



Local Pension Board

Date: 5th July 2018

Code of Practice 14 – Governance and Administration of the Public Services Pension Schemes

Report of the Head of Pensions

Purpose of Report

1. The report sets out background to the role of the Pensions Regulator and Code of Practice Number 14 – Governance and Administration of the Public Services Pensions Schemes.
2. The report also sets out the Fund's compliance with this code as assessed by Internal Audit.

The Pensions Regulator

3. The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK.
4. Oversight of public sector schemes by the Pensions Regulator began in April 2015 following the implementation of the Public Service Pensions Act 2013. Previously its role was largely restricted to the private sector, for which it operates the Pensions Protection Fund.
5. In general, the Regulator's statutory objectives are to:
 - Protect benefits of pension scheme members
 - Promote and improve understanding of the good administration of work-based pension schemes
 - Ensure compliance with the duties and safeguards of the Pensions Act
 - Reduce the risk of insolvency.
6. The role of the Regulator in respect of the Local Government Pension Scheme is focussed on governance and pensions administration and does not directly include funding strategy and investment strategy.
7. The Regulator has a number of regulatory tools at its disposal, including issuing codes of practice to enable it to meet its objectives.
8. Codes of practice provide practical guidance and set out the standard of conduct and expected practice in order to comply with legal requirements. They are not statements in law.
9. However, where the Regulator considers legal requirements are not being met or have been contravened in circumstances which make it likely that the breach will continue or be repeated, it may issue an improvement notice or Regulatory Intervention Report
10. The main Code of Practice which the regulator has issued in relation to Public Services Pension Schemes is Code of Practice Number 14 - Governance and Administration of the Public Service Pension Schemes.

Code of Practice 14

11. The Code was introduced to tie in with the requirement to set up pensions boards and the Pensions Regulator taking over oversight of all public sector schemes.
12. In addition to the LGPS, it is aimed at all schemes, including Police, Fire and NHS, and includes significant reference to pension boards.
13. It should be noted that the LGPS structure is unique, with Pensions Committees acting as quasi trustees and Local Boards with an assisting role. The guide in its widest sense is aimed at all those involved in administering the LGPS.
14. The Local Pension Board and the Pensions Committee received a training session of Code of Practice 14 at the training event in Edinburgh in February 2018.
15. The Code can be broken down into four main areas:
 - Governing Your Scheme
 - Managing Risks
 - Administration
 - Resolving Issues.

Compliance with Code of Practice 14

16. The Audit programme for 2017/18 included an audit of the Fund's approach to Code of Practice 14 and an independent assessment of compliance.
17. The report concluded that "The Pension Fund has sound arrangements and controls in place to comply with the key requirements of Code of Practice No. 14.
18. The overall assurance level was assessed as "Substantial". This is the second highest level of assurance and is defined as "There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved."
19. To further strengthen the Pension Fund's compliance, three medium priority recommendations were identified. These recommendations and the management response are shown in the table below;

| Recommendation | Comment |
|---|--|
| <p>The Pension Fund's compliance with Code of Practice No. 14 to be reported to the Pensions Committee to ensure members are kept abreast of progress. Compliance with the Code to be shared with Pension Team officers to further develop awareness and identify any training opportunities.</p> | <p>The outcome of this audit report and compliance was reported to the Pensions Committee and Local Pension Board at the training in February 2018.</p> <p>Further details on compliance will be reported to the Committee at the meeting in June 2018 and the Local Pension Board in July 2018. Thereafter, the Committee has delegated the monitoring of compliance to the Local Pension Board.</p> <p>An email will also be circulated to staff members in the Pensions Service to outline compliance against the code.</p> |
| <p>The review of policies, procedures and information held on the Fund website to be undertaken annually to ensure all documentation information is current.</p> | <p>A review of the documentation on the website has been undertaken and all documentation has been updated.</p> <p>All documents should be updated as and when required. However, as a catch all, an annual update review will be undertaken.</p> |
| <p>A register to be maintained and reviewed annually of:</p> <ul style="list-style-type: none"> - The Disclosable Pecuniary Interests of members and co-opted members of the Pensions Committee, and - Conflicts of interest of Local Pension Board members. | <p>The annual review will cover the latest available information provided by the members of Pensions Committee and the Local Pension Board.</p> |

20. A full copy of this audit report is attached to this report for information. This includes the Code of Practice Checklist which also states the audit opinion of compliance against each item.

21. Following discussions with the Chair of Pensions Committee it was suggested that it was appropriate for the Local Board to monitor compliance against the Code on behalf of the Fund. To fulfil this requirement an annual report on compliance will be presented to the Local Pension Board.

