

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: The Pensions Regulator (TPR) Single Code Consultation

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

- 1.1. The Pensions Regulator (TPR) has drafted a new single code of practice (COP) for all UK pension schemes. The purpose of this single code is to merge the ten existing COPs into one single document, which should be easier to navigate, understand and keep up to date.
- 1.2. The regulator invited views on the draft code, with the consultation closing on 26 May 2021. The Tri-Borough's response to this consultation is attached at Appendix 2.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
<ul style="list-style-type: none">• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

None

Legal Implications

None

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Background Papers Used in Preparing This Report

None

Overview**1. Background**

- 1.1. The Pensions Regulator has drafted a new single code of practice for all pension schemes in the UK, replacing the ten current COPs. The main purpose of the single code is for all pension schemes to be held to a comparable standard. The transition to a single code will be phased, with a review project of guidance aligned with the new code, planned to take place in late 2021
- 1.2. The consultation also incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. These relate to effective systems of governance and own risk assessment. Following the consultation, attached at Appendix 1, tPR will consider any representations and make any appropriate changes to the code before setting before Parliament. There is currently no deadline for completion of these works.

2. TPR Single Code

2.1. The new single code of practice will replace the existing codes, as follows:

- Reporting breaches of the law
- Early leavers
- Reporting of late payment of contributions to occupational pension schemes
- Reporting of late payment of contributions to personal pension schemes
- Trustee knowledge and understanding
- Member nominated trustees and member nominated directors
- Internal controls
- Dispute resolution
- Governance and administration of the occupational trust based schemes providing money purchase benefits
- Governance and administration of public service pension schemes

2.2. Once the new code comes into practice, the COPs that are being replaced will be revoked in their entirety.

3. Consultation Analysis

3.1. The Tri-Borough's response to the consultation is summarised as follows:

- The code needs to distinguish between the tasks/responsibilities of the LGPS Pension Fund Committee and the LGPS Local Pensions Board.
- Some concern exists as to where the code has introduced new requirements or where changes have been made to existing requirements, or where no changes have been made at all. No comparison is provided as to the current state of play.
- The "Mays", "Shoulds" and "Musts" are not indicated, making it challenging for LGPS funds to make a judgement on governance priorities. It is not always clear where the code applies to the LGPS, with a filter as to relevance to LGPS a good idea.
- Guidance/examples are not provided where new frameworks/policies are required.
- No account is taken of the special circumstances in which LGPS pension fund committee/local board members are elected, appointed, trained or how LGPS governance works.

- There is a new document called the “Own Risk Assessment”, with no guidance/examples provided and no guidance on how it should relate to existing LGPS risk registers.
- There is a proposed arbitrary limit (20%) on investing in unregulated markets. The LGPS moved away from such prescribed limits some years ago when these were abolished by the most recent government investment regulations. The new proposed limit does not take account of the special circumstances of the LGPS being long-term and not so reliant on liquid availability required by the private sector funds.

3.2. The Fund’s full consultation response is attached at Appendix 2.

4. Risk Management Implications

None

5. Other Implications

None

6. Consultation

None

List of Appendices:

Appendix 1: TPR Single Code Consultation and Questions

Appendix 2: The Tri-Borough’s Response