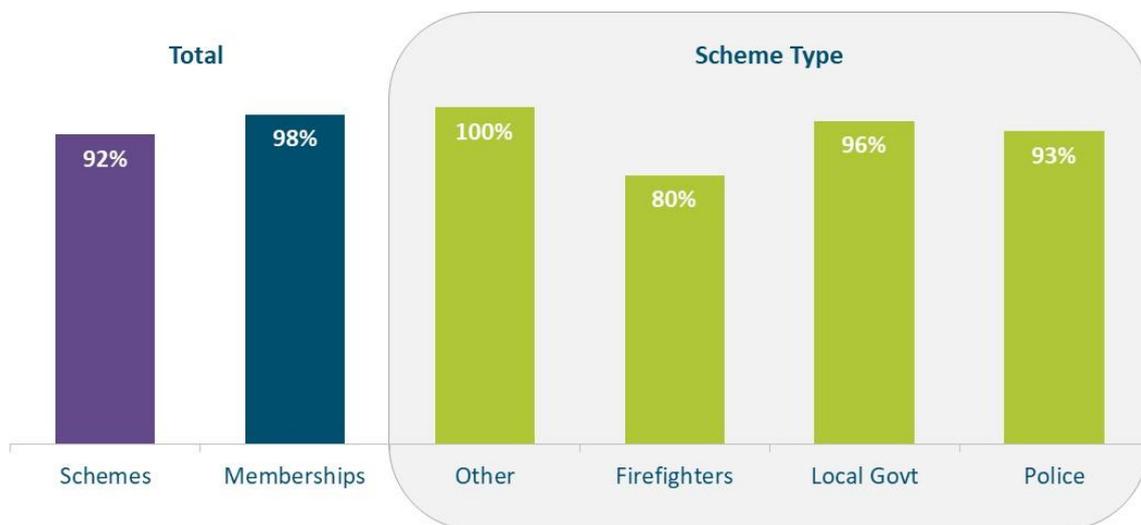
As mentioned previously, 11 schemes had fewer current board members at the time they completed the survey than specified by their respective regulations. Nine of these schemes had vacant positions on their board. If these vacant positions were filled, each of these nine schemes would have met the minimum requirement for the number of pension board members for their type of scheme.

Of the remaining two schemes that had fewer current board members than required by their regulations, one was a Police scheme that had no vacant positions and the other was a Local Government scheme that answered "don't know" to the question on number of vacant positions.

4.2 Managing risk

Around nine in ten schemes (92%) had documented procedures for assessing and managing risk. Every 'Other' scheme had these in place (100%), but Firefighters' schemes were least likely to do so (80%).

Figure 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 1%, 1%), Police (44, 0%, 0%)

The presence of documented risk procedures was correlated with scheme size; 100% of those with over 100,000 memberships had these in place compared with 82% of schemes with 2,000 or fewer members.

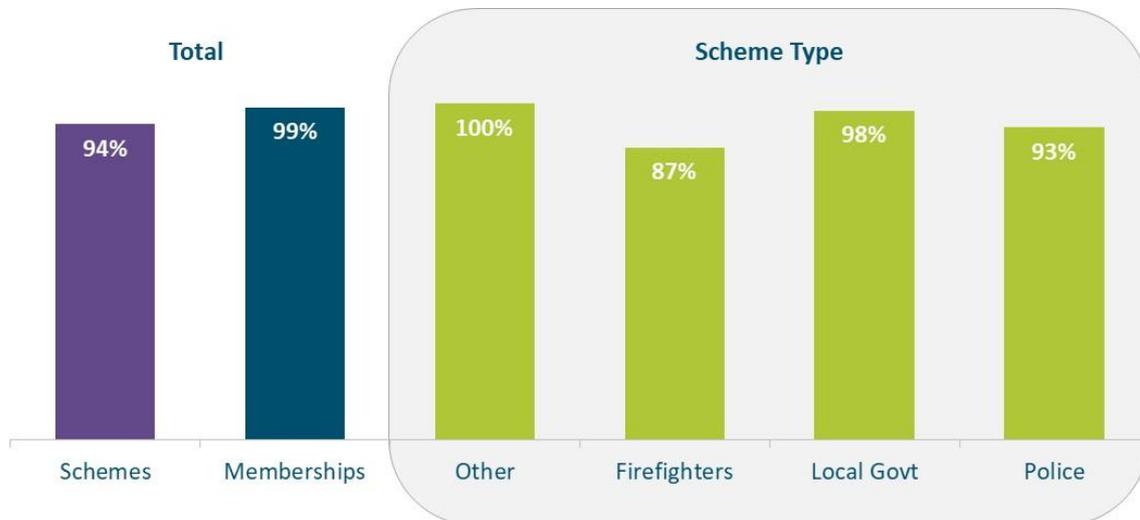
When comparing findings from 2018 and 2017, there was an increase in the overall proportion of schemes that had documented procedures for assessing and managing risk (from 83% to 92%). The proportion for 'Other', Firefighters' and Police schemes had also increased.

Table 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	92%	100%	80%	96%	93%
PSPS Survey 2017	83%	82%	63%	93%	84%
PSPS Survey 2016	72%	91%	44%	92%	51%
PSPS Survey 2015	70%	100%	36%	79%	82%

The vast majority (94%) of schemes had a risk register, with this rising to 100% of 'Other' and 98% of Local Government schemes.

Figure 4.2.2 Proportion of schemes that had a risk register



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 1%, 1%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 0%, 1%), Police (44, 2%, 0%)

Schemes were more likely to have a risk register than in 2017 (94% vs. 88%). This increase was greatest for Firefighters' scheme (+18 percentage points).

Table 4.2.2 Proportion of schemes that had a risk register – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	94%	100%	87%	98%	93%
PSPS Survey 2017	88%	91%	69%	97%	88%
PSPS Survey 2016	70%	91%	38%	91%	51%
PSPS Survey 2015	76%	100%	36%	91%	82%

All schemes were asked to identify the top three governance and administration risks on their register (or facing the scheme if they did not have a risk register). As detailed in Table 4.2.3, a wide range of risks were reported. The most prevalent were record-keeping (49%), regulatory compliance (38%), funding or investment (35%) and the recruitment and retention of staff or knowledge (27%).

The key risks differed by scheme type. Record-keeping was identified as the top risk by 'Other' (36%) and Police (73%) schemes, regulatory compliance by Firefighters' schemes (61%, closely followed by record-keeping at 57%) and funding or investment by Local Government schemes (68%).

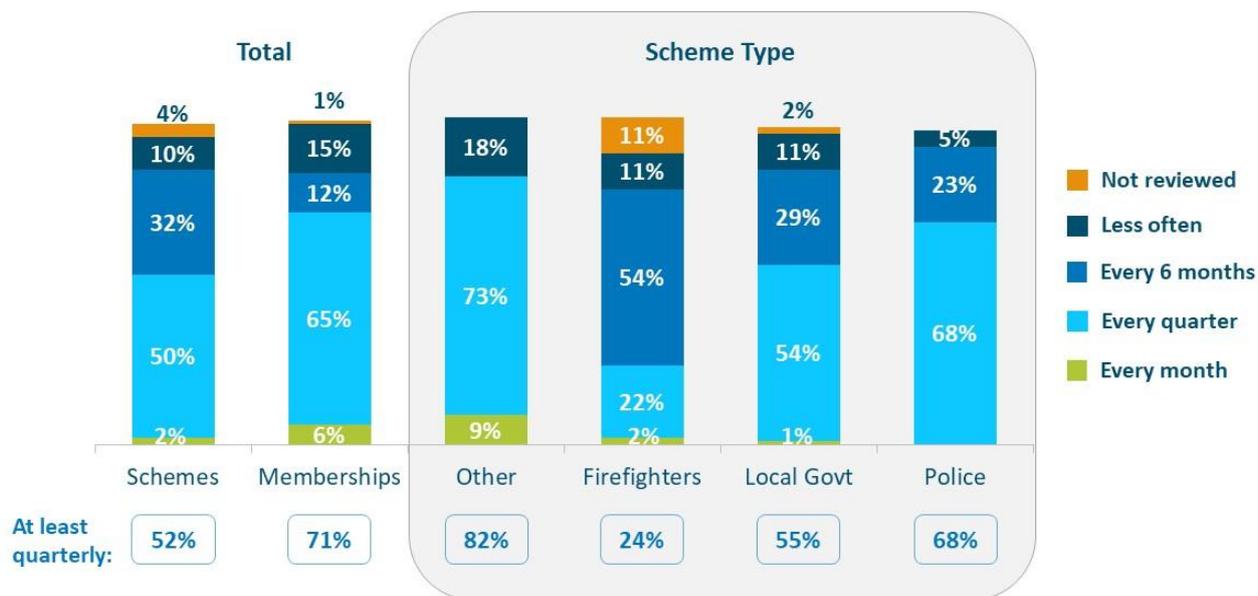
Table 4.2.3 Top governance and administration risks

Top Mentions (5%+)	Total			Scheme Type		
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	195	195	11	46	94	44
Record-keeping (i.e. receipt and management of correct data)	49%	37%	36%	57%	36%	73%
Securing compliance with changes in scheme regulations	38%	22%	18%	61%	26%	43%
Funding or investment	35%	26%	0%	7%	68%	5%
Recruitment and retention of staff or knowledge	27%	22%	18%	26%	28%	27%
Systems failures (IT, payroll, administration systems, etc)	20%	26%	27%	15%	26%	11%
Lack of resources/time	16%	17%	18%	20%	15%	14%
Guaranteed Minimum Pension (GMP) reconciliation	15%	21%	27%	13%	11%	23%
Administrator issues (expense, performance, etc)	14%	16%	18%	20%	12%	14%
Production of annual benefit statements	14%	20%	27%	13%	10%	20%
Cyber risk	9%	9%	9%	11%	9%	9%
Receiving contributions from the employer(s)	8%	6%	0%	0%	15%	2%
Failure of internal controls	8%	1%	0%	22%	2%	7%
Lack of knowledge, effectiveness or leadership among key personnel	7%	2%	0%	9%	5%	11%
Don't know	1%	0%	0%	0%	0%	5%
Did not answer question	0%	0%	0%	0%	0%	0%

There were some differences by scheme size, with smaller schemes of 5,000 or fewer members more likely than larger ones to identify record-keeping (62% vs. 42%) and regulatory compliance (55% vs. 28%) as top risks.

As detailed in Figure 4.2.3, half of schemes (52%) had reviewed their exposure to new and existing risks at least every quarter over the previous 12 months, with these schemes accounting for 71% of all public service memberships. Most of the remainder had reviewed their risk exposure every 6 months (32% of all schemes), but 4% had not reviewed their risk exposure in the previous 12 months.

Figure 4.2.3 Frequency of reviewing risk exposure in last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 2%, 1%), Police (44, 5%, 0%)

Firefighters’ schemes were least likely to have reviewed their risk exposure on a regular basis; 24% had done so at least every quarter.

The frequency of reviewing risk exposure was correlated with scheme size; 77% of those with over 100,000 memberships had done so at least quarterly, compared with 56% of those with 5,001-100,000 memberships and 36% of those with 5,000 or fewer memberships.

Schemes that had held four or more board meetings in the previous 12 months were also more likely to have reviewed their risk exposure at least every quarter (70% compared with 34% of those who had met less than four times).

There was no change in the overall proportion of schemes that had reviewed their risk exposure at least quarterly (49% in 2017 vs. 52% in 2018), but it had increased for Police schemes (+24 percentage points) and declined for ‘Other’ and Firefighters’ schemes (-18 and -11 percentage points respectively).

