

The essential guide to the public service code

Information
for scheme
managers and
pension board
members

January 2015

The Pensions
Regulator

Code of practice no. 14 – Governance and administration of public service pension schemes helps you understand how to approach the administration and governance of a public servicescheme. The full version of the code can be viewed at www.tpr.gov.uk/code14.

This essential guide provides an overview of the code and gives details of where to go to find out more. It can help you use the code but is obviously not exhaustive and it's not a substitute for reading the full code – which we expect all those involved with public service schemes to do.

What is a code of practice?

Codes help the people who run pension schemes fulfil their legal duties. They aren't statements of the law, but they outline an approach that schemes can take to complying with the law. The courts have to take account of codes when considering whether legal requirements have been met, and we may refer to them when we exercise our powers.

Code of practice no. 14 – Governance and administration of public service pension schemes (the public service code) was laid before Parliament in January 2015.

The public service code

This code provides scheme managers and pension board members with a summary of their key governance and administration duties, standards of conduct and practice we expect in relation to those duties, and practical guidance on how they can comply.

Governance

Knowledge and understanding

It's crucial that the people responsible for public service schemes know how to govern them as efficiently and effectively as possible. At the most basic level, pension board members need to understand how the scheme works so that they can effectively assist the scheme manager. However, there is a specific requirement for pension board members to have knowledge and understanding of the following areas:

- the scheme rules, eg eligibility for the scheme and scheme benefits
- documented administration policies, eg risk assessments/management, reporting breaches, keeping records and the responsibilities of the scheme manager, the pension board and individual pension board members, and
- the law relating to pensions eg relevant law that applies to their scheme.

There are also other areas that need to be understood if a scheme is to be governed well.

Schemes should keep track of training and other learning activities undertaken by board members and there should be someone responsible for ensuring that a training programme is developed and implemented. This should include preparing a list of the documents that pension board members need to be familiar with.

Pension board members should invest time in their learning and development and regularly undertake a personal training needs analysis to review their skills and knowledge.

Our e-learning programme can help meet the needs of pension board members, whether or not they have access to other learning.

Conflicts of interest

It's important to be aware of any potential conflicts of interest on a pension board. A conflict of interest occurs when an individual has another interest which is likely to prejudice the way they carry out their role as a pension board member.

The scheme manager of a public service scheme must be satisfied that no pension board member has a conflict of interest. Schemes should have an agreed and documented policy which includes identifying, monitoring and managing potential conflicts of interest.

Representation on pension boards

Having a variety of people and representation on the pension board should help to ensure that pension board discussions or decisions take into account the views and interests of those involved in the scheme.

Pension boards must have an equal number of employer and member representatives. It is also important for schemes to consider the mix of skills and experience needed on their pension boards so that they operate effectively.

See the chapter of the code entitled 'Governing your scheme' for more detailed information about knowledge and understanding, conflicts of interest and representation on pension boards.

Risk

Internal controls

Good internal controls are crucial. These are the arrangements, systems and procedures that the scheme has in place for scheme administration and management, overseeing that administration and management, and the security of scheme assets. Scheme managers must establish and operate controls which are adequate for ensuring that the scheme is administered and managed in line with the scheme rules.

Internal controls can help protect schemes from risks which could be detrimental to the scheme and the members if they are not addressed.

Schemes should ensure that sufficient time and attention is spent identifying, evaluating and managing risks. This includes developing and monitoring the controls that they use to keep these risks in check.

All schemes should carry out a risk assessment. Start by:

- setting out the objectives of the scheme
- identifying the activities that are carried out in the course of running the scheme, and
- pinpointing the main risks that could mean that the objectives and activities aren't met or delivered.

Not all risks are equal. Consider how likely they are to occur and the impact that they could have when deciding an order of priority for managing risks. Schemes should focus on risks where the likelihood and impact of one materialising is high.

Once risks are identified and assessed, they should be recorded in a risk register and reviewed regularly. For each risk there should be one or more internal controls to address it. See the chapter of the code entitled 'Managing risks' for more detailed information.

Administration

Keeping records

Complete, accurate and up-to-date records are key to the effective administration of a public service scheme. Good records make it easier to communicate, allocate contributions and pay benefits to the right people at the right time, without making costly mistakes. Scheme managers must keep the records set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

To ensure that the appropriate records are kept, they should be discussed and reviewed regularly. If there are problems with scheme records, there should be a plan to resolve them. Doing this early can save significant expense later.

It's important to regularly evaluate the accuracy of member records and that the scheme receives timely and accurate member updates from participating employers.

Schemes should review records at least annually, which should include an assessment of the accuracy and completeness of the information held. If a scheme outsources the management of records there must be effective controls in place to ensure the integrity of those records.

Maintaining contributions

Receiving accurate contributions on time is very important. Contributions that are late or go unpaid may need to be reported to us.

Where member contributions are deducted from their pay, the amount deducted must be paid to the scheme by the 19th day of the month following the deduction (or by the 22nd day if paid electronically).

Employer contributions must be paid to the scheme in line with any requirements in the scheme regulations.

A public service scheme should have an effective process to identify and resolve payment failures with the employer. If scheme managers think that a payment failure is likely to be of material significance to us then it must be reported to us.

Providing information to members

The information communicated to members will affect the decisions they make about their pension. This, in turn, can have a major bearing on the value of their pension.

Communications to members should be clear and easy to understand. They should avoid jargon and recognise that many members may not be familiar with financial words and phrases.

A range of methods to provide general information to members can be used, including post and email, although in some cases a particular method must be used, and in others a specific procedure must be followed before providing information electronically.

There is some specific information which must be provided to members (or prospective members), like basic scheme details when they join and annual statements showing the value of their benefits. Other information, for example about transfer credits or the constitution of the scheme, must be provided upon request from members (or others) (unless an exemption applies).

See the chapter of the code entitled 'Administration' for more detailed information on record-keeping, maintaining contributions and providing members with information.

Resolving issues

Whether it relates to a breach of the law or a complaint from a member, issues that arise in public service schemes should be dealt with promptly and effectively.

Internal disputes

Schemes must have an internal dispute resolution procedure (IDRP) to help resolve issues raised by members and others with an interest in the scheme. The IDRP can have one or two stages and decisions must be made and communicated within a reasonable period of the issue being raised under IDRP. The IDRP must state how someone can apply to have a pension dispute resolved (including any time limits), the details which must be included, and how and by when decisions are to be reached.

Members and others who make a complaint must be given information about The Pensions Advisory Service when the complaint is received, and the Pensions Ombudsman, when the decision is given, who may be able to help them.

Reporting breaches of the law

It's important that breaches of the law are identified and assessed quickly, and reported if necessary. Scheme managers and pension board members (amongst others) must report breaches which they consider likely to be of material significance to us, so there should be effective procedures to enable them to identify and assess breaches. These should include giving those involved with public service schemes the opportunity to raise concerns, consider risks, and where necessary submit a report within an appropriate timescale. Do not wait for someone else to report.

We have an online service called **Exchange** where reports can be made. If they don't use **Exchange**, schemes should report to us by post, email or fax. We will not disclose information reported to us except where we are required to do so by a court and we'll take all reasonable steps to maintain reporter confidentiality.

See the chapter of the code entitled 'Resolving disputes' for more detailed information about the dispute and breach procedures that should be in place.

This document relates to Code of practice no. 14 – Governance and administration of public service pension schemes, which has been laid before Parliament and the Northern Ireland Assembly. The code is currently subject to Parliamentary and Assembly procedure and has no legal effect until it is brought into force by order. This document should be read in the light of this.

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