



**REPORT FOR: Pension Fund
Committee**

Date of Meeting:	04 April 2024
Subject:	The Pensions Regulator (PR) Code of Practice
Responsible Officer:	Sharon Daniels – Acting Director of Finance and Assurance
Exempt:	No
Wards affected:	List Ward(s) affected by decision. None
Enclosures:	None

Section 1 – Summary and Recommendations

This report updates the Committee on the new Pensions Regulator (TPR) Code of Practice (“the Code”) issued on 10 January and sets out in detail what The Pensions Regulator expects of a scheme that is required to maintain an effective system of governance and internal controls.

Although not all sections of the Code apply to Public Service Pension Schemes like the LGPS, the Code replaces Code of Practice 14 (Governance and Administration of Public Service Pension Schemes).

Two issues of particular note for public service schemes, including the LGPS, are the (new) modules on “Cyber Controls” and “Scams”.

Recommendations:

The Committee is requested to review and to comment on this report and note that information on compliance with the General Code of Practice will be provided to future Pension Fund Committee and Board meetings.

Section 2 – Report

A. Introduction

1. This report updates the Committee with details of the Pensions Regulator’s recently published General Code of Practice, expected to come into force from 27 March 2024. The new code replaces 10 of the existing codes of practice. The Code also replaces the Code of Practice (no.14) for Public Service Pension Schemes.
2. The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. Whilst it has huge responsibilities in regulating trust-based (private sector) schemes its role in regulating public services pension schemes such as the Local Government Pensions Scheme (LGPS) is more limited but still significant in respect of governance and administration of funds.
3. TPR has been through an exercise to merge its existing codes or practice into a single new code, the General Code of Practice. Consultation on the creation of the general code took place in 2021 and the new General Code of Practice was laid in Parliament on 10 January 2024, expected to come into force 27 March 2024.

B. The General Code of Practice (“ the Code”)

4. The following existing Pension Regulator Codes have been consolidated into the new Code of Practice:
 - Reporting breaches of the Law
 - Early leavers

- Late payment of contribution (occupational pension scheme)
 - Late payment of contributions (personal pension schemes)
 - Trustee knowledge and understanding
 - Member nominated trustees/member-nominated directors putting arrangements in place
 - Internal controls
 - Dispute resolution reasonable periods
 - DC Code
 - Public service code
5. The General Code of Practice is divided into five main areas below while each area is divided into modules summarised in (para 6 to 11) below. Not all directly apply to the LGPS but where this is the case, compliance will usually be viewed as 'best practice' by TPR.
6. The governing body (governance)
The Code provides increased clarity on the definition of the governing body for Public Service Pension Schemes including the LGPS. This is confirmed to be the scheme manager. The Code outlines the terms which will need to be included in written meeting records.
7. Within the governance area of the Code, there are areas of good practice in respect of scheme continuity planning and cyber security. Schemes are expected to identify the key governance risks facing the scheme and TPR states that governing bodies should incorporate findings into its management and decision-making processes.
8. The governance section of the Code is further broken down into sections covering:
- Meetings and decision-making
 - Remuneration and fee policy
 - Managing advisers and service providers
 - Scheme continuity planning
 - Own risk assessment
9. Funding and investment
The Code contains good practice on investments for Public Service Pension Schemes, including investment governance, investment monitoring and climate change. TPR states the scheme managers of Local Government Pension Schemes do not have the same obligations in pensions legislation, but it is good practice for them to approach investment governance and monitoring in the same way.
- Investment governance
 - Investment monitoring
 - Climate change
10. Administration
TPR introduced a number of new administration modules. Although not entirely new to Local Government Pension Schemes due to Scheme Advisory Board Good Governance project phases I to III, the Code outlines that Governing bodies of pension schemes should take steps to reduce the

risks of incidents occurring, and appropriately manage any incidents that arise. Although listed as a good practice, it does not clearly set out the legal requirements for all Public Service Pension Schemes relating to internal controls:

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

11. Communication and disclosure

- General principles for member communications
- Scams

C. Applicability of the General Code to the LGPS

12. As stated above, not all of the General Code applies to the LGPS, within the General Code, TPR makes references which seek to indicate the applicability of the contents of the Code to different schemes and which provide some clarity.