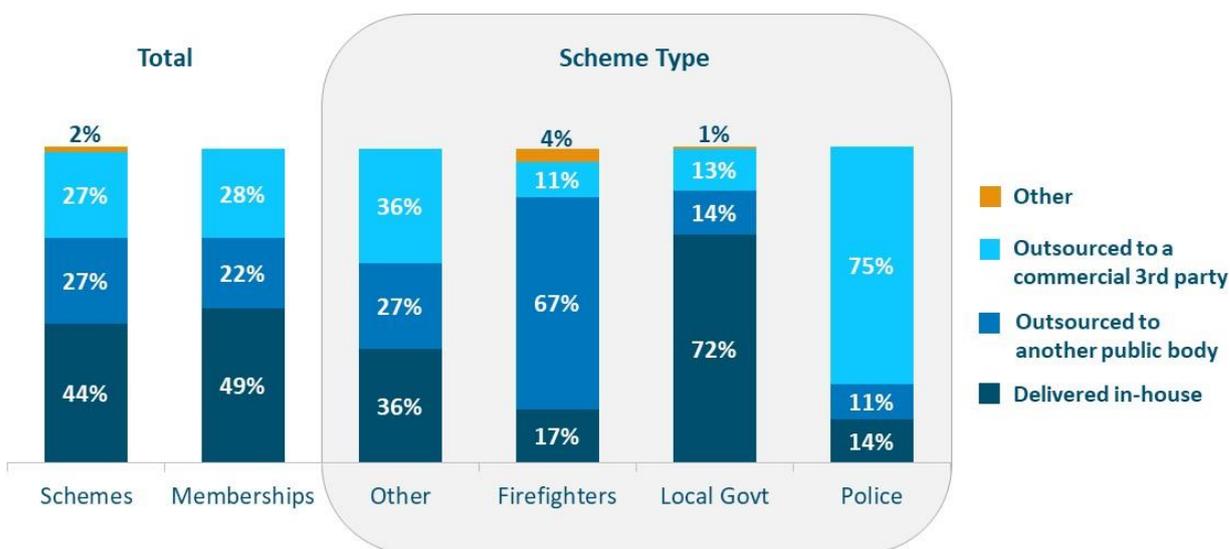
Table 4.2.4 Proportion of schemes reviewing exposure to new and existing risks at least every quarter – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	52%	82%	24%	55%	68%
PSPS Survey 2017	49%	100%	35%	53%	44%

4.3 Administration and record-keeping

There was a broadly equal split between schemes that were administered in-house (44%) and those where the administration was outsourced (55%). Among those that were administered externally, similar proportions used other public bodies (27%) and commercial third parties (27%).

Figure 4.3.1 Scheme administration arrangements



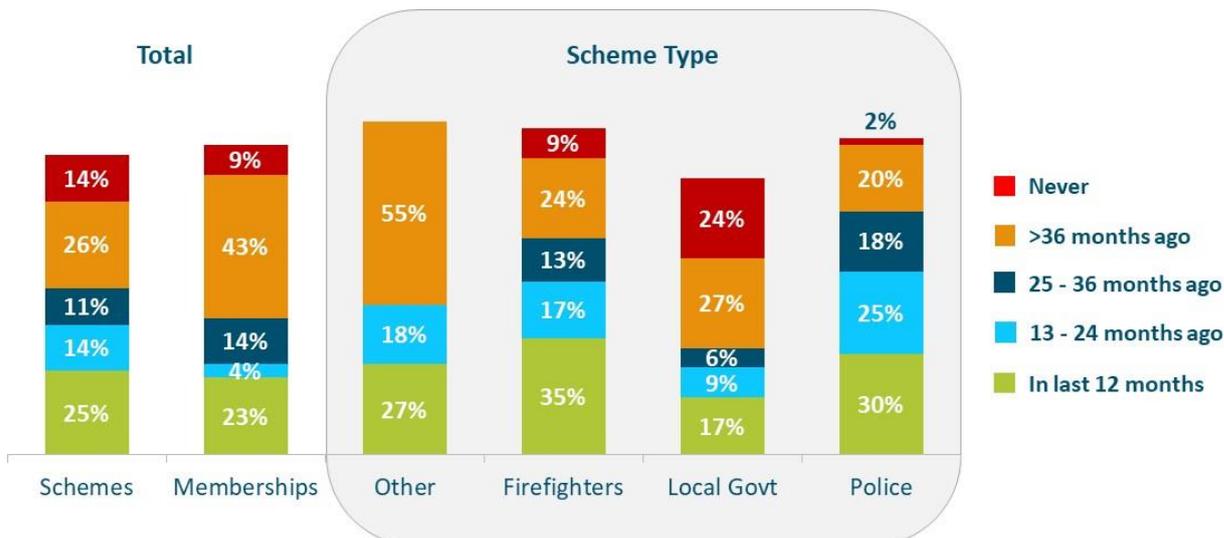
All respondents (Base, Don't know, Did not answer question) - Schemes (195, 0%, 0%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 0%, 0%), Police (44, 0%, 0%)

There was some variation by scheme type in terms of the administration arrangements. Just under three-quarters (72%) of Local Government schemes undertook scheme administration in-house, whereas 'Other', Firefighters' and Police schemes were more likely to outsource it (64%, 78% and 86% respectively). Of the latter groups, Firefighters' schemes tended to outsource administration to another public body whereas Police schemes were most likely to use a commercial third party, and there was a more even split for 'Other' schemes (27% and 36% respectively).

Larger schemes were more likely to have in-house administration arrangements; 78% of schemes with over 30,000 memberships were administered in-house, compared with 40% of those with 5,001-30,000 memberships and 13% of those with 5,000 or fewer memberships.

As detailed in Figure 4.3.2, the frequency with which schemes reviewed who should provide their administration services varied widely. A quarter (25%) had done so in the previous 12 months, with similar proportions doing so 13-36 months ago (25%) and over 36 months ago (26%). A further 14% of schemes had never reviewed who should provide their administration.

Figure 4.3.2 Frequency of reviewing scheme administration providers



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 10%, 0%), Memberships (195, 7%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 17%, 0%), Police (44, 5%, 0%)

Police and Firefighters' schemes were most likely to have reviewed their administration provider in the previous 36 months (73% and 65% respectively). However, over half of 'Other' (55%) and Local Government (51%) had not done so in the previous 36 months, with approaching a quarter (24%) of the latter reporting that they had never reviewed their provider.

Those schemes that used external administration providers were more likely to have reviewed who should provide these services. Around three-quarters of those outsourcing administration to a commercial 3rd party or another public body had reviewed their provider in the previous 36 months (78% and 71% respectively), compared with 18% of schemes with in-house administration arrangements. Over a quarter (29%) of the latter group had never done so.

As set out in Table 4.3.1, schemes used a range of methods to monitor the performance of their administrators. Administrators typically provided regular reports (87%) and attended regular meetings with the scheme manager/board (85%), and three-quarters (73%) of schemes specified performance metrics in contracts or service level agreements (SLAs).

Provision of independent assurance reports and the application of penalties were less common (33% and 18% respectively). However, all schemes reported that they employed at least one of these approaches to monitor and manage administrator performance.

Table 4.3.1 Monitoring and managing administrator performance

	Total			Scheme Type		
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	195	195	11	46	94	44
Administrators deliver regular reports to scheme manager and/or board on the service provided	87%	95%	100%	87%	88%	82%
Administrators attend regular meetings with scheme manager and/or board	85%	84%	82%	83%	88%	82%
Performance metrics are set out in contracts or SLAs	73%	78%	91%	85%	57%	89%
Independent auditors review performance of administrators	58%	85%	100%	57%	66%	34%
Administrators provide independent assurance reports	33%	49%	64%	41%	29%	27%
Penalties are applied where contractual terms or service standards are not met	18%	28%	36%	7%	14%	36%
None of these	0%	0%	0%	0%	0%	0%
Don't know	0%	0%	0%	0%	0%	0%
Did not answer question	0%	0%	0%	0%	0%	0%

The proportion of schemes adopting each approach to monitor and manage their administrators differed by scheme type. In particular, 'Other' and Police schemes were more likely to apply penalties if contractual terms or service standards were not met (each 36%). 'Other' schemes were also more likely to use independent auditors to review administrator performance (100%) and to receive independent assurance reports from the administrator (64%).

In comparison to the other scheme types, a lower proportion of Local Government schemes set out performance metrics in contracts or SLAs (57%).

The use of service level agreements was less prevalent where schemes were administered in-house (48%, compared with 90% of those administered by another public body and 96% of those administered by a commercial third party).

While half (50%) of schemes administered by a commercial 3rd party reported that they applied penalties where contractual terms or service standards were

not met, this proportion fell to 4% of those administered by another public body and 8% of those administered in-house.

As shown in Figure 4.3.3, three-quarters of schemes (76%) included administration as a dedicated item on the agenda at every pension board meeting. A further 11% covered it at least half of their board meetings, but 5% did so at fewer than half of their meetings and 6% never included it on the agenda.

Figure 4.3.3 Proportion of pension board meetings held in the last 12 months that had administration as a dedicated item on the agenda



Base: All respondents (Base, Don't know number of board meetings and/or number covering administration, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Govt (94, 1%, 1%), Police (44, 7%, 0%)

All the 'Other' schemes formally covered administration every time the board met. Firefighters' schemes were most likely to report that administration was never included on the agenda at board meetings (11%).

As set out in Table 4.3.2, the vast majority of schemes had processes in place to monitor administration and record-keeping. Overall, 98% had a process for monitoring the payment of contributions, 94% had a process for resolving contribution payment issues, 92% had a process with the scheme's employer(s) to receive, check and review data, and 91% had a process to monitor records on an ongoing basis to ensure they are accurate and complete.

The proportion of schemes with these in place was generally higher than that seen in 2017. The proportion with processes to monitor the accuracy and completeness of records and to receive, check and review data both increased by 6 percentage points, and the proportion with a process for

resolving contribution payment issues increased by 4 percentage points¹¹. There was no change in the proportion of schemes with a process to monitor the payment of contributions.

Table 4.3.2 Administration and record-keeping processes - Time series

Proportion with a process...		Total			Scheme Type		
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
To monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	2018	91%	92%	91%	85%	95%	89%
	2017	85%	95%	100%	80%	88%	81%
	2016	89%	91%	91%	88%	90%	86%
With employer(s) to receive, check and review data	2018	92%	93%	91%	87%	98%	86%
	2017	86%	96%	100%	78%	92%	77%
	2016	90%	98%	100%	76%	96%	89%
For monitoring the payment of contributions	2018	98%	100%	100%	96%	100%	95%
	2017	97%	94%	91%	94%	100%	95%
	2016	95%	94%	91%	88%	100%	94%
For resolving contribution payment issues	2018	94%	99%	100%	85%	98%	95%
	2017	90%	92%	91%	84%	94%	86%
	2016	88%	93%	91%	68%	97%	91%

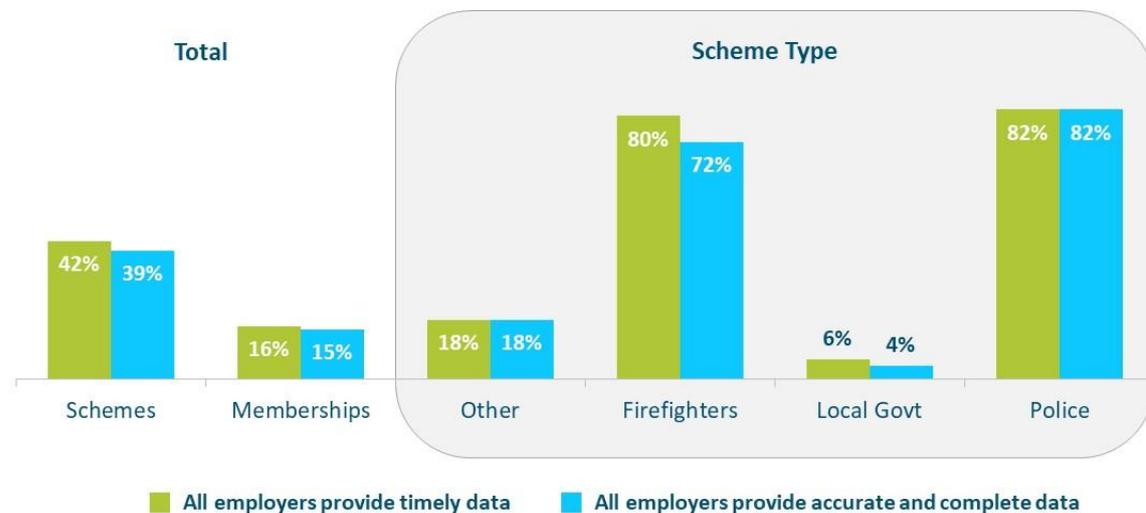
There was relatively little variation in the prevalence of these administration and record-keeping processes by scheme type in the 2018 survey.

