



PENSIONS COMMITTEE

30 JULY 2024

REPORT TITLE:	LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides an overview of changes affecting governance of the Local Government Pension Scheme (LGPS).

RECOMMENDATION/S

That the Pensions Committee be recommended to note the governance changes to the LGPS, to ensure continued compliance with legislation, statutory guidance, and industry codes of practice.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 There is a requirement for the Pensions Committee to be fully informed of national directives and legislative developments to ensure the appropriate governance and stewardship of the Fund in their capacity as Scheme Manager.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is the most appropriate option for informing Pension Committee of legislative developments.

3.0 BACKGROUND INFORMATION

The Pension Regulator's 'General Code of Practice'

- 3.1 The Pension Regulators (TPR) remit in relation to public service pension schemes is narrower than it is in the private sector. Since the reforms in the Public Service Pensions Act 2013, TPR does have regulatory oversight for public service pension schemes, as well as being responsible for setting governance and administration standards through the publication of Code of Practice No.14 in line regulation 90A (1) of the Pension Act 2004 (The Act).

- 3.2 On 28 March 2024, the TPR's General Code of Practice (the "Code") came into force. The Code consolidated ten of the previous codes of practice into one web-based code, including Code of Practice No.14.

The Code can be viewed at:

<https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice>

- 3.3 For the LGPS, the Code has clarified that,

"The governance of a public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and where appropriate, pensions committee."

- 3.4 The Code states that it expects that all pension schemes will have systems of governance and internal controls in place and that in line with Section 249(b) of the Act scheme managers of Public Service Pension Schemes are required to establish and operate internal controls, with internal controls referring to the following:

- the arrangements and procedures to be followed in the administration and management of the Scheme;
- the systems and arrangements for monitoring that administration and management; and
- arrangements and procedures to be followed for the safe custody and security of the assets of the Scheme.

- 3.5 Whilst the LGPS is generally regarded as a well governed scheme, the introduction of the Code provides the opportunity for Funds to reassess their own systems of governance, address any gaps identified, and look to add value and enhance current arrangements.
- 3.6 As reported at the meeting of 19 March 2024 (Minute 47 refers) the Code is split into 51 modules covering 5 areas –
- the Governing Body,
 - Funding and Investment,
 - Administration,
 - Communications and Disclosure, and
 - Reporting to TPR.
- 3.7 Governing bodies of certain Private Sector Schemes must establish and operate an “effective system of governance” including internal controls.

Whilst there is no formal requirement emerging from the Code for Public Service Pension Schemes to establish and operate an “effective system of governance”, TPR has confirmed that it has broadly the same expectations for each type of scheme (subject to the different legal requirements) and where the law doesn’t apply, governing bodies may still wish to adopt the principles as good practice.

- 3.8 Therefore, alongside meeting the requirements associated with establishing and operating internal controls, Fund Officers view the blueprint of the “effective system of governance” as being a good starting point for the Fund to consider and demonstrate its own system of governance and compliance with the Code.

Initial Review & Alignment with other projects

- 3.9 Fund Officers alongside the Fund’s professional advisers (Mercer) has undertaken an initial exercise to consider the requirements of the Code and how the Fund currently complies.
- 3.10 This exercise has taken the form of a gap analysis of the different policies and procedures the Fund currently has in place.
- 3.11 As part of this gap analysis, Mercer has provided Fund Officers with guidance on which requirements of the Code should be viewed as “must”, “should” or “may” given the differing requirements for LGPS Funds.
- 3.12 Mercer have also taken into account the expected requirements to emerge from the Scheme Advisory Board’s Good Governance project. Although the recommendations from the project are still draft, a further consultation on the final recommendations that will emerge in statutory guidance for LGPS Funds, is expected to take place later in 2024.

- 3.13 The initial gap analysis has therefore considered the Fund's compliance with the draft recommendations, alongside those of the Code (given many are aligned) in order to consider the overall governance position holistically.
- 3.14 Whilst the exercise continues, the interim position is positive for the Fund in terms of the various policies and procedures the Fund currently has in place as;
- There were no "must" have areas where gaps have been identified in relation to the General Code. There are some areas to consider in relation to what is expected to emerge from the SAB (LGPS Scheme Advisory Board) Good Governance project (noting final recommended actions are yet to be confirmed).
 - The Fund Business Plan for 2024/25, already includes the need to review and revise the Terms of Reference for Pensions Committee, its associated sub-committees, and the Local Pension Board.
 - Current projects underway to update the Fund's Pension Administration Strategy, and to carry out further work on assessing/managing cyber-security risks specific to the Fund (and not just Wirral MBC) will further strengthen the governance structure and adhere to the Code's requirements.
- 3.15 Whilst there are no firm timescales set out by TPR for LGPS Funds in relation to the Code (as there are for the Private Sector Schemes) Officers alongside Mercer, will begin the process of agreeing a plan of reviewing certain policies and procedures in more detail to ensure the Code's requirements are met, and also consider whether there are ways to enhance and add value to the long-term governance of the Fund as the landscape changes.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Governance review of the Fund following the Pensions Regulator's publication of the 'General Code of Practice' are included in the operational budget for 2024/25.

5.0 LEGAL IMPLICATIONS

- 5.1 The administering authority solicitor, acting for the Fund, will provide advice to ensure compliance with the Pension Regulator's 'General Code of Practice' in line with legal requirements.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Although the 'General Code of Practice' provides an opportunity for LGPS Funds to review current practice, it also presents further resource challenges during an extremely busy time with competing pressures to deliver the McCloud remedy, and national initiatives such as the Fund's connection to the Pension Dashboard Programme and further expected consultations on regulatory changes.
- 6.2 TPR has outlined that where schemes have undertaken a gap analysis, they will take a pragmatic view when considering compliance. The key factor is whether a scheme

has a bespoke action plan in place, which includes timescales for demonstrating compliance.

7.0 RELEVANT RISKS

- 7.1 Failure to comply with the 'General Code of Practice' will result in the ineffective management of the Fund and lead to sanction by the Pensions Regulator, including the possibility of financial penalties and reputational damage.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The changes to administration and governance of the LGPS are consulted on at national level by the relevant government department.
- 8.2 Fund officers will conduct a consultation during the summer with all participating employers on a revised Pensions Administration Strategy, in recognition of Regulation 59(4) of the Local Government Pension Scheme Regulations 2013.

9.0 EQUALITY IMPLICATIONS

- 9.1 Department for Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.
- 9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>
- 9.3 DLUHC and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The Fund continues with its digital strategy across all operational areas and communications with stakeholders, with the aim to improve service delivery and to reduce its internal carbon footprint.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 There are none directly arising from this report.

REPORT AUTHOR: Yvonne Murphy
Head of Pensions Administration
telephone: (0151) 242 1333
email: yvonnemurphy@wirral.gov.uk

BACKGROUND PAPERS

The Pension Regulator's 'General Code of Practice'

<https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice>

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

Council Meeting	Date
Standing Agenda Item	19 March 2024