

London Borough of Enfield

REPORT TO;	Local Pension Board 4TH October 2018
SUBJECT:	Pensions Regulator Survey
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1. RECOMMENDATIONS

1.1 To note the contents of this report.

2. EXECUTIVE SUMMARY

2.1 The Pensions Regulator has undertaken a survey of public service pension providers. This looked at governance and administration. This report summarises the Regulator's commentary on the results of the survey.

3 DETAIL

3.1 The Pension Regulator regulates the governance and administration of public service pension schemes, which provide pensions for over 16.7 million civil servants, members of the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces.

3.2 The Regulator's Code of Practice no. 14 sets out the standards of conduct and practice expected from public service pension schemes. To help focus their efforts, they surveyed public service pension schemes in autumn 2017 to assess how they were being run. This built on previous surveys in autumn 2016 and summer 2015. In this latest survey they have further examined certain risks and areas of underperformance that schemes identified in previous years. As in previous years, the survey was an online self-completion questionnaire which was sent for the attention of each scheme contact. Responses were received from 191 of the 207 public service pension schemes, covering 98% of memberships. This allowed robust conclusions from the results. This policy summary also draws from the engagement undertaken with schemes over the past year through casework, board meetings, training sessions, conferences and speaking events.

3.3 Their report sets out how they have interpreted the findings, their expectations of those involved in running the schemes and what will happen over the next year to address these issues. The summary of results and the Regulator's commentary is brief and attached as an appendix to this report. Readers are directed to the Pensions Regulator's website for the fully detailed document:

<http://www.thepensionsregulator.gov.uk/docs/public-service-research-2018.pdf>.

3.4 The survey suggests that the top risks are around scheme governance, record-keeping and internal controls. The Regulator however does note that there has been an improvement in the number of annual benefit statements sent out on time and an increased engagement from scheme managers and pension boards, both being considered positives worth highlighting.

3.5 There is a concern though that with local authorities the improvement process has stalled and the Regulator states that activity will focus on this during the coming year.

Scheme governance

3.6 The Regulator reports encouraging improvements and focusses this section on the six key processes that have been monitored:

- policy to manage conflicts of interest;
- procedures to assess and manage risks;
- procedures to identify, assess and report breaches of the law;
- processes to monitor member records for accuracy and completeness;
- access to knowledge, understanding & skills needed to run scheme; and
- process for resolving payment issues & report failures to TPR.

3.7 There have been marked improvements in having documented policies to manage conflicts of interest and assessing and managing risks but statistically significant weakness in processes to monitor member records for accuracy and completeness. The survey highlighted that scheme managers are not always working well with Pension Boards. One measure of the commitment to scheme governance is the frequency of board meetings, which may indicate a superficial assessment of the challenges facing the scheme.

Record Keeping

3.8 All schemes should undertake an annual data review. It is not considered feasible to address all errors and omissions immediately and the approach this authority has adopted, in common with many others, is to prioritise rectification in a structured, sequential fashion. Key to the success of this approach is the existence of a robust improvement plan. The performance of the scheme administrators should be considered at every Board meeting.

Internal Controls

3.9 Scheme managers, pension board members and other parties have a duty to report breaches of the law. Nine out of ten schemes now have procedures in place to identify and report (91%) breaches of law. This has been identified as a significant improvement from previous years. Fewer schemes had identified or reported any breaches of law this year, and this has been attributed to the improvement in producing annual benefit statements. However, the Regulator is concerned that schemes may be choosing not to report material breaches in certain circumstances as they are concerned about the potential consequences.

3.10 Finally, the Regulator highlights the fact that public service schemes must provide annual benefit statements to active members by a 31 August. This year, respondents reported that 92% of members received their annual benefit statement on time, a significant improvement on the 75% seen in 2016. However, only 60% of respondents reported that all their members received their statements on time. The Regulator stated that they expect schemes to have made significant progress by now and will have much less tolerance for shortcomings this year. In summary, the Pensions Regulator is sending out a clear message that action, in the form of using enforcement powers, is more likely where there are short-comings in following procedures to assess and manage risk and also reporting breaches of law.

APPENDICES: Appendix A: Public service governance and administration survey. Summary of results and commentary. The Pensions Regulator, May 2018