Recommendation

22. The Local Pension Board is recommended to note the report.

Reason for Recommendation

23. To ensure that the Local Pension Board is able to fulfil the remit of assisting in the good governance of the Fund.

Internal Audit Partnership

Compliance : Code of Practice No.14 2017/18

Business and Resources

Substantial Assurance

| | |
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| Report Status: | Final |
| Date of Release: | May 2018 |



South Tyneside Council

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Statement of Responsibility

Matters raised as a result of this audit are only those that have been identified through the audit process. This process is designed so that any material weaknesses in internal control have a reasonable chance of discovery. Responsibility for the maintenance of a sound system of internal control rests with management and work performed by Internal Audit should not be relied upon to identify all weaknesses in controls that might exist or to identify all improvements that might be made. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any; even sound systems of internal control may not be proof against collusive fraud or a failure/override of management controls.

Internal Audit has adopted the following scale of assurances that can be given to indicate the effectiveness of the control environment and the likelihood of control objectives being met for the area under review.

| Level of Assurance | Definition |
|------------------------------|---|
| Full Assurance | There is a sound system of controls in place and those controls are consistently applied and are fully effective. Control objectives are fully met. |
| Substantial Assurance | There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved. |
| Moderate Assurance | There is basically a sound system of control in place, but there are weaknesses and evidence of non-compliance with or ineffective controls. Control objectives are often achieved. |
| Limited Assurance | The system of control is weak and there is evidence of non-compliance with controls that do exist. Control objectives are sometimes achieved. |
| No Assurance | There is no system of control in place and control objectives are rarely or never achieved. |

Introduction & Background

1. The Accounts and Audit Regulations 2003 refer to CIPFA's Code of Practice for Internal Audit in Local Government as "proper internal audit practices". South Tyneside Council's Internal Audit Partnership has adopted the Code as its standard for the delivery of the service.
2. In line with the Code, Internal Audit has prepared a risk-based audit plan for 2017-18. The plan was agreed in consultation with management and the Audit Committee and included a review of the Pension Service's Compliance with Code of Practice No. 14 - "Governance and administration of public service pension schemes".
3. The Public Service Pensions Act 2013 (PSPA 2013) and the LGPS Regulations 2013 required administering authorities to establish a Local Pension Board by the 1 April 2015.

Objectives of the Audit

4. The terms of reference, incorporating the objectives and scope of the review, were agreed with key contacts at the commencement of the audit. The overall objective of the audit was to carry out a high level review and assess the Pension Fund's compliance with the Pensions Regulator's "Code of Practice No. 14 – Governance and administration of public service pension schemes".
5. The control objectives of the audit encompassed:
 - Policies and procedures exist to ensure the Fund complies with the Code of Practice's 4 core areas of:
 - Governing Your Scheme
 - Managing Risks
 - Administration, and
 - Resolving Issues
 - Policies, procedures and supporting documentation are accurate and subject to regular review.
 - Members of the Pensions Committee and the Local Pension Board are provided with training, advice and guidance to ensure they:
 - understand their legal obligations,
 - are sufficiently knowledgeable and informed to allow them to effectively discharge their duties, and
 - are conversant with the Local Government Pension Scheme.
 - The Pensions Service self-evaluation against the Code is accurate, subject to quality assurance checks and correctly reported to the Pensions Committee.
 - Potential conflicts of interest are recorded and subject to regular review.

- A Training Policy and Programme are in place and regularly monitored and approved to ensure Members of the Pensions Committee and the Local Pension Board have been provided with the skills and knowledge to effectively discharge their duties.
- Risk Assessments are comprehensive and regularly reviewed.

Audit Approach

6. The approach adopted for this assignment included a review of the Pension Funds self-evaluation against the requirements of Code of Practice No. 14 – Governance and Administration of Public Service Pension Schemes (see **Appendix 2**).
7. Interviews were also conducted with the following key stakeholders:
 - Head of Pensions
 - Head of Legal Services
 - Principal Pensions Manager
 - Treasury Management Officer
 - Principal Solicitor Pensions
8. Fieldwork for this review was undertaken between December 2017 and February 2018.
9. The review was delivered by John Whitehead, Principal Auditor; and Peter Hunter, Corporate Assurance Manager.
10. An opinion is given on the effectiveness of the control environment and indicates the level of assurance that can be taken based upon our testing and evaluation of the system, this opinion will feed into the annual Statement of Internal Control.

