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Response to Regulating public service pension schemes

Bob Scruton  
The Pensions Regulator  
Napier House  
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Brighton  
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Dear Mr Scruton,

Comments from the Shropshire County Pension Fund in response to the consultation on the draft code of practice no. 14 Governance and Administration of Public Service Pension Schemes.

Draft public service code

*1. Does the code sufficiently address the standards of conduct and practice necessary to evidence compliance with pensions' legislation? If not, why not? What improvements would you recommend?*

We believe it mostly does. Areas that need expanding are covered in answers to questions, 6, 9, 10, 11, 14 and 15 below.

*2. Does the level of guidance included in the code provide sufficient detail to enable scheme managers and members of pension boards to comply with pensions' legislation and undertake their role effectively?*

We do believe the level of detail is mostly sufficient. Areas that need expanding are covered in answers to questions 6, 9, 10, 11, 14 and 15 below.

*3. The code relates only to the specific matters on which we are required to issue a code under section 90A(2) of the Pensions Act 2004. Are there any other legal requirements*

*which you think should be brought within the scope of the code? Are there parts of the code which you think go beyond legal requirements, practical guidance or good practice?*

The code seems to cover the legal requirements, practical guidance and good practice covered in the Pensions Act 2004.

#### Section 1: Introduction

*4. Have we targeted the code at the right groups of people? If not, which have been overlooked?*

Yes

*5. Is there any further information or explanation you would like to see in the terms used section of the introduction?*

None it seems to be comprehensive.

*6. Does the code strike the right balance between being as concise as possible and providing enough practical guidance relating to the underlying legal obligations?*

Further guidance may be needed in practice around managing risk as interpretation may differ from Fund to Fund around adequate internal controls.

#### Section 2: Governing your scheme

*7. Do we adequately describe the level of knowledge and understanding required of members of pension boards? If not, why not?*

We believe it is.

*8. Does the practical guidance adequately address the risks of the different types of conflicts of interest which may occur? Could you provide better examples of key conflicts which should be provided in the code?*

We believe it is adequately covered.

*9. Does the practical guidance in the code sufficiently capture all of the duties, including any fiduciary duties, owed by pension board members? Do you consider that such duties may arise in the context of public service schemes? Please explain your response.*

This is difficult to answer at this point in time and feel that scheme specific guidance may be required to supplement this code.

### Section 3: Managing risks

10. *Have we set out clearly what actions are expected of scheme managers and members of pension boards in relation to risk management and internal controls?*

As mentioned at Q6 we feel this may be open to individual interpretation and further guidance may be required in practice.

### Section 4: Administering your scheme

11. *Does the public service code include sufficient practical guidance on the standards of administration that we expect? Are there any parts of the code that you think are too prescriptive?*

In practice there may not be sufficient guidance for scheme administrators. For example point 124 seems to place responsibility on schemes to reconcile in flows of funds against expected contributions also point 135 reconciliation of member records to employer data – without access to employers payrolls this is already difficult to police. Also point 128 needs to be more specific on what constitutes a member's record.

12. *We provide examples of what failures to pay contributions are likely to be materially significant to the regulator. Are there any other examples or scenarios that should be included?*

We feel these are adequate and as internal controls are already in place this should not cause difficulties.

### Section 5: Resolving issues

13. *Have we made clear the circumstances under which breaches of pensions legislation should be reported to us?*

We believe so.

### Draft public service regulatory strategy

14. *Does the strategy, together with the public service code, sufficiently address risks to good governance and administration?*

Refer back to answer to Q6. Further guidance may be beneficial around risks regarding internal controls.

15. *Does the strategy explain adequately the approach we will take in regulating public service schemes?*

It does seem to however an early review may be necessary to pick up operational issues. It is good to see that a partnership approach is to be continued.

Impact assessment

16. *The impact assessment undertaken by the Treasury concluded that the new governance, administration and regulatory oversight provisions should not result in additional costs for schemes. The code gives practical guidance and sets standards of conduct and practice in relation to those new provisions. Do you agree that the public service code and public service regulatory strategy do not place an additional regulatory burden on schemes? If you do not agree, please explain and quantify additional costs.*

We do not agree that these provisions should not result in additional costs for schemes. Governance is assessed as strong currently however to ensure compliance is documented /demonstrated, particularly in knowledge and understanding for pension board members, conflicts of interest and internal control, the Shropshire Fund has identified that additional resource of up to one additional post is required. This will be monitored closely after implementation.

Kind regards

Debbie Sharp

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Shropshire County Pension Fund