

Committee Report

ISLE OF WIGHT COUNCIL

Meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	10 JULY 2024
Title	GENERAL CODE OF PRACTICE UPDATE
Report of	DIRECTOR OF FINANCE AND SECTION 151 OFFICER

Executive Summary

1. This report provides the Committee with an overview of The Pensions Regulator's General Code which came into effect on 28 March 2024. The report also provides an update on the Isle of Wight Council Pension Fund's current compliance with the requirements and proposed timings for future updates and reporting to the Committee.

Recommendation

2. THAT the requirements of The Pensions Regulator's General Code (effective March 2024) be noted.
3. THAT the update on the Isle of Wight Council Pension Fund's current compliance with the requirements and proposed timings for future updates and reporting to the Committee be noted.

Background

4. The role of The Pensions Regulator (TPR) was extended by The Public Service Pensions Act 2013 to include public service pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015.
5. With regard to the LGPS, The Pensions Regulator (TPR) has responsibilities in relation to Governance and Administration. The Pensions Regulator's role does not however extend to funding and investment issues within the LGPS which remain the responsibility of the particular Secretary of State whose remit includes the LGPS. However, governance investment requirements are within their purview.

6. Schedule 4 of the Public Service Pensions Act 2013 requires TPR to issue a Code of Practice or Codes of Practice in respect of certain specified matters. In response to this requirement TPR issued Code of Practice No 14 “Governance and administration of public service pension schemes.” which came into effect as Code No 14 from 1 April 2015.
7. On 28 March 2024, a new TPR General code of practice came into force replacing the existing Code of Practice No 14 “Governance and administration of public service pension schemes.” The new code of practice converts and updates the content of ten of the existing fifteen Codes of Practice which are applicable to various aspects of the governance and operation of non-public service pension schemes including Code of Practice No 14.
8. The new General code of practice is 171 pages long and includes content which is both updated and new. Two issues of particular to note are the new modules on “Cyber Controls” (pages 115 to 117) and “Scams” (page 145).
9. To assist with assessing the fund’s compliance with the requirements of the Pensions Regulators codes of practice, the fund purchased a compliance tracker tool from the fund’s governance consultants, Hymans Robertson LLP.
10. The compliance tracker is separated into the following areas:
 1. Board Structure & Activities
 2. Knowledge & Understanding
 3. Risk Management
 4. Scheme Governance
 5. Scheme Administration
 6. Information Handling
 7. IT & Cyber
 8. Contributions
 9. Information to Members
 10. Public Information
 11. Regular Reports
 12. Reporting Breaches
 13. Advisers and Service Providers – best practice only
 14. Investment – best practice only
11. As the main focus of the General code of practice is in relation to governance and administration, to assist with the review process, it is proposed that detailed reports will be provided to the Local Pension Board to review in the first instance, with summary reports and updates provided to the Pension Fund Committee following recommendation from the Board.
12. As risk management is of relevance to the Local Pension Board and the Pension Fund Committee following the departure of the Pension Fund Manager in April 2024 and several members of the administration team in 2023, the fund’s current compliance against TPR’s General Code of Practice risk management requirements along with proposed recommendations, were discussed by the Local Pension Board at their meeting on 19 June 2024. The outcomes will be reported at the Pension Fund Committee meeting.

13. The fund's compliance against TPR's IT & Cyber requirements was also presented to the Local Pension Board on 19 June 2024, as this topic has been recorded as high-risk area on the risk register.
14. The proposal is for the fund's current compliance status against the remaining areas to be presented to the Board in October, following which an overview will be presented to the Committee in November along with an action plan to address any areas of non-compliance.
15. As several of the fund's policies and documents are out of date or are currently not in place, the action plan will also look to address these at the same time.
16. The Pension Fund Committee are asked to note that the governance arrangements for the fund are currently set out in the fund's Governance Policy and Governance Compliance Statement, as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (the regulations). Regulation 55 also requires that all Local Government Pension Scheme (LGPS) funds in England and Wales are required, to keep the Governance Compliance Statement under review, revise it following any material change in its delegation arrangements and publish it, following such consultation as it considers appropriate. The statement should then be published as part of the fund's annual report and accounts.
17. Following completion of the tracker, it is recommended that the Governance Policy be reviewed and the Governance Compliance Statement also be updated.

Corporate Priorities and Strategic Context

18. There is nothing contained in this report which directly contributes to the priorities contained in the Isle of Wight Council [Corporate Plan 2021 – 2025](#).

Pension Fund Strategic Aims

19. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
20. The fund has also agreed the following objectives, which are supported by information in this report:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
 - (b) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.

Financial / Budget Implications

21. There are no direct costs incurred with the monitoring and updating of the risk management policy.
22. The cost of reviewing the updated policy by Hymans Robertson was included as part of the governance consultancy contract awarded in 2018.

Legal Implications

23. Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as “a local authority required to maintain a pension fund under the local government pension scheme regulations”.
24. The Pensions Regulator’s General code of practice requires that the council, as administering authority for the Isle of Wight Council Pension Fund, 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.

Equality and Diversity

25. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. There are no implications for any of the protected characteristics arising from items covered in the report.

Risk Management

27. It is the responsibility of Isle of Wight Council, as administering authority for the Isle of Wight Council Pension Fund, to ensure that the fund is properly governed and administered in compliance with relevant regulations and other requirements. The council has delegated this function to the pension fund committee, under section 101 of the Local Government Act 1972.
28. Should the council fail to ensure appropriate systems of internal control the Pensions Regulator has the power to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council.

Background Papers

29. The Pensions Regulator's General Code (effective March 2024)

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-laid-january-2024.ashx>

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