

WIRRAL COUNCIL

PENSIONS BOARD

13 JUNE 2018

SUBJECT:	ENGAGEMENT WITH PENSIONS REGULATOR
REPORT OF:	HEAD OF PENSIONS ADMINISTRATION

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Board members with an update on The Pensions Regulator's plans for engagement with LGPS Funds.
- 1.2 It also recommends an early proactive engagement plan with the Regulator, as proposed by the Metropolitan Pension Fund Group.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Pensions Regulator (TPR) has started to become more heavily involved in the work of LGPS funds; particularly in the area of data and Funds are expected to face further scrutiny in regard the quality of their data.
- 2.2 It is clear from the white paper entitled "Protecting Defined Benefit Pension Schemes" published on 19 March 2018 that the Government intends to support TPR to become a clearer, quicker and tougher organisation by giving it new and improved powers to gather information and require employer co-operation.
- 2.3 Inherent within the regulator's 2018-2021 Corporate Plan is a collective project to engage with particular cohorts of pension administrators with a clear line of sight on the LGPS.
- 2.4 The Metropolitan Pension Fund Group (Mets) which is made up of the largest LGPS Funds in England and Wales has approached TPR in an attempt to proactively engage at a high-level to explore ideas and, where possible to receive direction and guidance from TPR to shape actions and develop best practice amongst the group.

The details including membership, employer base, assets and liabilities of the group are covered in the table below:

	Greater Manchester Pension Fund	Merseyside Pension Fund	South Yorkshire Pension Fund	Tyne and Wear Pension Fund	West Midlands Pension Fund	West Yorkshire Pension Fund	Total
Membership (at 31.3.2017)							
Actives	109,446	47,206	51,792	44,955	117,005	101,881	472,285
Deferreds	130,533	38,368	52,741	40,585	96,591	83,763	442,581
Pensioners	118,132	42,194	47,756	45,924	88,496	86,334	428,836
Total	358,111	127,768	152,289	131,464	302,092	271,978	1,343,702
Active employers (at 31.3.2017)	515	182	452	238	605	422	2,414
Assets (£m) as at 31.3.2016	17,325	6,850	6,268	6,427	11,569	11,212	59,651
Liabilities (£m) as at 31.3.2016	18,696	8,081	7,293	7,519	14,219	11,955	67,763

Basis for Engagement

2.5 From the Mets Group perspective, engagement is likely to cover matters such as:

- Record keeping
- Data improvement
- Internal compliance and controls
- Internal documentation
- Scheme Return
- Adherence to LGPS Regulations and submission of breach of law reports
- Involvement of Pensions Committee and Local Pensions Board

2.6 In terms of TPR engagement, it is anticipated this will cover:

- An understanding of how the cohort works in practice, to include challenges faced.
- Systematic review, to include 'good' and 'bad' practice and provide a report with areas for consideration.
- Outline of metrics that could be used to measure steps/actions taken by funds.
- Trend analysis for the cohort, to confirm expectations for progress and timing of any improvements required.
- Education and enablement – to flush out any material issues and provide clarity of TPR's expectations to address such matters.

Form of Engagement

- 2.7 It is envisaged that the proposed engagement between the Mets Group and TPR will be conducted via a mix of telephone conference calls and meetings, and, as applicable an exchange of documentation, reports and guidance.

Timing of Engagement

- 2.8 The timing and frequency of engagement will ultimately depend upon the availability of TPR and Mets Group representatives in line with the corporate plans for each.

- 2.9 The intention is for an initial meeting with TPR early summer 2018 to discuss the proposal for engagement, practical application and associated outcomes.

Thereafter it is envisaged that engagement would continue on a six-monthly basis either via conference call or face-to-face meeting, with interim discussions and exchange of information as required.

Relevant Stakeholders

- 2.10 For the purpose of engagement, the Mets Group is represented by senior stakeholders (Heads of Service/Pensions Managers) from individual funds.

These stakeholders meet collectively three times a year and report back to their respective Director of Pensions/Fund managers, Pensions Committees and Local Pensions Boards.

- 2.11 It is understood that the primary focus for engagement from a TPR perspective will be the Case Management team, supported by, and with direct input from, the Policy Lead and Intelligence Lead.

The Case Management team has direct reporting lines to the Executive Director of Frontline Regulation who sits on the TPR's Board and reports to the Chief Executive.

Collective/Cohort approach

- 2.12 In operating as a collective the aims will be to increase consistency and efficiency amongst the individual Funds.

One proposal to achieve this aim is to form a Peer Review Framework amongst the group whereby there would be a systematic review of individual fund's procedures, documentation and control mechanisms to ensure they meet a required standard.

- 2.13 It is recognised that, as a regulator, TPR cannot "rubber stamp" approaches; however proactive engagement may provide an optic as to whether the

Regulator would take positive assurance from a peer review process against Code of Practice 14.

- 2.14 This form of peer review is a concept at this stage and the Mets Group would welcome further discussions with TPR around how this might evolve on the proviso that each fund's pension board is comfortable for officers to progress in the collaborative engagement with TPR.

3.0 RESOURCE IMPLICATIONS; FINANCIAL; IT; STAFFING; AND ASSETS

- 3.1 Fund Officers already engage with other Metropolitan Funds in regard shared best practice, regulatory approach and potential collaborative working.
- 3.2 A peer review programme will require additional officer resources and these are yet to be determined. However, the benefits of peer review and the opportunity to identify areas of potential weakness and improvement with colleagues at other large Funds could be considered a worthwhile investment.

4.0 RECOMMENDATION

- 4.1 Agree MPF's intent to work collectively with the Metropolitan Pension Fund Group, specifically to establish a programme of proactive engagement with the Pension Regulator. The objective is to demonstrate compliance against Code of Practice 14 through the process of peer reviews.

5.0 REASON/S FOR RECOMMENDATION/S

- 5.1 Early high-level engagement with the Pensions Regulator will inform both sides and potentially influence the direction of travel for the increasing scrutiny of the LGPS.

**REPORT
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