Schemes were asked the extent to which the employer(s) provided timely, accurate and complete data. Single employer schemes were asked whether their participating employer always provided timely, accurate and complete data, whereas multi-employer schemes were asked to give the proportion of their employers that always did this. The analysis in Figure 4.3.4 combines the results from both questions.

Four in ten (42%) schemes reported that their employers always provided timely data. A similar proportion (39%) reported that their employers always provided accurate and complete data. However, this was lower among 'Other' (18% for each) and Local Government (6% and 4%) schemes, which are typically multi-employer.

¹¹ Previously this question asked whether the scheme had "a process in place for resolving contribution payment issues and assessing whether to report payment failures to TPR". The second clause was removed in 2018, which means results are not directly comparable. This may have contributed to the improved performance on this measure.

Figure 4.3.4 Proportion of schemes where all employers always provided timely, accurate and complete data



All respondents (Base, Don't know timely, Did not answer timely, Don't know accurate/complete, Did not answer accurate/complete) - Schemes (195, 5%, 2%, 7%, 2%), Memberships (195, 2%, 0%, 3%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 9%, 4%, 11%, 4%), Local Government (94, 4%, 1%, 7%, 1%), Police (44, 5%, 0%, 5%, 0%)

As shown in Table 4.3.3, on average 87% of scheme employers always provided timely data, and 84% always provided accurate and complete data. The mean proportions of employers that always provided timely and accurate/complete data were highest for Firefighters' schemes (95% and 89%) and Police schemes (92% and 90%). In both these scheme types the schemes tend to be single employer.

Table 4.3.3 Mean proportion of employers that always provided timely, accurate and complete data

	Total		Scheme Type			
	Schemes	Memberships	Other	Firefighters	Local Govt	Police
<i>Base: All respondents</i>	195	195	11	46	94	44
Mean % of employers that always provide timely data	87%	85%	86%	95%	81%	92%
Mean % of employers that always provide accurate and complete data	84%	82%	84%	89%	79%	90%

Table 4.3.4 shows that a higher proportion of schemes reported that all their employers always provided timely, accurate and complete data than in 2017 (+5 percentage points for timely data and +9 percentage points for accurate and complete data). It also shows that a higher proportion of Firefighters' and Police schemes said all their employers always provided timely, accurate and complete than in 2017 and a lower proportion of 'Other' and Local Government schemes said all their employers always provided timely data.

There was no change since the 2017 survey in the mean proportion of employers that always provided timely or accurate and complete data, either at the total level or for individual scheme types.

Table 4.3.4 Provision of timely, accurate and complete data by employers – Time series

		Total			Scheme Type		
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
All employers (100%) always provide timely data	2018	42%	16%	18%	80%	6%	82%
	2017	37%	23%	27%	57%	11%	72%
Mean % of employers that always provide timely data	2018	87%	85%	86%	95%	81%	92%
	2017	89%	87%	88%	94%	84%	96%
All employers (100%) always provide accurate and complete data	2018	39%	15%	18%	72%	4%	82%
	2017	30%	15%	18%	49%	7%	60%
Mean % of employers that always provide accurate and complete data	2018	84%	82%	84%	89%	79%	90%
	2017	86%	81%	80%	93%	80%	95%

As detailed in Table 4.3.5, the proportions of employers that always provided timely, accurate and complete data were lower for multi-employer schemes than single employer ones. One in ten (12%) multi-employer schemes said their employers always provided timely data compared with nine in ten (90%) single employer schemes. A similar proportion (11%) of multi-employer schemes said their employers always provided accurate and complete data compared with 85% of single employer schemes.

Table 4.3.5 Provision of timely, accurate and complete data by employers – analysis by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
<i>Base: All respondents</i>	73	121
All employers (100%) always provide timely data	90%	12%
All employers (100%) always provide accurate and complete data	85%	11%

Figure 4.3.5 shows that 88% of multi-employer schemes had a defined escalation process for dealing with employers who did not provide timely or accurate data.

Figure 4.3.5 Proportion of multi-employer schemes with a defined escalation process for dealing with employers who do not provide timely or accurate data¹²



All multi-employer schemes (Base, Don't know, Did not answer) - Schemes (121, 6%, 0%), Memberships (121, 1%, 0%), Other (10, 0%, 0%), Local Government (94, 2%, 0%)

Most multi-employer schemes included a range of actions in this escalation process, with the vast majority chasing in writing (97%), chasing by telephone (93%) and escalating the matter to senior staff (92%).

Two-thirds (67%) assessed whether a breach of the law had occurred, with this more likely among Local Government than 'Other' schemes (78% and 30% respectively). Local Government schemes were also more likely to impose penalties if required (66% compared with 30% of 'Other' schemes).

Table 4.3.6 Actions included in multi-employer schemes' escalation processes

Top Mentions (5%+)	Total		Scheme Type	
	Schemes	Memberships	Other	Local Govt
<i>Base: All multi-employer schemes with a defined escalation process</i>	107	107	10	85
Chase in writing	97%	99%	100%	99%
Chase by telephone	93%	98%	100%	95%
Escalate to senior staff	92%	97%	100%	93%
Assess for breach of law	67%	48%	30%	78%
Impose penalty	56%	44%	30%	66%
Manual correction	27%	23%	20%	28%
Remove from scheme	14%	24%	30%	14%

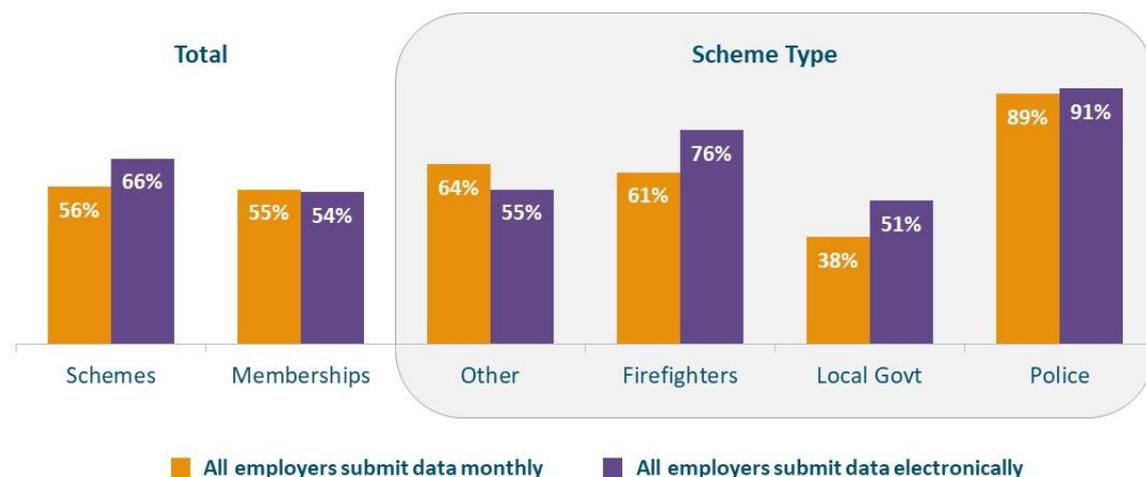
¹² Results for Firefighters' and Police schemes are not shown due to the very low number of multi-employer schemes in these cohorts.

Although a third (33%) of schemes with a defined escalation process did not include assessing for a possible breach of the law in this, the majority of this group (88%) indicated elsewhere in the survey that they had procedures in place to assess and report breaches of the law (see Chapter 4.8).

Schemes were also asked the extent to which the employer(s) submitted data monthly and electronically. Single employer schemes were asked whether their participating employer submitted data monthly and electronically, and multi-employer schemes were asked to give the proportion of their employers that did this. The analysis in Figure 4.3.6 combines the results from both questions.

Over half (56%) of schemes reported that all their employers submitted data monthly and two-thirds (66%) reported that all their employers submitted data electronically. This was most likely to be the case for Police schemes (89% and 91% respectively).

Figure 4.3.6 Proportion of schemes where all employers submitted data monthly and electronically



All respondents (Base, Don't know monthly, Did not answer monthly, Don't know electronically, Did not answer electronically) - Schemes (195, 4%, 2%, 4%, 2%), Memberships (195, 1%, 0%, 1%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 9%, 4%, 9%, 4%), Local Government (94, 3%, 1%, 3%, 1%), Police (44, 2%, 0%, 2%, 0%)

Table 4.3.7 shows that, on average, 77% of scheme employers submitted monthly data and 88% submitted data electronically. For both monthly and electronic data, the mean was lower for Firefighters' (70% and 88%) and Local Government (72% and 83%) schemes.

Table 4.3.7 Mean proportion of employers that submitted data monthly and electronically

	Total			Scheme Type		
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	195	195	11	46	94	44
Mean % of employers that submit data monthly	77%	81%	86%	70%	72%	93%
Mean % of employers that submit data electronically	88%	91%	95%	88%	83%	99%

As with timeliness of data and its accuracy and completeness, these proportions were lower for multi-employer schemes than single employer schemes. Four in ten (44%) multi-employer schemes said all their employers submitted data monthly compared with eight in ten (78%) single employer schemes. Half (51%) of multi-employer schemes said all their employers submitted data electronically compared with nine in ten (92%) single employer schemes.

Table 4.3.8 Submission of monthly and electronic data by employers – analysis by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
<i>Base: All respondents</i>	73	121
All employers (100%) submit data monthly	78%	44%
All employers (100%) submit data electronically	92%	51%

4.4 Cyber security

The 2018 survey included a number of new questions about schemes' cyber security controls, any cyber breaches or attacks experienced in the previous 12 months and the impact of any such incidents.

Schemes were asked about 14 specific cyber controls and three-quarters (74%) had at least half of these in place, with these schemes together covering 92% of all public service memberships.

No schemes stated that they had none of these controls in place, although 7% either answered "don't know" or did not provide a response.

Table 4.4.1 Proportion of schemes with controls to protect their data and assets from 'cyber risk'

	Total	
	Schemes	Memberships
<i>Base: All respondents</i>	195	195
Controls restricting access to systems and data	83%	96%
System controls (e.g. firewalls, anti-virus/malware, software updates)	82%	95%
Policies on data access, protection, use and transmission in line with Data Protection legislation and guidance	81%	85%
Policies on the acceptable use of devices, passwords/other authentication and on home/mobile working	80%	96%
Critical systems and data regularly backed up	80%	95%
Cyber risk is on risk register and regularly reviewed	67%	78%
Incident response plan to deal with any incidents which occur	67%	79%
Access to specialist skills and expertise to understand and manage risk	66%	89%
Scheme manager assured themselves of 3 rd party providers' controls	66%	61%
Roles and responsibilities on cyber resilience clearly defined and documented	62%	68%
Assessment of vulnerability to a cyber incident of key functions, systems, assets and parties involved in running the scheme	57%	73%
Assessment of likelihood of different types of breaches occurring	49%	66%
Scheme manager receives regular updates on cyber risks, incidents and controls	39%	50%
Pension board receives regular updates on cyber risks, incidents and controls	26%	32%
None of these	0%	0%
Net: At least half of these cyber controls in place (7+)	74%	92%
Mean number of cyber controls in place	9.0	10.6
Don't know	6%	1%
Did not answer question	1%	0%

The most common types of cyber protection were controls restricting access to systems and data (83%), system controls such as firewalls, anti-virus products and regular updates of software (82%), policies on data access, protection, use and transmission in line with data protection legislation and guidance (81%), policies on acceptable use of devices, passwords and other authentication, and on home and mobile working (80%), and regular back-ups of critical systems and data (80%).

Comparatively few schemes indicated that the scheme manager or the pension board received regular updates on cyber risks, incidents and controls (39% and 26% respectively).

