

City of London Corporation Committee Report

Committee(s): Pensions Committee	Dated: 03 December 2024
Subject: General Code of Practice Compliance Review – Barnett Waddingham’s Review	Public report: For Decision
This proposal: <ul style="list-style-type: none"> • provides statutory duties • provides business enabling functions 	
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	No
Report of:	The Chamberlain
Report author:	Amanda Luk

Summary

In January 2024, the Pensions Regulator (tPR) released the General Code of Practice (the code). The code came into force on the 27 March 2024 replacing the ‘Code of Practice 14’ for Public Sector Pension Schemes and combining ten tPR codes into one single code. This report provides a review undertaken by Barnett Waddingham on the City of London Pension Fund’s compliance with the code.

Recommendations

Members are asked to review and agree the following actions to ensure compliance with the code:

1. The following documents/ policies will be drafted on the following areas, which have been flagged as **red or amber**, and brought back to the February 2025 Committee meeting (page numbers refer to the Appendix):
 - i. A Training Policy which will address the tPR’s expectations (Page 9);
 - ii. A document setting out the processes for monitoring, reviewing and protecting scheme data (Page 27);
 - iii. A revised Administration Strategy to include details of third-party providers and expectations for these providers (Page 27) and to highlight roles and responsibilities in relation to Scheme returns (Page 39 and 40); and
 - iv. An updated Pensions Committee Risk Register to include ‘Scams’ and mitigation processes in more detail under Fraud (CHB Pensions 005) (Page 36).

2. The following documents/policies will be drafted/updated on the below areas which have been flagged as **green**. These will be brought to Committee in due course (page numbers refer to the Appendix):
 - i. Create an IT systems process and controls document (also in accordance with the Pension Fund’s external audit recommendations) (Page 25);
 - ii. Create a document to cover the steps taken around Transfers Out including:
 - a. To ensure as much as possible that scheme members are made aware of potential scams and take the necessary steps to protect themselves (Page 26); and
 - b. Process and transfer of contributions (Page 35);
 - iii. Update the Administration Strategy to include the processes for receiving and monitoring contributions (Page 31); and
 - iv. Update the Communications Policy to include reference to benefit statements provided by AVC providers (Page 33);

Main Report

1. In January 2024, the Pensions Regulator (tPR) released the General Code of Practice (the code). The code came into force on the 27 March 2024 replacing the ‘Code of Practice 14’ for Public Sector Pension Schemes and combining ten tPR codes into one single code.
2. The Code has fifteen sections, with each section containing between one to nine modules. In total there are 53 ‘modules’ to comply with. The full code of compliance can be found [here](#). The code applies to governing bodies of occupational, personal, and public service pension scheme, setting out expectations of the conduct and practice governing bodies should meet to comply with their duties in pension legislation. Some legal obligations do not apply to all types of governing bodies or schemes.
3. The City’s Actuary, Barnett Waddingham (BW), have analysed the code identifying areas which are relevant to the Local Government Pension Scheme. Working with Officers, BW have undertaken a GAP analysis and identified which of the Fund’s policies are compliant with the code and where action is needed. Their report (General Code of Practice Compliance Review) is attached as an Appendix. Officers have included comments within the BW report where suggested/required action has been identified.
4. BW’s summary follows a RAG rating, and the findings are summarised below.

RAG Rating	Module Count (Percentage)
Red	3 (5.7%)
Amber	4 (7.5%)
Green	34 (64.2%)
N/A ¹	12 (22.6%)
Total	53 (100%)

¹ Not Specifically applicable to the LGPS or do not need to be individually assessed.

5. During BW's compliance check, of the 53 modules, the Pension Fund (the Fund) has received 3 red and 4 amber ratings. A **red** rating means that '*the Fund does not comply with the Code and action is required*' and an **amber** rating means that '*the expectation does not apply to the LGPS but the Fund may wish to comply with this expectation as a matter of good practice*'. The following areas have been flagged under red/amber and Officers responses along with the proposed remedial action have been made in the report attached.

Status of Fund against code	Module (Page numbers refer to pages in the Appendix)	tPR's expectations	Suggested/ Required Actions	CoL Comment
Red	Data monitoring and improvement (Page 27)	This module sets out TPR's expectations for governing bodies for the purpose of maintaining complete and accurate data. It focusses on the processes for monitoring, reviewing and protecting scheme data.	Fund to confirm if there are data monitoring and improvement plans, documents or policies in place.	The City of London completes the annual tPR Scheme Return in respect of the LGPS. The Return requires details of the 'Data Scores' of the scheme. There are currently no policies in place with regards to improving Data Scores. A document will be drafted focussing on the processes for monitoring, reviewing and protecting scheme data.
	Registrable information and scheme returns (Page 39)	Governing bodies must provide all registrable information when registering the scheme and to update such information within 5 working days of it becoming aware of a change.	We would suggest that the Fund update governance documents to highlight roles and responsibilities to address this module.	The completion of the Scheme return is noted on the Annual Schedule of Events, an appendix that accompanies the Administrator's report to both the Pensions Committee and Local Government Pension Board. These processes are currently carried out by the Administration Manager however the roles and