13. However, these references are not sufficient to define in all cases exactly which of the numerous requirements of the Code apply to the LGPS.

Consequently, the Local Government Pension Scheme Advisory Board for England and Wales (SAB) stated on 19 January 2024 that *“The Secretariat is studying the Code closely to identify which parts of the Code specifically apply to the LGPS and what these mean for funds and how they should be applied in practice. The SAB will support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities.*

14. Although clarity is required on the exact applicability of the General Code to the LGPS. Those modules mentioned in paras 6 to 11 above which subject matter are also covered in the existing Code No 14 are those within the General Code where it is likely that significant requirements on the LGPS continues.

D. Reporting to TPR

15. The LGPS Scheme Advisory Board (SAB) in their statement issued on 19 January, are studying the Code to identify any new requirement for administering authorities and how the Code’s requirements align with the

items on the SAB workplan such as the SAB's 2021 Good Governance recommendations.

16. The SAB statement acknowledges TPR's recognition of the fact that the LGPS already has high standards of governance in place. The Code provides an opportunity for LGPS funds to review current practices, but also presents challenges during what is an already challenging time. The SAB will support funds in understanding any new requirements in the code, where needed, will produce new or update existing guidance to assist funds with their responsibilities and practical application in practice.
17. Although the Code is expected to take effect on 27 March, TPR has indicated that it does not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. The expectation is that schemes will have an awareness of where there are potential gaps in compliance and ideally, a plan setting out when these gaps will be filled.
18. The Harrow Pensions Board received a report which set out The Pensions Regulator's "Code of Practice no.14" entitled Governance and administration of public service pension schemes on 2 November 2016, which summarised the Fund's compliance to Code of Practice no.14. A similar but more detailed compliance report and next steps is intended.

E. Next Steps

19. While it may not be absolutely clear on the exact applicability of the TPR General Code to the LGPS, and while further clarity and guidance is expected from the SAB, the following actions are put forward to the Committee:
 - Take cognisance of any relevant guidance issued by the SAB.
 - Take cognisance of existing practices within the council as administering authority for example cyber security and business continuity as they relate to the Code of Practice.
 - Assess to what extent the TPR General Code is more applicable to the Pensions Committee and Pensions Board.
 - Review the Fund's current governance compliance/arrangements against the new General Code.
 - Review the General Code against the SAB Good Governance
 - Sign up to available LGPS TPR Code compliance tool.
 - Identify elements of General Code although not applicable to the LGPS but represent good practice for the Fund and plan to make changes or enhancements.
 - Training provided to Committee and Board on expectations set out by TPR within the General Code.
 - Produce a plan to make changes or enhancements to ensure necessary compliance.
 - Report progress to the Committee and Board periodically of any progress toward compliance to those parts of the Code that are applicable to the Fund and those considered to be good practice.

Legal Implications

20. The Pensions Regulator (Regulator) was established under the Pensions Act 2004 to regulate work-based pensions. The Public Service Pensions Act 2013 introduced an expanded role for the Regulator in overseeing the major work-based pension schemes for those working in the public services.
21. Under the 2013 Act, the Regulator is required to issue one or more codes of practice covering specific matters relating to public service pension schemes.

Financial Implications

22. Whilst matters discussed in this report have very significant financial implications there are none directly arising from it.

Risk Management Implications

23. There are no specific risk management implications arising from this report. The management of risks is a key part of this report.

Equalities implications / Public Sector Equality Duty

24. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

25. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities. The Council has a legal responsibility to maintain and manage their LGPS fund. This role is referred to as the scheme manager in the Public Service Pensions Act 2013.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed by the Chief Financial Officer

Date: 22 March 2024

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22 March 2024

Chief Officer: Sharon Daniels

Signed on behalf of the Chief Executive

Date: 22 March 2024

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Miriam Adams - Interim Treasury and Pensions Manager

Email: Miriam.Adams@harrow.gov.uk

Background Papers: None