Assurances

11. From discussions with officers, a review of relevant documentation and challenge of the Pension Funds self-evaluation, Internal Audit found that the Pension Fund complies with the key areas of Code of Practice No. 14 (see **Appendix 2**). The Pension Fund has sound arrangements and controls in place to comply with the key requirements of Code of Practice No. 14:

Governing your scheme

- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes

Managing Risks

- Internal Controls

Administration

- Scheme record keeping
- Maintaining contributions
- Providing information to members

Resolving Issues

- Internal dispute resolution
- Reporting breaches of the law

Concerns

12. To further strengthen the Pension Fund's compliance with Code of Practice No. 14, the following improvements were identified:

- The Pension Service has not reported the findings of the self-evaluation of Code of Practice No. 14 to the Pensions Committee.
See Recommendation M1
- Some documentation held on the Pension Fund website was found to need review. For example, the Local Pension Board member names recorded were not current, similarly documents such as the Training Policy were found to have passed their review dates.
See Recommendation M2
- Co-Opted members of the Pension Fund have not been required to complete Declaration of Pecuniary Interests specifically for the Fund. Copies were held from their own Councils however a number of these were not up to date, often before they were appointed to the Pension Committee.
Employer and Trades Union Representatives are required to sign a statement, rather than a declaration, in their roles as advisory members on the Committee, however, there were inconsistent responses in that not all representatives advised they are members of the Fund. **See Recommendation M3**
- In relation to the Local Pension Board the Code states that scheme regulations must include provision requiring the Scheme Manager to be satisfied that a person to be appointed as a member of the Board does not have a conflict of interest, and that from "time to time" that none of the members of the Board has a conflict of interest. A review of the member acceptance and declaration statements would suggest that reviews are not undertaken from "time to time" as recommended by the Code. **See Recommendation M3**

Audit Opinion

13. The significance of the control weaknesses identified enables us to give the following assurance opinion:

Substantial Assurance There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved.

Action Plan

Key

| | |
|------------------------|--|
| HIGH PRIORITY | A fundamental control issue that is material or represents a major risk to the system of internal control. This requires immediate action by management. |
| MEDIUM PRIORITY | A significant control issue or risk that should be addressed by management within an agreed period. |
| LOW PRIORITY | A control issue that if corrected will enhance the control environment or promote value for money. |

| Ref. | Recommendation | Responsibility | Agreed | Management Response | Implementation Date |
|--|--|------------------|--------|---|----------------------------|
| Medium Priority Recommendations | | | | | |
| M1 | <p>The Pension Fund's compliance with Code of Practice No. 14 to be reported to the Pensions Committee to ensure members are kept abreast of progress.</p> <p>Compliance with the Code to be shared with Pension Team officers to further develop awareness and identify any training opportunities.</p> | Head of Pensions | Agreed | <p>The outcome of this audit report and compliance was reported to the Pensions Committee and Local Pension Board at the training in February 2018.</p> <p>Further details on compliance will be reported to the Committee at the meeting in June 2018 and the Local Pension Board in July 2018.</p> <p>Thereafter, the Committee has delegated the monitoring of compliance to the Local Pension Board.</p> <p>An email will also be circulated to staff members in the Pensions Service to outline compliance against the code.</p> | 31 st July 2018 |

| | | | | | |
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| M2 | The review of policies, procedures and information held on the Fund website to be undertaken annually to ensure all documentation information is current. | Head of Pensions | Agreed | A review of the documentation on the website has been undertaken and all documentation has been updated. All documents should be updated as and when required. However, as a catch all, an annual update review will be undertaken. | 30 th April 2018 |
| M3 | A register to be maintained and reviewed annually of: <ul style="list-style-type: none"> • The Disclosable Pecuniary Interests of members and co-opted members of the Pensions Committee, and • Conflicts of interest of Local Pension Board members. | Head of Pensions | Agreed | The annual review will cover the latest available information provided by the members of Pensions Committee and the Local Pension Board. | For the new 2018/19 municipal year |

AGREED BY

Name: Ian Bainbridge
Post: Head of Pensions
Date: 1st May 2018

Code of Practice No. 14 – Governance and Administration of Public Service Pension Schemes

TWPF – Compliance Statement

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| <p>Governing your scheme</p> <p>Knowledge and understanding required by pension board members [34 – 60]</p> | <p>A member of the pension board of a public service pension scheme must be conversant with:</p> <ul style="list-style-type: none"> • the rules of the scheme, and • any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions, and • any other matters which are prescribed in regulations. | <p>1 Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38].</p> | <p>1 The LPB has a training policy and programme in place. This was approved by the LPB in July 2016.</p> | | <p>Yes</p> |
| | | <p>2 Schemes should designate a person to take responsibility for 1 above. [38].</p> | <p>2 The Lead Officer for the LPB is the Head of Legal and para 71 of the Governance Statement for LPB designates the Lead Officer as being responsible for knowledge and understanding. In this role the Lead Officer is assisted by the Head of Pensions.</p> | | <p>Yes</p> |
| | | <p>3 Schemes should prepare and keep an updated list of documents and</p> | <p>3 The Local Pension Board has used the Chartered Institute of Public</p> | | <p>Part (see Action</p> |