Table 4.4.2 shows that half (49%) of schemes had experienced some kind of cyber breach or attack in the previous 12 months (covering 42% of memberships). These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (42%). This was the most reported type of cyber breach or attack for all scheme types.

Table 4.4.2 Proportion of schemes experiencing any cyber security breaches or attacks in the last 12 months (including at any outsourced administration provider)

	Total	
	Schemes	Memberships
<i>Base: All respondents</i>	195	195
Staff receiving fraudulent emails or being directed to fraudulent websites	42%	34%
Attacks that try to take down website or online services	10%	8%
People impersonating scheme in emails or online	9%	11%
Computers becoming infected with other viruses, spyware or malware	5%	2%
Computers becoming infected with ransomware	2%	1%
Unauthorised use of computers, networks or servers by staff, even if accidental	1%	1%
Hacking or attempted hacking of online bank accounts	1%	0%
Unauthorised use or hacking of computers, networks or servers by people outside scheme	0%	0%
Any other types of cyber security breaches or attacks	2%	1%
None of these	41%	55%
Net: Any cyber incidents reported in last 12 months	49%	42%
Don't know	9%	3%
Did not answer question	1%	0%

Those schemes that had experienced any cyber breaches or attacks in the previous 12 months were asked what, if anything, had happened as a result. Most (85%) reported that there had been no impact but 14% reported a negative impact.

The negative impacts reported tended to be either the scheme's website or online services being taken down or made slower (9%) or temporary loss of access to files or networks (7%).

Table 4.4.3 Impact of cyber security breaches or attacks experienced in the last 12 months

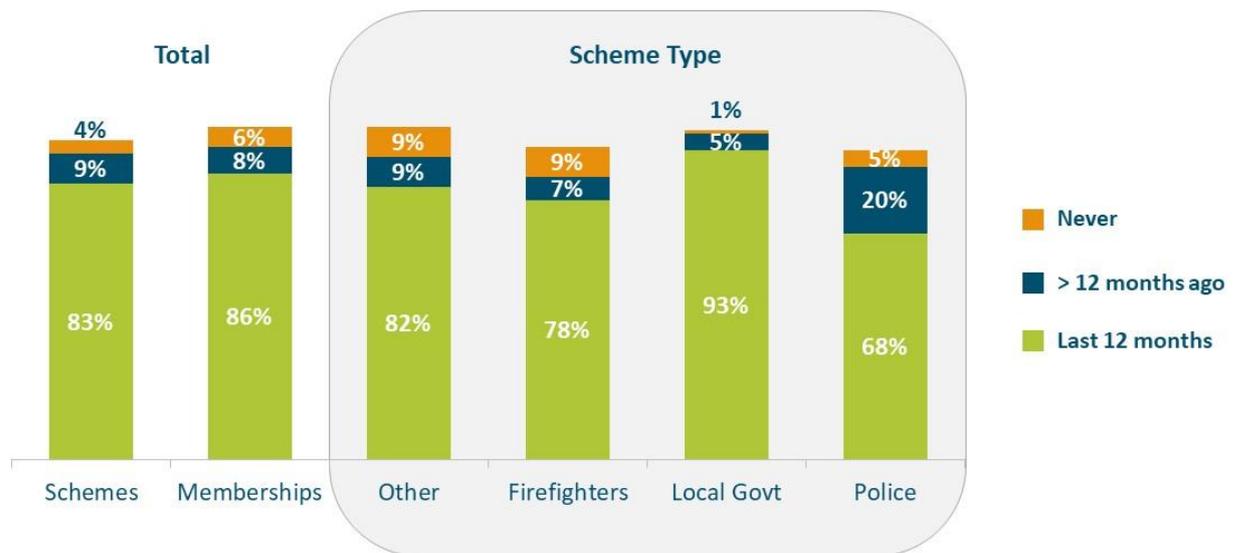
	Total	
	Schemes	Memberships
<i>Base: All experiencing cyber security breaches or attacks</i>	95	95
Website or online services taken down or made slower	9%	2%
Temporary loss of access to files or networks	7%	4%
Personal data altered, destroyed or taken	1%	1%
Lost access to any third-party services relied on	1%	1%
Software or systems corrupted or damaged	0%	0%
Permanent loss of files (other than personal data)	0%	0%
Lost or stolen assets, trade secrets or intellectual property	0%	0%
Money stolen	0%	0%
None of these	85%	95%
Net: Any impact reported in last 12 months	14%	5%
Don't know	0%	0%
Did not answer question	1%	0%

4.5 Data reviews

Most schemes had last completed a data review within the previous 12 months (83%), a further 9% had done so more than 12 months previously and 4% reported that they had never completed a data review.

Local Government schemes were most likely to have completed a data review in the previous 12 months (93%) and Police schemes were least likely to have done so (68%). Approaching one in ten 'Other' and Firefighters' schemes (9%) had never completed a data review.

Figure 4.5.1 When last completed a data review



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 7%, 0%), Local Government (94, 1%, 0%), Police (44, 7%, 0%)

The proportion of schemes that had completed a data review in the previous 12 months was higher than in 2017, most notably for Local Government schemes (+19 percentage points). However, the proportion of 'Other' schemes that had done so fell (-18 percentage points).

Table 4.5.1 Proportion of schemes that had completed a data review in last 12 months – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	83%	82%	78%	93%	68%
PSPS Survey 2017	75%	100%	71%	74%	74%
PSPS Survey 2016	79%	100%	68%	83%	77%
PSPS Survey 2015	70%	58%	50%	77%	77%

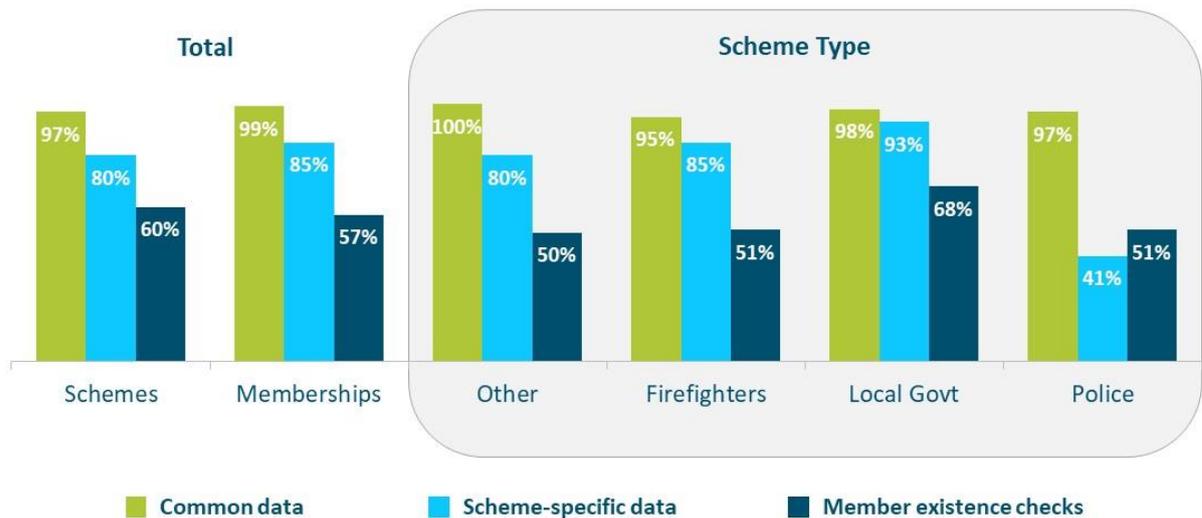
As detailed in Table 4.5.2, 58% of the schemes that had not completed a data review in the previous 12 months indicated that a review was currently underway at the time they completed the survey. Overall, this means that 91% of schemes had either completed a review in the previous 12 months or were in the process of doing one.

Table 4.5.2 Proportion of schemes where a data review was currently underway

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All not completing review in last 12 months</i>	26	2	7	6	11
Data review currently underway	58%	50%	57%	83%	45%
<i>Base: All respondents</i>	195	11	46	94	44
Net: Completed data review in last 12 months or review currently underway	91%	91%	87%	98%	80%

All schemes that had ever completed a data review were asked to specify the types of data looked at in their most recently completed review. Overall, 97% of reviews had looked at common data, with 80% covering scheme-specific data and 60% involving member existence checks.

Figure 4.5.2 Coverage of most recently completed data review



All that have completed a data review (Base, None of these, Don't know, Did not answer question) - Schemes (180, 1%, 1%, 1%), Memberships (180, 0%, 0%, 0%), Other (10, 0%, 0%, 0%), Firefighters (39, 3%, 3%, 0%), Local Government (92, 0%, 1%, 0%), Police (39, 0%, 0%, 3%)

The proportion that had looked at common data was similar across all scheme types (ranging from 95% to 100%), but Police schemes were less likely than other scheme types to have covered scheme-specific data in their most recently completed review (41%).

Schemes that had looked at common data in their most recently completed review were asked whether they had identified any issues or problems and, if so, what action had been taken to address these issues.

Approaching three-quarters (72%) of these schemes identified issues with their common data. However, Police schemes were least likely to have done so (47%).

Most schemes had either put a data improvement plan in place but not yet completed rectification work (40%) or were in the process of developing an improvement plan (23%).

Table 4.5.3 Identifying and addressing issues with common data

	Total		Scheme Type			
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
<i>Base: All looking at common data in most recently completed review</i>	175	175	10	37	90	38
Identified issues with common data	72%	69%	60%	73%	82%	47%
An improvement plan has been put in place and rectification work has been completed	2%	6%	10%	0%	1%	3%
An improvement plan is in place but rectification work is not yet complete	40%	44%	40%	30%	50%	26%
An improvement plan is in development	23%	9%	0%	35%	22%	16%
Rectification work has been undertaken without an improvement plan	6%	3%	0%	5%	8%	3%
No improvement plan has been developed and no work has been undertaken	1%	0%	0%	0%	1%	0%
Did not identify issues with common data	27%	31%	40%	27%	17%	50%
Don't know if identified issues	1%	0%	0%	0%	1%	3%
Did not answer if identified issues	0%	0%	0%	0%	0%	0%
Don't know action taken	1%	0%	0%	3%	0%	0%
Did not answer action taken	1%	6%	10%	0%	0%	0%

Similarly, those schemes that had looked at scheme-specific data in their most recently completed review were asked whether they had identified any issues or problems and, if so, what action had been taken to address these issues.

80% of schemes reported that they had identified issues with their scheme-specific data. As with common data, Police schemes were least likely to have found issues with their scheme-specific data (56%), although 19% of these schemes answered “don’t know” to this question.

Again, rectification work was typically planned or underway, but not yet completed; 42% had put a data improvement plan in place but not yet completed rectification work and 30% were in the process of developing an improvement plan.

Table 4.5.4 Identifying and addressing issues with scheme-specific data

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All looking at scheme-specific data in most recently completed review</i>	143	143	8	33	86	16
Identified issues with scheme-specific data	80%	79%	75%	79%	85%	56%
An improvement plan has been put in place and rectification work has been completed	2%	1%	0%	3%	2%	0%
An improvement plan is in place but rectification work is not yet complete	42%	55%	63%	30%	48%	31%
An improvement plan is in development	30%	20%	13%	39%	29%	25%
Rectification work has been undertaken without an improvement plan	4%	3%	0%	3%	6%	0%
No improvement plan has been developed and no work has been undertaken	1%	0%	0%	3%	0%	0%
Did not identify issues with scheme-specific data	15%	20%	25%	15%	13%	25%
Don’t know if identified issues	5%	1%	0%	6%	2%	19%
Did not answer if identified issues	0%	0%	0%	0%	0%	0%
Don’t know action taken	0%	0%	0%	0%	0%	0%
Did not answer action taken	0%	0%	0%	0%	0%	0%

4.6 Annual benefit statements

On average, 95% of active members had received their annual benefit statement (ABS) by the statutory deadline in 2018. Two-thirds (66%) of schemes reported that they had met this deadline for all their active members.

Figure 4.6.1 Proportion of active members receiving annual benefit statement by statutory deadline in 2018



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 2%, 0%), Police (44, 9%, 5%)

Around three-quarters of Firefighters' and Police schemes had met the ABS deadline for all their active members in 2018 (78% and 75% respectively). This proportion was lower for 'Other' (55%) and Local Government (56%) schemes, both of which are primarily multi-employer schemes and typically have a greater number of memberships.