				responsibilities are not documented in any policy. Officers will add this to the Administration Policy which will be brought back to Pensions Committee.
	Scheme returns (Page 40)	Governing bodies must complete a scheme return. Governing bodies are accountable for the information contained in the scheme return and they should have measures in place to review and ensure the accuracy of the information to be submitted is correct and that the return is submitted in time.	As above	As above
Amber	Knowledge and Understanding (Page 9)	This module sets out the expectations that trustees should follow including having a list of matters they need to be familiar with and to audit and review the skills of the governing body to identify gaps. There is a list of topics that anyone with a requirement for knowledge and understanding should have a working knowledge of.	The Fund may wish to make any Training Policy a publicly available document. If there is not a policy in place the Fund should adopt one. The Policy should ensure that it covers the expected requirements of members and other key stakeholders.	Officers are preparing a Training Policy which will address the TPR's expectations. The Training Policy will be brought to the Pensions Committee and Local Government Pensions Board for review.
	Governance of knowledge and understanding (Page 9)	This module sets out expectations for governing bodies to maintain, develop	As above	As above

		and show knowledge and understanding. There are several lists setting out how the governing body should operate to use and retain knowledge and understanding, invest time to develop knowledge and keep records to assess gaps and overall compliance with knowledge and understanding.		
	Record keeping (Page 27)	This module sets out TPR's expectations on the governing body's need to maintain complete and accurate records and covers record keeping, administrative systems and data from other parties.	The Fund may want to expand the Administration Strategy to provide more information on the system and processes in place. Highlighting third-party providers of administrative systems.	Third party provider details and requirements will be added to the Administration Strategy. The Administration Strategy will be brought to the Pensions Committee for Review.
	Scams (Page 36)	This module sets out TPR's expectations on a scheme's internal controls to mitigate the risk of scams	The Fund should update the Risk Register to include pension scams as a key risk and the process and to mitigate the risk of potential scams.	The Pensions Committee Risk Register currently includes a risk for Fraud (CHB Pensions 005), this will be expanded to include Scams and mitigation processes in more detail. The Risk Register is brought to the Pensions Committee every 6 months.

6. The following areas have been flagged as '**green**' by Barnett Waddingham, a 'green' rating means that '*the Fund complies with the Code and no further action is required at this time*', however BW have outlined some suggested actions. Officers

have proposed implementing/updating documentation to include the following areas to ensure the Pension Fund remains compliant and continues to meet expectations.

Status	Module (Page numbers refer to pages in the Appendix)	tPR's expectations	Suggested/ Required Actions	CoL Comment
Green	Financial Transactions (Page 25)	<p>This module sets out tPR's expectations around transactions which involve the processing of money. The module focusses on the two key areas:</p> <p>Governance processes and IT systems – understand the administrator's processes and controls including authorisation, reviews of processes, standards and service level agreements, management of employer contributions.</p>	The Fund to confirm the processes and controls in place to manage IT systems and service level agreements.	A formal IT systems process and controls document was suggested by the most recent Pension Fund external audit. This document will be produced by Officers.
	Transfers Out (Page 26)	This module sets out the expectations around the processes and checks that a governing body should undertake before permitting a transfer out of the scheme to go ahead. This includes checking the statutory requirements are met and be vigilant of scams and there is also a separate list of expectations for transfer to	Fund to confirm that processes and policies are in place for the transfer of pensions out of the Fund.	The City of London follows the guidance and instructions provided by the Local Government Association / TPR in respect of transfers-out of the scheme. A formal document will be written to confirm the steps taken to ensure as much as possible that scheme members are

		defined contribution schemes.		made aware of potential scams and take the necessary steps to protect themselves.
	Receiving Contributions (Page 31)	This module sets out the processes that governing bodies <i>must</i> have in place to monitor contributions and transmission of payment information between employer, members, and administrator.	The Fund may wish to update the Administration Strategy to include the processes to receiving contributions.	The Administration Strategy will be amended to outline the processes for monitoring contributions. The Administration Strategy will be brought to the Pensions Committee for Review.
	Annual pension benefit statements (Page 33)	Governing bodies of certain schemes <i>must</i> provide annual benefit statements to members.	The Fund may wish to update the Communications Policy to highlight that benefit statements are provided by the AVC providers to make this clear to the Fund members.	Officers will amend the Communications Policy to include reference to benefit statements in relation to AVCs being provided by AVC providers.
	Notification of right to cash transfer sum or contribution refund (Page 35)	This module broadly follows the legislation relating to cash transfer sums or contribution refunds.	We would expect the Fund to have processes for the transfer and refund of contributions process. Fund to confirm.	The Fund follows the guidance and instructions provided by the Local Government Association / TPR in respect of transfers-out of the scheme. A formal document will be written to confirm the steps taken.

Conclusion

7. The City of London Corporation Pension Fund has received a 'green' rating on 34 modules, 'amber' on four modules and 'red' on three modules for those that are applicable to the LGPS in relation to compliance with the General Code of Practice (the code).
8. In order to ensure that the Fund is complying with the code and continues to remain compliant and meet expectations, Officers will be reviewing and updating key documents and policies, creating new ones where required. The 'red' and 'amber' documentation will be brought to Committee in February 2025, and the 'green' documentation will be brought to Committee in due course.

Appendices

- Appendix – Barnett Waddingham's General Code of Practice Compliance Review

Amanda Luk

Senior Accountant – Pensions

Chamberlains Department

T: 020 7332 1372

E: amanda.luk@cityoflondon.gov.uk