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| | | legislation with which they consider pension board members need to be conversant [41 + 46] | Finance and Accountancy (CIPFA) Technical Knowledge and Skills Framework for Local Pension Boards to benchmark their training requirements. This lists all of the areas which the LBP need to be conversant with | | Plan M2) |
| | | 4 Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation [47]. | 4 The Core Functions of the LPB and the Governance Statement for the LPB have been reported to Committee in February 2015 and June 2015 and to the LPB in June 2015. The Council's constitution also covers the responsibilities to be covered by the LPB. | | Yes |
| | | 5 Schemes should assist pension board members to determine the degree of knowledge and understanding needed [48]. | 5 A quarterly report is presented to the LPB on training which includes knowledge and understanding. This includes a request for LBP members to identify training needs. | | Yes |
| | | 6 Schemes should provide board members with the relevant training and support that they require [55]. | 6 A training policy and programme is in place. | | Yes |
| | | 7 Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56]. | 7 One to one offers of discussions on training needs is offered to existing and prospective new LPB members. | | Yes |
| | | 8 Pension Board members should undertake a personal training needs | 8 LPB members have undertaken their own personal needs | | Yes |

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TWPF – Compliance Statement

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| | | analysis and use a personalized training plan to document and address and identified gaps or weaknesses.[57]. | assessment and this has been used to pull together an assessment at the total LPB level. This informs the training programme. | | |
| | | 9 Learning programs should be flexible, cover the type and degree of knowledge and understanding required, reflect the legal requirements and be delivered within an appropriate timescale. [58]. | 9 The training programme is continually reviewed to meet the ongoing needs and changing environment | | Yes |
| | | 10 Schemes should keep appropriate records of the learning activities of board members [60]. | 10 A record of training is maintained. | | Yes |
| <p>Governing your scheme</p> <p>Conflicts of interest and representation [61 – 91].</p> | <p>In relation to the Pension Board, scheme regulations must include provision requiring the scheme manager to be satisfied:</p> <ul style="list-style-type: none"> • that a person to be appointed as a member of the Pension Board does not have a conflict of interest and • from time to time, that none of the members of the Pension Board has a conflict of interest. <p>Scheme regulations must require each member or proposed member of a</p> | <p>1 Only potential conflicts of interest are identified for pension board members (actual conflicts of interest are prohibited). [68]</p> | <p>1 A conflicts of interest policy has been developed by the Fund approved by Committee in February 2015 and this was discussed at the LPB meeting in June 2015 and circulated.</p> | | <p>Part (see Action Plan M3)</p> |

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| | <p>Pension Board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.</p> <p>Scheme regulations must include provision requiring the Pension Board to include employer representatives and member representatives in equal numbers.</p> | | | | |
| | | 2 The 'Seven principles of public life' should be applied to all board members [70]. | 2 The Governance Statement for the LBP covers the requirement for the seven principles of public life to apply to the LPB. | | Yes |
| | | 3 Schemes should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70]. | 3 See comment in 2 above | | Yes |
| | | 4 Schemes should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. [73] | 4 This is covered in the Governance Statement for the LPB | | Yes |
| | | 5 Take professional legal advice when considering issues to do with | 5 The need to take legal advice on conflicts of interest has been | | Yes |

Code of Practice No. 14 – Governance and Administration of Public Service Pension Schemes

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| | | conflict of interests [74]. | considered. | | |
| | | 6 Schemes should ensure that there is an agreed and documented conflicts policy and procedure which should be kept under regular review [76]. | 6 The Head of Legal Services is present at LPB meetings and is able to advise on any issue on conflicts of interest | | Yes |
| | | 7 Schemes should cultivate a culture of openness and transparency [78]. | 7 A culture of openness and transparency is encouraged and any potential conflicts declared at the start of every meeting. | | Yes |
| | | 8 Board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest [78]. | 8 This is covered in the conflicts of interest policy | | Yes |
| | | 9 Board members should know how to manage potential conflicts [78]. | 9 This is covered in the conflicts of interest policy. | | Yes |
| | | 10 Pension board members should be appointed under procedures that require them to disclose any interests or responsibilities which could become conflicts of interest [80] | 10 The LPB members are required to comply with the Council's Code of Conduct which requires registration of interests. | | Yes |
| | | 11 All terms of engagement should include a clause requiring disclosure of all interests and responsibilities which could become conflicts of interest, as soon as they arise [81] | 11 See 10 above... | | Yes |
| | | 12 All disclosed interests should be | 12 The Head of Legal Services | | Yes |