As shown in Table 4.6.1, there was no change since 2017 in the mean percentage of members receiving their ABS by the deadline. However, there was an increase in the proportion of schemes stating that all their active members had received their ABS on time (from 60% in 2017 to 66% in 2018). This improvement was evident for 'Other' and Local Government schemes (+10 and +11 percentage points respectively).

Table 4.6.1 Proportion of active members receiving annual benefit statement by statutory deadline – Time series

		Scheme Type				
		Total schemes	Other	Firefighters	Local Govt	Police
Mean	2018	95%	96%	97%	93%	95%
	2017	93%	91%	93%	92%	97%
	2016	75%	75%	46%	87%	82%
100% received by deadline	2018	66%	55%	78%	56%	75%
	2017	60%	45%	73%	45%	79%
	2016	43%	36%	32%	45%	54%

The schemes that missed the ABS deadline for any of their active members were asked whether they reported this to TPR. A third (34%) had done so, with most of these making a breach of the law report (26%).

Figure 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements

All where deadline was missed for any active members (Base, Don't know, Did not answer question) - Schemes (58, 2%, 2%), Memberships (58, 1%, 1%), Other (5, 0%, 0%), Firefighters (9, 0%, 0%), Local Government (39, 3%, 3%), Police (5, 0%, 0%) – **Caution: Low base sizes for individual scheme types**

Most 'Other' schemes (80%) reported the missed deadline, with 60% making a breach of the law report. However, the majority of Firefighters' (89%), Local Government (62%) and Police (60%) schemes that missed the deadline did not report it to TPR.

As detailed in Table 4.6.2, there was no change from 2017 in the overall proportion of schemes that reported the missed ABS deadline to TPR. However, there was an increase among 'Other schemes' (+13 percentage points) and a decrease among Firefighters' schemes (-56 percentage points). It should be noted that the 2018 figure for Firefighters' is based on just 9 schemes that had missed the deadline for any of their active members.

Table 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements – Time series

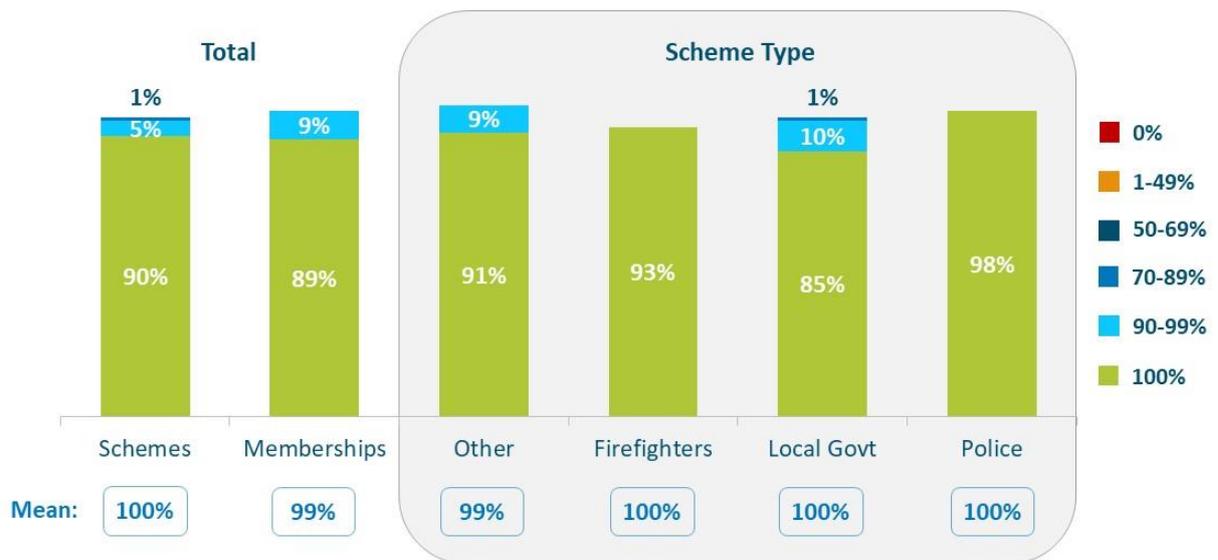
	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	34%	80%	11%	33%	40%
PSPS Survey 2017	41%	67%	67%	29%	57%

Half (50%) of the schemes that did not report the missed ABS deadline to TPR indicated that this was because it was not material as few statements were affected. A further 22% stated that it was not material as there was a very short delay.

As detailed in Figure 4.6.2, 90% of schemes reported that all the annual benefit statements they sent out to members in 2018 contained all the data required by regulations.

All schemes indicated that at least 70% of the statements they sent out contained all the required data, and the mean was 100%¹³.

Figure 4.6.2 Proportion of annual benefit statements sent out in 2018 that contained all the data required by regulations



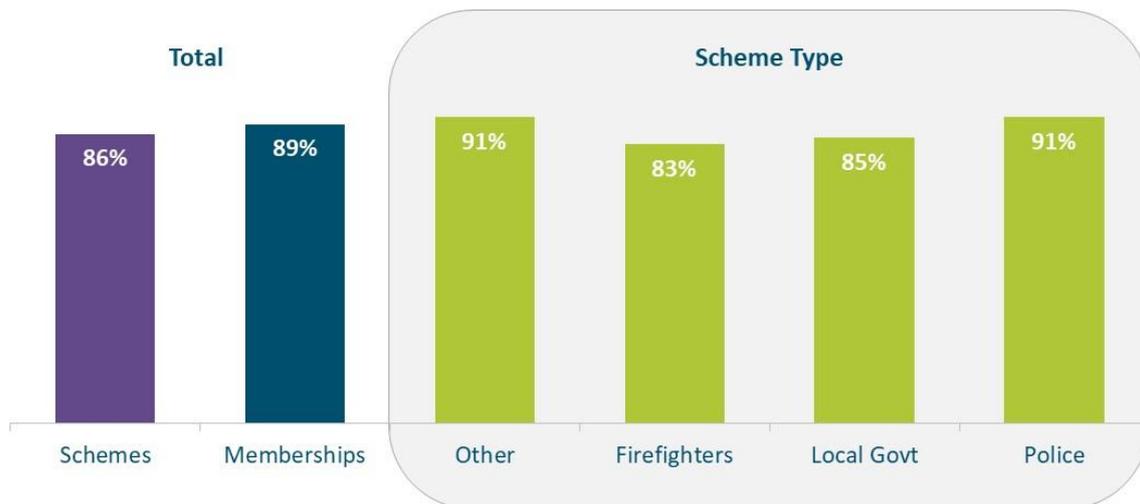
All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 7%, 0%), Local Government (94, 4%, 0%), Police (44, 2%, 0%)

¹³ 99.7% when shown to 1 decimal place.

4.7 Resolving issues

The majority (86%) of schemes had a working definition of what constitutes a complaint. There was little variation by scheme type, although 'Other' and Police schemes were slightly more likely to have a definition (91%) than Firefighters' (83%) or Local Government schemes (85%).

Figure 4.7.1 Proportion of schemes with a working definition of what constitutes a complaint



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 3%, 0%), Memberships (195, 6%, 0%), Other (11, 9%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 2%, 0%), Police (44, 2%, 0%)

Schemes were asked to provide details of the number of complaints they had received in the previous 12 months. This data has been used to estimate the total number of complaints received by public service schemes and show the number of complaints per 100 members, as set out in Table 4.7.1 below.

Table 4.7.1 Estimated total complaints received in last 12 months

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Total memberships	16,882,497	10,011,614	115,841	6,385,338	369,704
Mean number of complaints	61	790	2	20	5
Total complaints (grossed up)	11,052	8,687	116	2,025	224
Share of all memberships	100%	59%	1%	38%	2%
Share of all complaints	100%	79%	1%	18%	2%
Complaints per 100 members	7	9	10	3	6

Overall, an estimated 11,052 complaints were made to public service schemes in the previous 12 months, equating to 7 complaints per 100 members.

Local government schemes were proportionally least likely to generate complaints, with this group accounting for 38% of all public service memberships but 18% of all complaints. There were an estimated 3 complaints per 100 members for this scheme type. In comparison Police schemes received 6 complaints per 100 members, 'Other' schemes received 9 per 100 members, and Firefighters' schemes received 10 per 100 members.

On average, 43% of complaints had entered the internal dispute resolution (IDR) process. The mean was 60% for Firefighters', 50% for 'Other', 42% for Police and 36% for Local Government schemes. The proportions had not changed since 2017, when the mean for all schemes was 44%.

As detailed in Table 4.7.2, the most common types of complaints received by public service schemes related to eligibility for ill health benefit (39%), disputes or queries about the amount of benefit paid (31%), slow or ineffective communication (29%) and delays to benefit payments (28%).

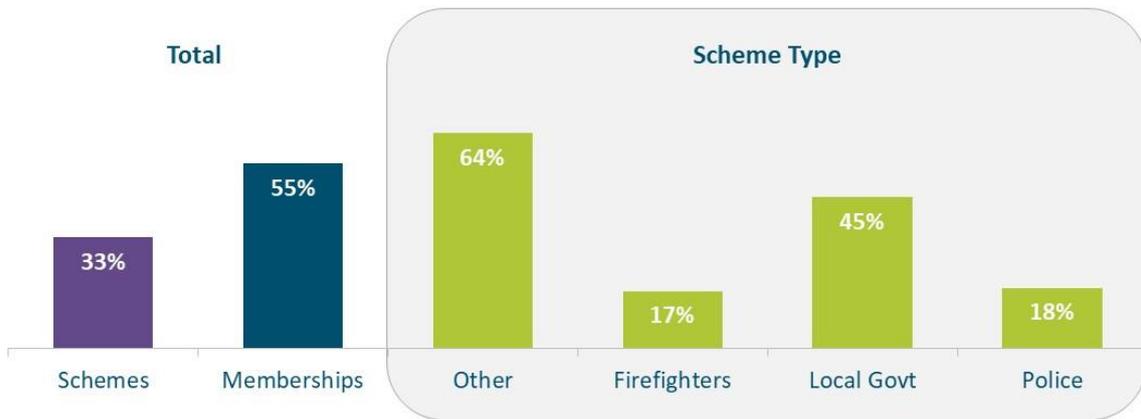
Table 4.7.2 Top types of complaints received

Top Mentions (5%+)	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All that received complaints</i>	166	10	29	89	38
Eligibility for ill health benefit	39%	30%	28%	58%	5%
Disputes or queries about the amount of benefit paid	31%	40%	28%	29%	34%
Slow or ineffective communication	29%	40%	34%	33%	13%
Delays to benefit payments	28%	30%	14%	40%	11%
Inaccuracies or disputes around pension value or definitions	21%	30%	28%	15%	26%
Delay or refusal of pension transfer	18%	0%	7%	29%	5%
Inaccurate data held and/or statement issued	12%	20%	14%	9%	16%
Pension overpayment and recovery	12%	20%	3%	8%	26%
Don't know	6%	0%	0%	4%	16%
Did not answer question	1%	0%	0%	0%	3%

There was some variation by scheme type in the nature of the complaints received. Police schemes were more likely than other types of scheme to receive complaints related to pension overpayment and recovery (26%). Complaints related to eligibility for ill health benefit were most prevalent among Local Government schemes (58%).

A third (33%) of schemes had carried out satisfaction surveys among their members and beneficiaries. ‘Other’ and Local Government schemes were most likely to have done so (64% and 45% respectively).

Figure 4.7.2 Proportion of schemes that carry out a satisfaction survey among their members and beneficiaries



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 5%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 13%, 0%), Local Government (94, 1%, 0%), Police (44, 7%, 2%)

4.8 Reporting breaches

The vast majority of schemes had procedures in place to identify breaches of the law (94%) and to assess these and report them to TPR if required (95%). All of the 'Other' schemes had both procedures in place, but Firefighters' schemes were least likely to have them (89% for both).

