

By: Corporate Director of Finance
To: Pension Board – 11 November 2019
Subject: **THE PENSIONS REGULATOR GOVERNANCE AND ADMINISTRATION SURVEY**
Classification: Unrestricted

Summary: To report on the results of the 2018 Pensions Regulator survey of public service schemes and engagement with LGPS funds

**FOR
INFORMATION**

INTRODUCTION

1. The Pensions Regulator (TPR) has published two reports in recent months based on reviews of the governance and administration of public service pension schemes.

Public Service pension schemes – 2018 governance and administration survey

2. A copy of the Pensions Regulator (TPR) commentary on the results of the 2018 survey of public service schemes, published in July 2019, is attached at appendix 1.
3. TPR has identified six key issues to be monitored:
 - a) Policy for managing pension board members' conflicts of interest
 - b) Scheme manager and pension board have access to knowledge, understanding and skills needed to properly run scheme
 - c) Documented procedures for assessing and managing risks
 - d) Processes to monitor records for accuracy / completeness
 - e) Process for resolving contribution payment issues
 - f) Procedures to identify, assess and report breaches of law
4. The survey identified that across all public service schemes the top risks relate to governance, record keeping, and member communications. It also identified cyber security as a significant issue requiring attention.

Governance and administration risks in public service pension schemes: an engagement report

5. TPR engaged with 10 LGPS funds between October 2018 and July 2019 in order to understand scheme managers' (administering authorities) approaches to a number of key risks. The engagement took place following the results of the 2018 survey.
6. Overall the TPR found that the results align with the findings from the survey and these are:
7. **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.
8. **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.
9. **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.
10. **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

NEXT STEPS

11. The Kent Fund contributed to the TPR survey last year and will complete the 2019 survey.
12. Officers will work through the findings of both reports and the detailed recommendations of the LGPS survey. Priority will be given to providing training to board members and a training strategy has been prepared for members' comment.
13. Officers will consider what other changes are needed to the Kent Fund processes in order to align them with recommended practices and will prepare a timetable for their implementation.
14. Officers will report back to the next board meeting on progress being made.

RECOMMENDATION

15. The Board is asked to note this report.

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