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| | | recorded [81] | maintains a record of all interests disclosed. | | |
| | | 13 Schemes should consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts [82] | 13 It is difficult to establish longer term conflicts, they are however considered as and when they arise. | | Yes |
| | | 14 Identify, evaluate and manage dual interests [83] | 14 Each individual conflict will be evaluated and managed as they arise, depending on the circumstances. | | Yes |
| | | 15 Use a register of interests to record and monitor dual interests [84] | 15 See 12 above | | Yes |
| | | 16 Capture decisions about how to manage potential conflicts of interest in their risk register or elsewhere [84] | 16 The Councils code of conduct sets out how to manage potential interests. This is also covered in the conflicts of interest policy. | | Yes |
| | | 17 The register of interest and other relevant documents should be circulated to the board for ongoing review [84]. | 17 South Tyneside Council maintains a Register of Disclosable Pecuniary Interests on the website. | | Part (see Action Plan M3) |
| | | 18 The register of interest and other relevant documents should be published [84]. | 18 Conflicts of interest declared at meeting are covered in the minutes which are in the public domain. | | Yes |
| | | 19 Conflicts of interest should be included as an opening agenda item at | 19 Conflicts of interest are covered as an agenda item for | | Yes |

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| | | board meetings and revisited during the meeting where necessary [85]. | every meeting. | | |
| | | 20 Establish and operate procedures which ensure that boards are not compromised by potentially conflicted members [86]. | 20 This is covered by the Council code of conduct and conflicts of interest policy. | | Yes |
| | | 21 Be open and transparent about the way they manage potential conflicts of interest [87]. | 21 This is covered in the Council code of Conduct and conflicts of interest policy | | Yes |
| | | 22 Consider seeking professional legal advice when assessing any option when seeking to manage a potential conflict of interest [88]. | 22 Consideration would be given to this as appropriate | | Yes |
| | | 23 Membership of boards should be designed with regard to proportionality, fairness and transparency and with the aim of ensuring that the board has the right balance of skills, experience and representation [91]. | 23 The board is established on the basis of four employer and four member representatives to provide for fairness and proportionality. | | Yes |
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| <p>Governing your scheme</p> <p>Publishing information about schemes [92 – 99]</p> | <p>The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.</p> <p>The information must include:</p> <ul style="list-style-type: none"> • who the members of the pension board are • representation on the board of members of the scheme(s), and • the matters falling within the pension board’s responsibility. | <p>1 Scheme managers must publish the information required about the pension board and keep that information up to date. [95]</p> <p>2 Schemes should also publish useful related information about the Pension Board (such as set out in 96 and 97).</p> <p>3 Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete [98].</p> | <p>Information is published on the website and the Fund has processes to ensure that this is kept up to date.</p> | | <p>Part (see Action Plan M2)</p> |
| <p>Managing risks</p> <p>Internal controls [101 – 120]</p> | <p>The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p> | <p>1 Internal controls should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions to the scheme [103].</p> | <p>The Fund has robust approach to establishing internal controls and managing risks.</p> <p>The controls are subject to regular audit review. The last annual audit review report to Pensions Committee in June 2016 provided a full assurance on the adequacy and effectiveness of the control environment.</p> | | <p>Yes</p> |

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| | | 2 Internal controls should address significant risks which are likely to have a material impact on the scheme [105]. | | | Yes |
| | | 3 Sufficient time and attention should be spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls [105]. | | | Yes |
| | | | | | |
| | | Identifying risks | | | |
| | | 4 Schemes should carry out a risk assessment [106]. | The Fund carries out a quarterly review of its risk register. This is reported in full to the LPB every quarter. In addition the Pensions Committee gets a quarterly summary report. In addition, there was a training session to members on risk management at the training seminar in September 2016. | | Yes |
| | | 5 Schemes should record risks in a risk register and review it regularly [108]. | | | Yes |
| | | 6 Schemes should keep appropriate records to demonstrate compliance with legal requirements [108]. | | | Yes |

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| | | Evaluate risks and develop internal controls | | | |
| | | 7 Prioritise risks where the impact and likelihood of the risk materialising is high [109]. | This is considered as part of the review of the Risk Register. Compliance against controls is assessed by audit reviews. | | Yes |
| | | 8 Review any existing internal controls [110]. | | | Yes |
| | | 9 Design internal controls to mitigate main risks and consider how best to monitor them [111]. | | | Yes |
| | | | | | |
| | | Monitor controls effectively | | | |
| | | 10 Schemes should periodically review the adequacy of internal controls [115]. | There is an annual audit programme to review controls. Details of audits are reported to the Pensions Committee | | Yes |
| | | 11 Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively [116]. | | | Yes |
| | | 12 Review internal controls when substantial changes take place or | If any problems with controls are identified and review of those | | Yes |