Figure 4.8.1 Proportion of schemes with procedures to identify breaches of the law and assess breaches of the law and report these to TPR if required



All respondents (Base, Don't know if procedures to identify, Did not answer if procedures to identify, Don't know if procedures to report, Did not answer if procedures to report) - Schemes (195, 3%, 0%, 2%, 0%), Memberships (195, 1%, 0%, 1%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 4%, 0%, 2%, 0%), Local Government (94, 1%, 0%, 2%, 0%), Police (44, 5%, 0%, 2%, 0%)

The proportion of schemes with procedures to both identify and assess and report breaches of the law has increased over time (53% in 2015, 84% in 2016, 90% in 2017 and 93% in 2018). All scheme types have seen an increase over this period.

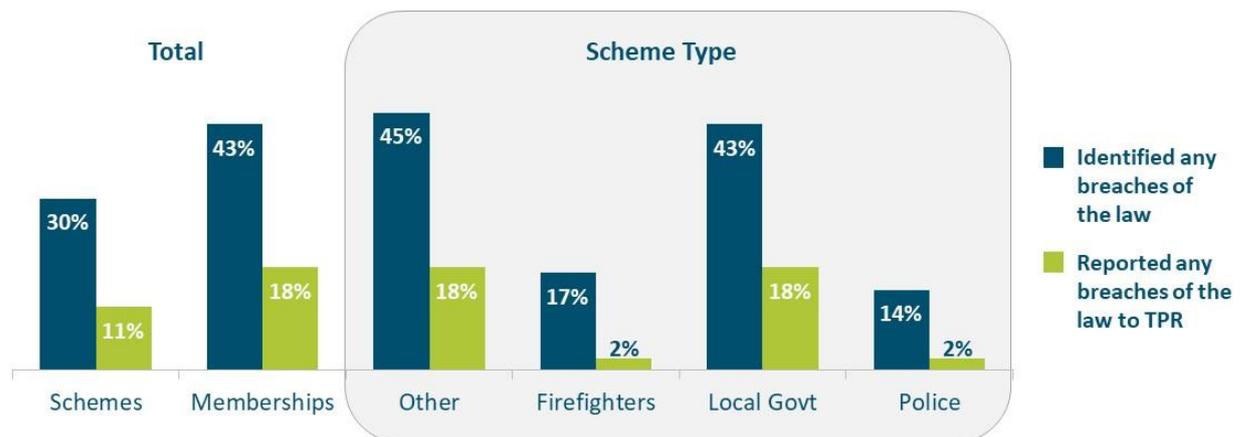
Table 4.8.1 Proportion of schemes with procedures to both identify and assess and report breaches of the law – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	93%	100%	89%	94%	93%
PSPS Survey 2017	90%	100%	84%	95%	84%
PSPS Survey 2016	84%	100%	78%	91%	69%
PSPS Survey 2015	53%	67%	36%	51%	73%

In addition to asking whether schemes had procedures to identify, assess and report breaches of the law, the survey also captured data on the proportion that had done so in the previous 12 months. For these questions, schemes were asked to exclude any breaches relating to their annual benefit statements.

Almost a third (30%) of schemes had identified non-annual benefit statement breaches of the law in the previous 12 months, and 11% had reported breaches to TPR in this period as they thought they were materially significant (i.e. around a third of those identifying breaches reported a breach to TPR).

Figure 4.8.2 Proportion of schemes that had identified any breaches of the law and reported any breaches to TPR in the last 12 months (excluding those relating to annual benefit statements)



All respondents (Base, Don't know if identified any breaches, Did not answer if identified, Don't know if reported, Did not answer if reported) - Schemes (195, 4%, 1%, 0%, 1%), Memberships (195, 1%, 0%, 0%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 0%, 0%, 0%, 0%), Local Government (94, 1%, 0%, 0%, 0%), Police (44, 16%, 2%, 0%, 2%)

The proportion identifying breaches in the previous 12 months was highest for 'Other' and Local Government schemes (45% and 43% respectively), and these scheme types were also most likely to have reported breaches to TPR (18% in each case). Not only were Firefighters' and Police schemes less likely to have identified breaches, but they were also proportionally less likely to have reported these (2% in each case).

Larger schemes were more likely to have identified non-ABS breaches than smaller schemes; 49% of those with over 30,000 memberships had done so in the previous 12 months, compared with 25% of those with 5,001-30,000 memberships and 15% of those with 5,000 or fewer memberships. The proportion reporting breaches to TPR followed a similar pattern with 21% of those with over 30,000 memberships reporting a breach, compared with 7% of those with 5,001 to 30,000 memberships and 3% of those with 5,000 or fewer memberships.

As shown in Table 4.8.2, where breaches were identified they were most commonly attributed to the scheme's employers. Half (52%) of those identifying breaches stated that these were caused by late or non-payment of contributions by the employer(s), and a third (34%) cited failure of the employer(s) to provide timely, accurate or complete data.

Table 4.8.2 Causes of breaches identified (excluding those relating to annual benefit statements)

	Total	
	Schemes	Memberships
<i>Base: All identifying breaches of the law (not related to ABS)</i>	59	59
Late or non-payment of contributions by the employer(s)	52%	50%
Failure of the employer(s) to provide timely, accurate or complete data	34%	29%
Management of transactions (e.g. errors or delays in payments of benefits)	25%	35%
Failure to maintain records or rectify errors	24%	19%
Systems or process failure	19%	7%
Other employer-related issues	12%	4%
Lack of knowledge and understanding	2%	1%
Other	18%	31%
Don't know	0%	0%
Did not answer question	0%	0%

4.9 Addressing governance and administration issues

All schemes were asked to identify the top three barriers to improving their scheme governance and administration over the next 12 months. The most widely mentioned were the complexity of the scheme (70%), lack of resources or time (47%), the volume of changes required to comply with legislation (45%) and the recruitment, training and retention of staff and knowledge (39%).

Table 4.9.1 Barriers to improving governance and administration over the next 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	195	11	46	94	44
Complexity of the scheme	70%	82%	83%	60%	75%
Lack of resources or time	47%	45%	54%	47%	41%
The volume of changes that are required to comply with legislation	45%	27%	46%	43%	55%
Recruitment, training and retention of staff and knowledge	39%	9%	37%	49%	25%
Employer compliance	28%	18%	0%	56%	2%
Issues with systems (IT, payroll, administration systems, etc.)	21%	45%	26%	19%	14%
Lack of knowledge, effectiveness or leadership among key personnel	4%	0%	4%	2%	9%
Poor communications between key personnel	2%	0%	0%	2%	2%
Other barriers	6%	27%	2%	6%	5%
There are no barriers	3%	9%	2%	1%	5%
Don't know	1%	0%	0%	0%	2%
Did not answer question	0%	0%	0%	0%	0%

Complexity of the scheme was the most commonly identified barrier for all scheme types. Local Government schemes were more likely than other scheme types to highlight employer compliance (56%).

Overall, 3% of schemes indicated there were no barriers to improving their governance and administration (a drop of 7 percentage points from 2017), with this rising to 9% for 'Other' schemes.

All schemes were asked to what they would attribute any improvements made to their governance and administration in the last 12 months.

A variety of improvement drivers were identified, but the major ones were better understanding of the underlying legislation and standards expected by TPR (67%) and better understanding of the risks facing the scheme (63%). A further 45% attributed this to improved engagement by TPR.

This pattern was similar for each scheme type, although improved engagement by TPR was more likely to be mentioned by Police and 'Other' schemes (59% and 55% respectively).

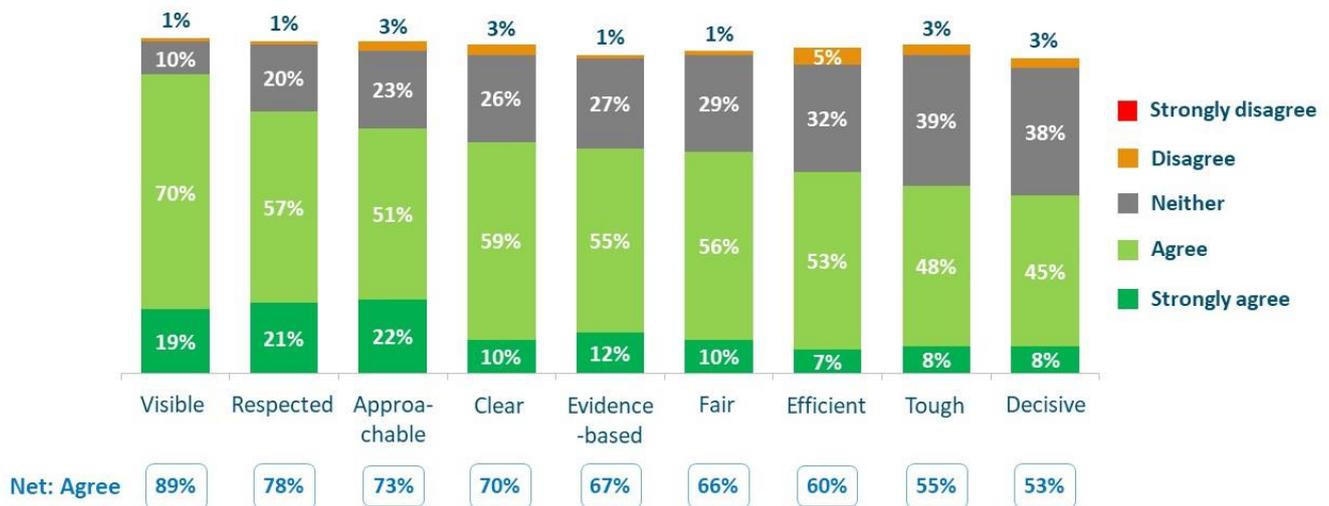
Table 4.9.2 Drivers of improvements to governance and administration in the last 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	195	11	46	94	44
Improved understanding of underlying legislation and standards expected by TPR	67%	55%	67%	67%	68%
Improved understanding of the risks facing the scheme	63%	36%	67%	67%	55%
Improved engagement by TPR	45%	55%	39%	40%	59%
Pension board action	39%	27%	39%	45%	30%
Resources increased or redeployed to address risks	37%	36%	24%	48%	27%
Administrator action	32%	36%	26%	39%	20%
Scheme manager action	30%	45%	33%	35%	11%
Other	9%	0%	11%	10%	9%
No improvements in the last 12 months	3%	0%	7%	2%	2%
Don't know	4%	0%	7%	2%	11%
Did not answer question	0%	0%	0%	0%	0%

4.10 Perceptions of TPR

When asked for their perceptions of TPR, schemes were most likely to agree that the organisation is visible and respected (89% and 78% respectively) and least likely to agree that it is tough and decisive (55% and 53% respectively).

Figure 4.10.1 Perceptions of TPR



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 0-6%, 0-1%)

Few schemes actively disagreed with each of the descriptors of TPR, with those that did not agree typically indicating that they neither agreed nor disagreed with each one. 'Other' schemes generally had the most positive perception of TPR although they were comparatively less likely to view TPR as tough (36%, compared with over 50% for all other scheme types).