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| | | where a control has been found to be inadequate [116]. | controls is undertaken. | | |
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| | | Suggested internal controls | | | |
| | | 13 Internal controls that regularly assess the effectiveness of investment-related decision making. | The suggested internal controls are the area subject to regular internal and external audit. | | Yes |
| | | 14 Internal controls that regularly assess the effectiveness of data management and record-keeping. | | | Yes |
| | | 15 Internal controls that ensure that new employers understand what member data is required and how it should be supplied [112]. | | | Yes |
| | | 16 Internal controls that require internal or external auditors to audit any automated systems [112]. | | | Yes |
| | | 17 Internal controls to ensure that systems support the maintenance and retention of good member records [112]. | | | Yes |
| | | 18 Internal controls that ensure that data are complete (e.g. undertake a data- cleansing or member tracing exercise and review this on a regular basis (at least annually or at regular | | | Yes |

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| | | intervals that they consider appropriate) [112]. | | | |
| | | 19 Ensure that all staff completes information management training before they are given access to sensitive data. | | | Yes |
| | | 20 Ensure that member communications are reviewed regularly [112] | | | Yes |
| | | 21 Schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant. | | | Yes |
| | | | | | |
| Administration Scheme record-keeping [122 – 146] | <p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> • member information • transactions, and; • pension board meetings and decisions <p>Legal requirements for this are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.</p> | | <p>Each member has a record within the Fund's pension administration system.</p> <p>Records are updated each year via an annual contribution posting exercise.</p> <p>Validations and controls are in place to identify missing and incorrect data.</p> <p>Throughout the year records are updated on receipt of notifications from employers.</p> <p>Again validations and checks are in</p> | | Yes |

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| | <p>Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.</p> | | <p>place.</p> <p>All queries are fed back to the respective employers and monitored to ensure a response is provided. The Fund and employer performance is reported to the Committee and Local Board.</p> <p>A Pensions Administration Strategy is in place between the Fund and employers, this sets out the requirements for effective administration.</p> <p>The Fund has an employers' guide and each employer is allocated a dedicated client manager.</p> <p>Employers are kept up to date via mailshots seminars and training events.</p> <p>The Fund has a document retention schedule. All documents relating to pension records are kept permanently.</p> <p>All Committee and Local Pension Board meetings and decisions are recorded.</p> <p>Each year a TPR common data validation exercise is undertaken. The most recent common data valuation exercise was undertaken in January 2017.</p> | | |
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| | | | <p>The Fund is working with its software supplier and other clients to develop a suite of reports to monitor data.</p> <p>The Council’s information security framework applies to the Fund. Additional guidance for the Pensions Office is provided. Staff are regularly reminded of their responsibility.</p> | | |
| | | 1 Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records [124]. | | | Yes |
| | | 2 Schemes should establish and operate adequate internal controls to support record-keeping requirements [125]. | | | Yes |
| | | 3 Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. [126] | | | Yes |
| | | 4 Member data should be subject to regular data evaluation [126]. | | | Yes |
| | | 5 Schemes should require employers to provide them with timely and accurate data and ensure that appropriate procedures and timescales are in place to | | | Yes |

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| | | do this. [128 and 130]. | | | |
| | | 6 Schemes should seek to ensure that employers understand the main events which require information to be passed to the scheme [129]. | | | Yes |
| | | 7 Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs [131]. | | | Yes |
| | | 8 Records should be kept of any amounts due to the scheme which have been written off. [132] | | | Yes |
| | | 9 In respect of keeping information about the pension board, schemes should keep records of pension board meetings including decision made, they should also keep records of key discussions [133]. | | | Yes |
| | | 10 Scheme managers should also keep records of any decisions taken by members of the pensions board other than at a pension board meeting. [134] | | | Yes |
| | | 11 Records should be retained for as long as they are needed [135]. | | | Yes |
| | | 12 Schemes should have in place adequate systems and processes to | | | Yes |

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| | | enable the retention of records for the necessary time periods [135]. | | | |
| | | 13 Schemes should monitor data (based on a proportionate and risk based approach) on an ongoing basis to ensure it is accurate and complete [136,137]. | | | Yes |
| | | 14 Schemes should carry out a data review exercise at least annually [138]. | | | Yes |
| | | 15 Schemes should continually review their data [138]. | | | Yes |
| | | 16 Upon change of admin system, schemes should review and cleanse data records [140] | | | Yes |
| | | 17 Schemes should put in place a data improvement plan where poor quality or missing data is identified [141]. | | | Yes |
| | | 18 Schemes should reconcile member records with information held by the employer [142]. | | | Yes |
| | | | | | |
| Administration | Employer contributions must be paid to the scheme in accordance with any | 1 Scheme managers should have effective procedures and processes in place to identify payment failures that | Monthly monitoring of contribution income is in place. A record of contributions is maintained via a | | Yes |

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| <p>Maintaining contributions [147 – 186]</p> | <p>requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p> <p>Where employee contributions are not paid within the prescribed period, if the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should</p> | <p>are – and are not – of material significance to the regulator [150 to 151].</p> | <p>control sheet.</p> <p>Compliance testing is in place with an escalation route to follow where any failure is identified.</p> <p>Payment of contributions is controlled via a CARE16. Each employer is provided with a copy and all completed forms are held on the employer’s file.</p> <p>Communications with an employer are recorded and held on their file.</p> <p>This enables the Scheme Managers to take appropriate action, deem materiality, report to the Committee and Local Board and where appropriate the Regulator.</p> | | |
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| | also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law. | | | | |
| | | <p>2 Such procedures are likely to involve:</p> <ul style="list-style-type: none"> a. Developing a record to monitor the payment of contributions. b. Monitoring the payment of contributions. c. Managing overdue contributions. d. Reporting payment failures which are likely to be of material significance to the regulator [152]. <p>Developing a record to monitor the payment of contributions.</p> | | | Yes |
| | | 3 Schemes should have a contributions monitoring record [155 to 157]. | | | Yes |
| | | | | | |
| | | Monitoring the payment of contribution | | | |
| | | 4 Schemes should monitor contributions on an on-going basis | The Fund's Pensions Administration Strategy includes | | Yes |

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| | | [161]. | information in respect of payment of contributions and timescales. | | |
| | | 5 A risk based and proportionate monitoring approach should be used to identify employers and situations which present a higher risk of payment failure [162]. | | | Yes |
| | | 6 Schemes should have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all [163]. | | | Yes |
| | | 7 Scheme managers must record and retain information on transactions (including any employer and employee contributions) [166]. | | | Yes |
| | | | | | |
| | | Managing overdue contributions | | | |
| | | 8 Where a payment failure is identified, there should be a process to follow to resolve the issue quickly (including the suggested steps set out in the Code) [169]. | Control over contribution income collection is co-ordinated in the Investment Office. Should a payment failure be identified there is an established procedure to follow this and resolve. | | Yes |
| | | 9 Schemes should keep a record of their investigation and communications between themselves and the employer [170]. | Records of all communications are retained. The preference is for all communication by email. | | Yes |

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| | | 10 Schemes should have a process which is able to detect deliberate underpayment or non-payment or other fraudulent behaviour by an employer [171]. | | | Yes |
| | | | | | |
| | | Reporting payment failures which are likely to be of material significance to the regulator. | | | |
| | | 11 Schemes should maintain a record of their investigation and communications with an employer following a payment failure. | All late payers are monitored on a monthly basis. Where appropriate interest is charged for late payment. | | Yes |
| | | 12 Where schemes identify a payment failure, they should attempt to recover contributions within 90 days of their due date [174]. | | | Yes |
| | | 13 Where a payment failure is identified it should at least ask the employer the 3 questions set out in 175. | | | Yes |
| | | 14 Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator taking into account the wording of the Code [177]. | | | Yes |
| | | 15 Schemes should identify and report to the regulator, as appropriate, any payment failures that may not be | | | Yes |

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| | | of material significance taken individually, but which could indicate a systemic problem. [181] | | | |
| | | 16 Schemes should consider whether it is appropriate to report payment failures of employer contributions to members where it is reported to the regulator [182]. | | | Yes |
| | | 17 In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe the payment failure to be of material significance to the regulator, the failure must be reported to the regulator and members within a reasonable period. [184] | | | Yes |
| | | 18 Reports to the regulator should be made in accordance with the code. | | | Yes |
| | | | | | |
| Administration Providing information to members [187 – 211] | The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. The Code summarises the legal requirements around | 1 Managers of a scheme must ensure that scheme managers and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person'. [198] | The Fund must provide an annual benefit statement to active and deferred members by 31 August each year. This was achieved in 2016 with deferreds released in July and actives in August. | | Yes |