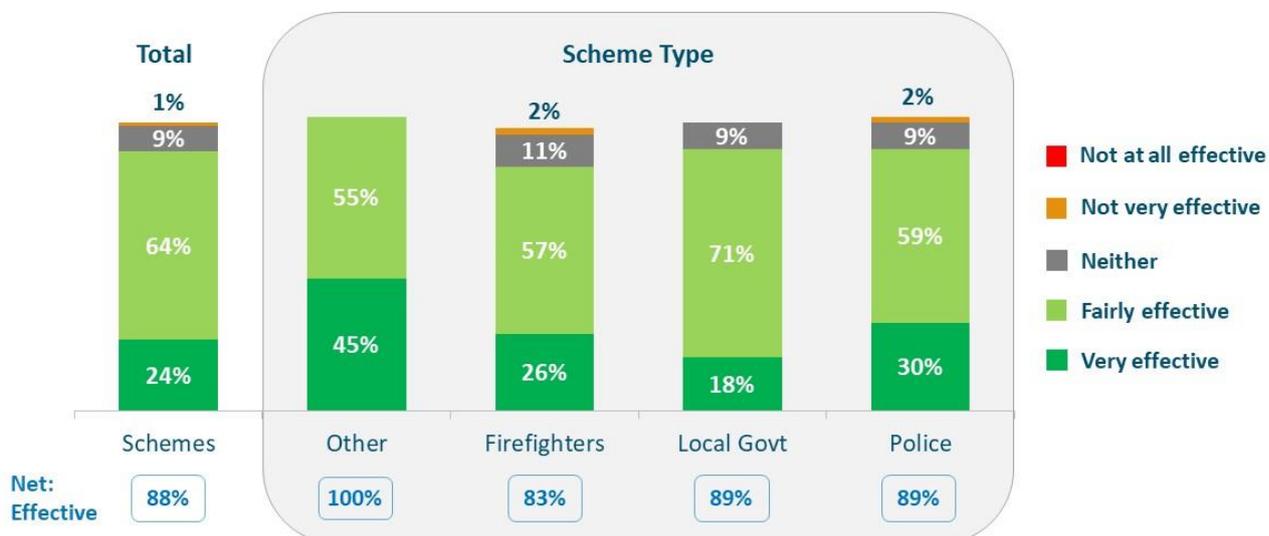
There were increases since 2017 in the proportion seeing TPR as tough (+8 percentage points), evidence-based (+7 percentage points) and visible (+5 percentage points). However, there were decreases in the proportion seeing TPR as respected (-6 percentage points) and fair (-5 percentage points).

Table 4.10.1 Proportion of schemes agreeing with descriptors of TPR – Time series

	Visible	Respected	Approachable	Clear	Evidence-based
PSPS Survey 2018	89%	78%	73%	70%	67%
PSPS Survey 2017	84%	84%	73%	73%	60%
	Fair	Efficient	Tough	Decisive	
PSPS Survey 2018	66%	60%	55%	53%	
PSPS Survey 2017	71%	64%	47%	50%	

Schemes were also asked how effective they believed TPR to be at improving standards of governance and administration in public service pension schemes. Overall, 88% judged TPR to be effective, with a quarter (24%) describing it as very effective.

Figure 4.10.2 Overall perception of TPR’s effectiveness



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 2%, 0%), Police (44, 0%, 0%)

‘Other’ schemes were most positive, with 45% rating TPR as very effective (and all believing it to be at least fairly effective).

There was little change in perceptions of TPR’s effectiveness since 2017, although the proportion of Firefighters’ schemes describing TPR as effective fell (from 92% to 83%).

Table 4.10.2 Proportion of schemes rating TPR as very or fairly effective – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	88%	100%	83%	89%	89%
PSPS Survey 2017	91%	100%	92%	90%	91%
PSPS Survey 2016	82%	82%	82%	85%	74%

Governance and administration risks in public service pension schemes: an engagement report

Findings from our engagement with 10 local government funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. As part of each engagement we fed back on good practice and suggested improvements that could be made.

The engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. We were pleased to note that scheme managers were already sharing good practice with their LGPS peers and hope that working with us offered scheme managers a new perspective on their funds.

We carried out this 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.

It is not a comprehensive evaluation of the funds' operations and is not intended to replace audit requirements, nor is it to be considered as regulatory assurance or an endorsement of the fund by The Pensions Regulator (TPR).

Glossary of terms

Term	Description
CETV	Cash Equivalent Transfer Value, a valuation of a members benefit entitlement that can be transferred to another scheme.
FCA	The Financial Conduct Authority, which regulates firms in the financial sector including IFAs.
Firm	A business in the financial sector carrying out activities that require authorisation from the FCA.
Fund	A locally administered element of a wider pension scheme.
IFA	Independent Financial Adviser, a person with FCA authorisation to advise people about financial decisions.
Member	A person who has paid into and expects to receive or is receiving a benefit from a pension scheme.
PAS	Pension Administration Strategy, a document detailing roles and responsibilities as well as penalties for non-compliance with duties to the fund.
Pension Board	A body that supports and advises the scheme manager.
Pension committee	A body running a pension scheme with the delegated authority of the scheme manager.
PSPS	Public Service Pension Scheme
Saver	A potential beneficiary of a pension scheme, whether or not they are a member.
s.151 officer	A senior member of staff at a Local Authority. Controls resourcing across the Authority, including for the running of the local element of the Local Government Pension Scheme.
Scheme	A pension scheme which may have separate funds within it.
Scheme manager	The person or body legally responsible for the operation of a PSPS.
SLA	Service Level Agreement, an agreed and measurable level of quality usually forming part of a contract.

Executive summary

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our [annual public service governance and administration survey](#).

Key person risk: While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.

Pension boards: Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

Fraud / scams: We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.

Employers: We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The following sections detail our findings and recommendations, together with case studies we believe will be helpful to the PSPS community.

Key findings and associated case studies

Area of focus: Record-keeping

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings

Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.

Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises and improving contract management methods.

They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.

Recommendations

- Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.
- The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.
- Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board should review the PAS and ensure it will stand up to challenges from employers.
-

Record-keeping case study 1

One scheme manager we engaged with identified concerns with the accuracy of both the common and scheme specific data it held about the fund members. Following engagement with TPR, the scheme manager created and implemented a robust data improvement plan to drive up record-keeping standards.

One of the data areas of concern for the scheme manager was the number of missing member addresses - this resulted in data scores of 60-80% for common and scheme specific categories. After a review of available resources, the scheme manager undertook a tracing exercise and within a short period of time was able to locate and carry out existence checks on over 90% of the deferred members without known addresses. The exercise also involved reviewing the way active and pensioner members are communicated with to ensure the fund holds the correct contact details for them.

This is an example of a scheme manager taking a holistic approach to improving its record-keeping standards. It gave consideration to the resource available so the project achieved a positive result while providing good value for money. The scheme manager has established that having a data improvement plan which is regularly reviewed will improve oversight of the actions it needs to take and the associated deadlines.

Record-keeping case study 2

The scheme manager of a fund we engaged with openly communicated with us about the challenges it faced in producing Annual Benefit Statements. We were told delays were caused by employers not providing member data to the scheme manager on time, and there were issues with the accuracy of some member data provided by employers.

Having considered its operational structure, and our expectations on governance and administration, the scheme manager reorganised itself internally. With the support of the s.151 officer, the scheme manager developed and implemented a robust data improvement plan which could be measured.

As well as creating a data improvement plan the scheme manager also strengthened its pension administration strategy, outlining responsibilities and the timeframes for action. This document made the consequences of non-compliance by employers clear, such as financial penalties. The scheme manager has also introduced regular employer forums to help further raise standards with employers.

As a result the scheme manager has seen a marked improvement in employer engagement and the quality of member data it holds. It continues to actively monitor both data quality and employer compliance.

Area of focus: Internal controls

Code of Practice 14 – Governance and administration of public service pension schemes

The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Findings

There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks.

We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role.

Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.

Recommendations

- A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.
- The scheme manager should take a holistic view to risks and understand how they are connected.
- The pension board should have good oversight of the risks and review these at each pension board meeting.
- Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.
- The scheme manager should ensure all processes are documented and reviewed on a regular basis.
- Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.

Internal controls case study 1

A scheme manager has reviewed the approach it takes to maintaining a risk register, having found the approach it was taking could be more effective.

The scheme manager developed a high level document which identifies a wide range of risks with all members of the senior leadership team having a role in the identification and scoring of potential risks.

This document is supported by detailed 'risk maps' which provide:

- (i) a description of the identified risks
- (ii) the person responsible for overseeing the risk
- (iii) how the risk is scored and
- (iv) details of the mitigating actions and controls in place

Action points identified have clear timescales for completion with an identified person being responsible for delivery.

The full risk register is made available to the pension committee and pension board each time they meet and its review is a standing item on both agendas. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

This is an example of a fund which is engaged at all levels of seniority to identify and mitigate risks to good saver outcomes. There are clear, identified processes in place along with strong oversight of the work being done. This approach was devised before TPR began to engage with the scheme manager and demonstrates a clear desire to improve.

Internal controls case study 2

A scheme manager has developed two risk registers, one for the pension committee (which acts as delegated scheme manager) and a separate, shorter, register for the pension board.

The risk register for the pension board had been reduced in size and detail at the request of the pension board. We have concerns the reduced risk register will prevent the pension board members from having full oversight of all the fund's risk and applying their knowledge and understanding in an appropriate way as they will not be fully conversant with the facts surrounding each risk.

The pension board also only reviews the risk register twice a year. We believe the risk register should be a standing item on the agenda for both the pension committee and the pension board and reviewed at each meeting – ie it will be reviewed at least each four times a year by each body.

We gave feedback to the scheme manager about our concerns and recommendations, and would encourage funds that adopt similar practices to consider how they can make more effective use of the pension board and improve the engagement levels of its members.

Area of focus: Administrators

Code of Practice 14 – Governance and administration of public service pension schemes

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings

Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done.

Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members.

There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.

Recommendations

- Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.
- Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.
- It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.
- Scheme managers should hold regular meetings with their service providers to monitor performance.

Administrator case study 1

A scheme manager had entered into a outsourcing contract with an administrator. The administrator's performance over a period of time was unsatisfactory, and targets and SLAs were not consistently met. Despite the council's finance director personally intervening with the administrator, matters were not improved to acceptable levels and penalty clauses were invoked.

The scheme manager decided to terminate the contract and review alternative administrative options, with a key aim of including more visibility, which the previous contract type arrangement had not provided.

The scheme manager decided not to take the administration back in house, but to enter into a third option, a shared service partnership with another administrator. This is charged on a shared cost per member basis. The new administrator also provides administrative services for a few other public service funds. The scheme manager is now part of a collaborative board and engages regularly with other scheme managers, has better visibility and good reporting functionality which now enables easy monitoring of the administrator's performance.

Data quality improvements were recognised as a key focus for the new administrator on its appointment. The scheme manager developed and put in place a robust data improvement plan with the new administrator and has made considerable improvements in its data quality scores in a short period of time. They are now using the plan as a living document to continue to target the areas needing improvement.

Administrator case study 2

One of the scheme managers had appointed a third party administrator using a partnership agreement, rather than a commercial contract. This demonstrates one of a number of approaches taken by scheme managers to secure administration services.

The scheme manager has established a clear set of objectives for the administrator and receives monthly reports about whether these are being met. The reports are shared with the pension board. Additionally, at each pension board meeting a representative of the administrator is present. This allows the pension board members to directly question the administrator about the work it is doing on behalf of the scheme manager and ensure that good saver outcomes are achieved.

Even when a scheme manager uses an outsourced administration service it remains liable for the work done on its behalf. This example demonstrates positive steps taken by a scheme manager to ensure it has effective oversight and can hold an administrator to account.

Administrator case study 3

A scheme manager was informed that its third party administrator intended to restructure in order to improve the level of service it provided to its clients. The administrator was confident that the restructure would not affect its business as

usual work and the scheme manager took comfort from this without seeking more detailed assurances.

The restructure did not go as planned, which led to delays in member data being processed and SLAs not being met for around six months. The scheme manager has since increased the number of both operational and strategic meetings it holds with the administrator to combat the declining performance of the administrator.

As part of this work the scheme manager has set clearly documented expectations and provided priorities to the administrator to minimise the number and impact of poor saver outcomes. The scheme manager has now developed new ways of working with the administrator to ensure it probes the administrator's plans in more detail in the future.

This is an example of a scheme manager placing excessive reliance on assurances from an administrator without seeking evidence that supported the assurances. Robust contract management is important and will help scheme managers to identify upcoming risks to savers and to build a strong understanding of the information being provided.

Area of focus: Member communication

Code of Practice 14 – Governance and administration of public service pension schemes

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings

A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.

Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.

Recommendations

- Information sent to members should be clear, precise and free from jargon.
- There should be senior oversight of communications sent to members and prospective members.
- It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.

Member communication case study 1

A scheme manager had previously delegated responsibility for communication with members to its third party administrator. However, it had a number of concerns about the quality of the service being provided, which included how members were kept informed and the level of detail provided.

The scheme manager took the decision to change its administrator and has now taken greater control over the communication with members. This has led to the development of a new pension administration strategy, with clear expectations around member communications being set and monitored.

A new website is being developed and the scheme manager recognises that having a clear online presence is an important method of communicating with current and potential members.

It is important to communicate with members, potential members and other relevant savers in a clear way. The information provided by a scheme manager will be used

by members to make important decisions about their financial affairs. This is an example of a scheme manager looking to improve the member experience through revising the way it communicates.

Member communication case study 2

We engaged with a scheme manager that has developed a detailed communication strategy, which covers the content, frequency, format and methods of communicating. The scheme manager actively promotes the benefits of joining the fund to prospective members and through the participating employers.

Two people are responsible for different aspects of member communications, with all material being formally approved by the scheme manager before being used. The scheme manager has developed a wide range of accessible materials for savers, including a website, a wide range of information booklets, and newsletters.

Members are informed clearly of how they can raise any queries or concerns about the operation of the fund. This includes members being able to go to the scheme manager's offices in person to discuss any queries with a suitable member of staff.

The scheme manager conducts annual surveys of its members, publishing the outcomes on its website and in its annual report. It uses this information, together with complaint trends, to identify how it can provide a better service to savers.

Area of focus: Internal Dispute Resolution Procedure (IDRP)

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings

Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.

Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.

Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.

IDRP case study 1

All the scheme managers we engaged with operate a two stage IDRP, where the first and second stages are looked at by people who are independent of each other.

Initially, one of the scheme managers we engaged with didn't have oversight of complaints entering the first stage of the IDRP. These complaints were dealt with by employers as they were not considered to be issues about the fund or an in-house administration matter. This meant the scheme manager did not have full oversight of the first stage complaints and therefore could not identify whether there were any trends or patterns that needed addressing, eg an employer training issue.

Recommendations

- There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff.
- People entitled to use the IDRP should be given clear information about how it operates.
- This information should be easily available, eg on the fund website.
- The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.
- Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.

Following engagement as part of the cohort work, we recommended that the scheme manager develop greater oversight of the work being done on its behalf. The scheme manager now recognises this is an area where it should improve and has amended its processes to ensure it is aware of how member outcomes are being managed when first stage IDRPs complaints are received.

IDRP case study 2

Like all other funds we engaged with, this scheme manager operates a two tier IDRPs. However, the scheme manager stood out in this instance for the detailed and methodical manner in which it records complaints that are raised.

All complaints are recorded in a single log which detail how it progresses, potentially from an initial concern through to a finding issued by the Pensions Ombudsman. This allows the scheme manager to analyse complaint trends and the learning points are used to improve the operation of the fund.

Additionally, all actions relating to complaints have a clear owner. This allows for strict quality control and helps ensure complaints are dealt with as soon as possible.

We would encourage all scheme managers, where they have not already done so, to adopt a detailed and auditable approach to monitor complaints and compliments received through all channels.

Area of focus: pension boards

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function.

Findings

Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board.

We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.

The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds.

Recommendations

- The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.
- Individual pension board member training and training needs should be assessed and clearly recorded.
- The pension board should meet an appropriate number of times a year, at least quarterly.
- Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.
- Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs.
- Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.
- The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency.
- Pension board members should be fully engaged and challenge parties where appropriate.

Pension board case study 1

One scheme manager spoke to us about the challenge it has faced regarding attendance at pension board meetings, and ensuring the pension board has the required level of knowledge and understanding. At one time it had to reschedule a meeting of the pension board because so few people attended the meeting.

Since then the scheme manager has changed its policy on pension board meetings. One pension board member with a low attendance record has been removed and replaced with a more engaged representative.

The scheme manager is also reviewing how it records the training that pension board members attend. Currently, training is recorded at a high level and there is no clear method of identifying training needs, although informal discussions take place between the scheme manager and individual pension board members.

The scheme manager has recognised that it needs to better understand how pension board members are meeting their obligation to have an appropriate level of knowledge.

Pension board case study 2

Another scheme manager we engaged with has reviewed how the pension board operates and decided to appoint an independent chair. While the chair does not have voting rights, this person lends their expertise to the running of the pension board to ensure meetings run effectively.

Having an independent chair is not compulsory but in this instance is a positive example of a scheme manager being aware of the needs of the local pension board and taking steps to ensure it operates effectively.

The scheme manager has also developed a strong working relationship with the chair, holding a number of informal meetings outside of the formal pension board meetings. This working practice allows the scheme manager to ensure the pension board receives all the information it needs and that the scheme manager can comprehensively answer any anticipated questions.

Area of focus: Employers and contributions

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

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Findings

Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.

Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk.

Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of

Recommendations

- Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus.
- Employer solvency should be considered on an ongoing basis and not just at the time of each valuation.
- Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier.
- Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.
- Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees.
- Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.
- Scheme managers should understand which employers have not provided any security for unpaid contributions and consider

security types, generally those with larger funds.

Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.

what appropriate steps can be taken to secure fund assets.

- Where security is in place, Scheme Managers should have a policy on when the security should be triggered.

Employer case study 1

Having a robust method for reviewing employer risk is a high priority for one of the scheme managers we engaged with. It has developed a process to maintain oversight of the various participating employers in the fund, covering a range of topics from the provision of member data to the strength of the employer covenant.

Each employer is risk rated and the risk levels are regularly monitored. This allows the scheme manager to gain advance notice of potential problems so it can take steps to mitigate the risks and to provide comfort that guarantors are in a position to pay additional amounts to the fund if a call on the guarantee is made.

This information is also used to inform employers of any failures to meet their obligations to the fund at an early stage, identifying action points they need to carry out.

Employer case study 2

Scheme manager 1 has decided to incorporate a charging policy for seeking the reimbursement of costs caused by an employer's failure to comply with its obligations into admission agreements. This means the scheme manager has a clear policy in place that all employers will be aware of when they start to participate in the fund.

Not all scheme managers have approached the issue of employer compliance in the same way. Scheme manager 2 has a small portfolio of participating employers and relies on having a good relationship with them in order to achieve compliance. This scheme manager also considers that as most employers are supported by central government it need not be concerned with affordability.

We were concerned about the lack of formal processes to ensure compliance. While the scheme manager has not encountered difficulties to date, we have recommended that it makes some improvements. Additionally, all scheme managers should remember that, should a participating employer suffer an insolvency event, any missing payments due to the fund will need to be paid by someone and there should not be an over-reliance on the taxpayer and other employers.

Area of focus: Cyber security

Guidance: Cyber security principles for pension schemes

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. Scheme managers need to take steps to protect their members and assets accordingly.

Findings

Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority.

Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager.

Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.

Recommendations

- Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.
- Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.
- Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.
- Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.

Cyber security case study 1

A scheme manager we engaged with identified cyber security as one of the top risks to the fund. It demonstrated a good awareness of the processes put in place by the Local Authority and carries out testing of these processes.

The scheme manager had recently tested both its cyber defences and the wider business continuity plan. As a result it is confident it can provide a good service to savers in the event of a wide variety of disaster scenarios.

As part of our engagement we also found the scheme manager has processes in place to assess the adequacy of steps taken by its service providers to protect

member data. This gives the scheme manager comfort that member data will be secure when being handled by other bodies.

Although the scheme manager has not implemented its own controls it has rigorously reviewed the process put in place by the Local Authority. It has satisfied itself that those processes are of a sufficient standard to protect the fund and its savers.

Cyber security case study 2

A scheme manager had not considered the importance of cyber security until we engaged with them as part of this work. The scheme manager was reliant on the security measures put in place by the council but did not engage on the topic, so it was not clear how it was affected.

Cyber security did not appear on the fund's risk register and the scheme manager was not actively considering the dangers of a successful cyber attack on the fund.

Following our engagement, the scheme manager has developed its understanding of the risks surrounding cyber security. It now records the risk on its risk register and as part of the Local Authority's strategy all staff will receive mandatory training in cyber security.

The scheme manager has also started engaging with third party service providers to ensure they also have robust cyber security and data protection procedures in place. This gives the scheme manager better oversight of how member data is protected when not under the scheme manager's direct control and marks a significant improvement in how this risk is monitored and mitigated.

Area of focus: Internal fraud and false claims

Code of Practice 14 – Governance and administration of public service pension schemes

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings

Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.

Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.

Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.

Fraud case study 1

A scheme manager has worked with its administrator to put in stringent measures to prevent fraudulent activity. In addition to participating in the National Fraud Initiative, it does regular life certificate exercises as part of the fund's policy, checking mortality and addresses. Where doubts are raised the scheme manager will suspend payments pending clarification.

Recommendations

- Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.
- A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.
- A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.
- Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.
- When paper records are being used they should be held securely to prevent the risk of loss or misappropriation.

Many of the members of the fund are now non-resident in the UK, which provides challenges to the scheme manager in locating members. The scheme manager has adopted an innovative use of technology for the foreign domiciled members by arranging video calls to speak to the member who must show their passports to provide their identity and confirm personal details.

The scheme manager demonstrated good awareness of the risk of internal fraud by connected persons, and there is clear segregation of duties. Additionally the workflow processes being system driven provide automatic checks with different people checking and authorising the processes. Suspicious payments are immediately reported to senior management to check.

Fraud reporting policies are clear, and internal auditors are involved whenever there is suspicion of a fraudulent activity. The fraud reporting goes immediately to directorship and chief executive level.

Fraud case study 2

In this instance the scheme manager has strong controls in place to identify potential frauds against the fund assets.

The scheme manager works with the National Fraud Initiative to identify instances of possibly fraudulent claims for a benefit from the fund. The scheme manager's work in this area is supplemented by its involvement with the 'Tell Us Once' initiative and the use of a third party agency to help identify when beneficiaries have passed away.

The scheme manager also demonstrated an awareness of the risks associated with members and other potential beneficiaries being overseas. It carries out existence checks on these people as well as those residing in the United Kingdom.

When a payment is due to be made, the scheme manager has introduced a vigorous set of controls. This has led to a clear separation of duties and the requirement for payments to be independently authorised, reducing the risk of fund employees misappropriating fund assets.

Conclusion

We've outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

- Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.
- Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
- Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.
- Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

Related content

[Resolving internal disputes](#)

[Knowledge and understanding duty on board members](#)

[Pension board conflicts of interest and representation](#)

[Maintaining contributions](#)

[Cyber security principles](#)

[Pension scams](#)

[Public service governance and administration survey](#)

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 December 2019

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Subject: Training, Conferences, Seminars

Summary statement:

The training of Pension Board members to understand their responsibilities and the issues they are dealing with is a very high priority. Details of training courses, conferences and seminars listed may assist Board Members.

Recommendation

Consideration is given to attendance by Board Members at the events in Section 1 and members note the requirement to complete the Pension Regulators toolkit training.

Rodney Barton
Director

Portfolio:

Report contact: Caroline Blackburn
Phone: (01274) 434523
E-mail: caroline.blackburn@wypf.gov.uk

Overview & Scrutiny Area:

1. Training Events

- 1.1 If any Pension Board member would like any specific training through one to one meetings with the in-house team, then this can be arranged.
- 1.2 Pension Board members should consider the following events.

- **LGPS Annual Governance Conference**
23 -24 January 2020
York

If you would like to attend this event or any other event you become aware of please let the Technical and Development Manager (Caroline Blackburn) know so arrangements can be made to book a place.

1.3 Pensions Regulator toolkit

It is the intention that all Pension Board members carry out the Pension Regulators toolkit training. Once completed a copy of the completion certificate should be given to the Technical and Development Manager.

The Trustee toolkit is a free, online learning programme aimed at trustees of occupational pension schemes.

The Trustee toolkit includes a series of online learning modules and downloadable resources developed to help you meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

<https://trusteetoolkit.thepensionsregulator.gov.uk/>

- 1.4 Other online training is available at **Aberdeen Standard Life Learning Gateway**
Web based training provided by Aberdeen Standard Life
<https://www.aberdeenstandard.com/en/uk/adviser/investment-tools/learning-gateway>

2. Recommendations

Consideration is given to attendance by Board Members at the event in Section 1

Pension Board Members note the requirement to complete the Pension Regulators toolkit training.