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| | <ol style="list-style-type: none"> 1. Benefit statements [188 – 195] 2. Other information about scheme administration [196 – 197]. 3. Who is entitled to information [198 – 199] 4. When basic scheme information must be provided [200 – 201] 5. What information must be disclosed on request [202] 6. How benefit statements and other information must be provided [203 – 206] <p>Scheme should also comply as appropriate with other legal disclosure requirements [211].</p> | | | | |
| | | <p>2 Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension [207].</p> | <p>The Fund has a communication strategy policy statement which is available on the Fund’s public website. There is a dedicated communications team to ensure that all information is in plain English, accurate and accessible to all and within statutory deadlines. The Fund works closely with the</p> | | <p>Yes</p> |

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| | | | Local Government Association, uses their communications material and provides links to their website and guidance. | | |
| | | 3 Information should be clear and simple to understand as well as being accurate and easily accessible [207]. | | | Yes |
| | | 4 Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date [208]. | <p>The Fund traces returned mail and lost members on an annual basis. This is done through a number of channels including Experian third party software and The Department of Work and Pension forwarding service.</p> <p>The Fund has a public website which holds LGPS and pension related information plus links to other useful website. There is a members' helpline with an out of office and busy messaging service. Personal callers are welcome during office hours. Information is available in other formats on request.</p> | | <p>Yes</p> <p>Yes</p> |
| | | 5 Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage [209]. | | | Yes |

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| | | 6 Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information [209]. | | | Yes |
| | | 7 Scheme managers must provide information in accordance with the time periods specified in the 2013 Act and the Disclosure Regulations 2013. [209] | The Fund is developing on line services for member including, access to their pension record, online benefit statements, updates to personal details and what if calculations. | | Yes |
| | | 8 Information should be readily available at all times to ensure that members are able to access it when they require [210]. | | | Yes |
| | | | | | |
| Resolving Issues Internal dispute resolution [212 – 240] | Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. | 1 In terms of the LGPS, the requirements relating to IDRPs are prescribed in the LGPS regulations. | The Fund operates an internal dispute resolution process in line with the LGPS rules. There is an internal appointed panel made up from senior managers and a contract is in place with West Yorkshire Pension Fund for the appointed person for the Fund. | | Yes |
| | | 2 Schemes should publish and make IDRPs time limits readily | The Fund includes information and timescales on the internal dispute resolution process within joiner | | Yes |

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| | | available [225]. | communications and in all communications where a decision has been made or there is a right of appeal. Information is included on the Fund's website. Complaints to the Fund are identified, recorded and managed through a process. | | |
| | | 3 Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary. [230 and 240] | | | Yes |
| | | 4 Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome [232]. | | | Yes |
| | | 5 Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. [233] | | | Yes |
| | | 6 Schemes should focus on | | | Yes |

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| | | educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented [233]. | | | |
| | | 7 Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making [234]. | | | Yes |
| | | 8 Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet [235]. | | | Yes |
| | | 9 Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website [235]. | | | Yes |
| | | 10 Schemes should ensure they make the following information available to applicants: <ul style="list-style-type: none"> • The procedure and processes to apply for a dispute to be resolved; • The information that an applicant must include; • The process by which any | | | Yes |

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| | | <p>decisions are reached; and</p> <ul style="list-style-type: none"> An acknowledgement once an application has been received [239] | | | |
| | | | | | |
| <p>Resolving Issues</p> <p>Reporting breaches of the law [241 – 275]</p> | <p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. | <p>1 Schemes should be satisfied that those who are responsible for reporting breaches are made aware of the legal requirement and the Code [244].</p> | <p>South Tyneside Council in its capacity as the Administering Authority of the Tyne and Wear Pension Fund has a policy and procedure in place for Reporting Breaches of the Law to the Pensions Regulator.</p> <p>This sets responsibilities, roles and actions. The Senior Management Team understands the requirements.</p> | | Yes |
| | | <p>2 Training should be provided for scheme managers and pension board members [244].</p> | | | Yes |
| | | <p>3 All others under a statutory duty to report should ensure they have sufficient level of knowledge and understanding to fulfil that duty [244].</p> | | | Yes |

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| | | 4 Those with a statutory duty to report should establish and operate appropriate and effective procedures in regards to reporting breaches [245]. | | | Yes |
| | | 5 Those procedures should be in accordance with and take into account paragraphs 245 to 262 of the Code. | | | Yes |
| | | 6 Reports made to the Regulator should be submitted in accordance with paragraphs 263 to 271. | | | Yes |

Local Pension Board

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

| Background Paper | File Ref: | File Location |
|---|------------------|--|
| Public Service Pensions Act 2013 http://www.legislation.gov.uk/ukpga/2013/25/contents | N/a | Head of Pensions Office, South Shields Town Hall |
| Local Government Pension Scheme Regulations | N/a | Head of Pensions Office, South Shields Town Hall |