

Appendix 1

TPR Code Compliance 'Gap' Analysis (Governance)

Notes:

- a) The Code spans 168 pages, split into series of modules, on matters related to the Governing Body; Investment; Administration; Communications and Disclosure; and Reporting to TPR. It sets out TPR's expectations of the conduct and practice of governing bodies to meet duties in pension legislation. As a Code, in many instances, it is not prescriptive about the methods that should be used to meet expectations. It is recognised that different approaches may be appropriate for different schemes.
- b) This Appendix sets out indicative analysis in respect of certain paragraphs of the Code under the following modules:
- The Governing Body: Board Structure and Activities
 - The Governing Body: Knowledge & Understanding
 - The Governing Body: Scheme Governance
 - Communications and Disclosure: Public Information (where most pertinent to this initial analysis).
- c) As expected by the Code, judgement has been applied. The analysis uses the following key:

✓	Full, or a reasonably strong, degree of compliance, with no material gaps identified.
Partial	Some identifiable (potential) gaps for consideration.
X	Limited, or no objective compliance.

- d) Commentary has been provided to give supportive insight and explanation.
- e) A full gap analysis report, as against all modules in the Code, will be brought to the Committee in September.

Compliance 'Gap' Analysis at May 2024			
Reference	Description	Rating	Commentary
Page 9 Para 2	The governance of a public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and, where appropriate, pension committee.	Partial	Different responsibilities for example between the Pensions Committee and Pension Board are recognised and reflected in constitutional documents. There is potential for a broader governance review in 2024/25. In addition, an Internal Audit regarding the Pensions Committee is expected this year. The initial rating recognises that the outputs of those reviews may raise relevant points here for consideration.
Page 9 Para 2	The pension board must have an equal number of employer and member representatives.	✓	There is an equal number of Employer Representatives and Member Representatives on the Pension Board (5 each).
Page 9 Footnote 4	Governing body of a PSPS is made up per legislation and pension board members must not have a conflict of interest and must evidence such is required by scheme manager.	✓	Legislation applies to the Pension Board in this context. Pension Board appointment processes examine potential conflicts of interest, in accordance with LPF's Nominations and Appointments Policy. A Code of Conduct is also in place. On an ongoing basis, Pension Board members are required to notify and declare any actual or potential conflicts of interest. These requirements also apply to the Pensions Committee and Pensions Audit Sub Committee members. Work was also carried out during 2023 to provide greater clarity on LPF's approach to identifying, managing, and recording conflicts of interest across the LPF Group. Refinements will continue in FY24/25.
Page 10 Para 6	Members of governing bodies to display certain characteristics as set out in the Code.	Partial	The Code of reflects many of the expected behaviours and standards set out in the Code, for example, acting with integrity and honesty. The rating however reflects the absence of a structured process to consider the performance (and as may be the case, the characteristics set out in the Code) of the Pensions Committee, or Pension Board.
Page 12 Para 1	Process in place for appointing pension board members.	✓	LPF operates a Nomination and Appointments Policy and, as such, an established process for the appointment of Pension Board members, and non-elected members of the Pensions Committee is in place. While compliant, we consider it beneficial for LPF to review the Policy and associated processes.

Page 12 Para 2	Governing body, or pension board, should seek to inform those making any appointments to the governing body of the expectations and any legislative requirements placed on members of the governing bodies.	✓	LPF operates an induction process for all newly appointed members of LPF's governance bodies, including Pensions Committee, and Pension Board. A Training and Attendance Policy is also in place, with regular training sessions run by LPF, and others, to support knowledge and understanding of key matters, such as pension operations, and investment strategy.
Page 19 Para 6	As a matter of good practice, expectations of a chair (skills and behaviours) as set out in the Code, such as: (i) act as the leader of the governing body and demonstrate standards of behaviour expected from other members; (ii) represent the interests of the scheme to all relevant parties; (iii) have an independent viewpoint when necessary; (iv) help achieve compromise and consensus between differing parties to achieve good member outcomes.	Partial	The Convener of the Pensions Committee is an Elected Councillor. The Convener of the Pensions Audit Sub Committee is a member of the Pensions Committee. The Chair of the Pensions Board is appointed from the Pension Board's membership (either an Employer or Member Representative). We consider the skills and behaviours noted in the Code to be reasonable and sensible. It is noted that an LPF Code of Conduct is in place for all Pensions Committee and Pension Board members. Insofar as we are aware, the behaviours and skills expected of the Conveners, or the Chair of Pension Board, are, not explicitly documented. A structured process to consider the performance of the governance bodies, as a collective, or at an individual, level is also not in place. The rating reflects those points.
Page 20 Para 3	Establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules, and with the requirements of the law. This applies to the running of meetings and making decisions.	✓	LPF has a range of internal controls, policies, procedures and frameworks in place, and a series of enhancements have been made throughout the last financial year to increase efficiencies and resiliency. Specific processes and arrangements are in place regarding the running of meetings and decision making. The Pensions Committee and Pension Board meet at least quarterly (and the Pensions Audit Sub Committee at least three times a year, which provides additional scrutiny and oversight). The Pension Board attends Pensions Committee meetings, with a right to comment at those meetings. Reports are provided to LPF's governance bodies by LPF's senior management at a regular cadence, covering a broad range of subject matters, including on risk management, internal control framework, financial and business performance, investment strategy, pension operations and other matters. An Independent Professional Observer is also appointed to provide observations and additional knowledge and experience which is impartial to LPF officers. While compliant, it is intended that LPF will continue to enhance its governance and internal control frameworks and practices in the coming year. For example, a review of the Code of Conduct and Procedural Standing Orders may be appropriate.

Page 20 Para 5	Pension board should maintain certain records.	✓	While the legislation applies to pension boards, in this context, it is noted that meetings of all LPF governance bodies are minuted, including meetings of the Pension Board, Pensions Committee, and Pensions Audit Sub Committee. The date, time and place of meetings, names of members and other attendees, and any decisions, are included.
Page 25 Para 1	Maintain a list of items the members of the governing body should be familiar with.	Partial	LPF's Induction provides a fulsome initial coverage of items which LPF consider relevant. A list of ongoing knowledge and understanding items is not, however, in place or maintained.
Page 25 Para 1	Regularly carry out an audit of its members' skills and experience to identify gaps and imbalances.	X	The pensions, financial services and investment sectors are complex and require specialist technical knowledge and understanding. For that reason, it is a positive that LPF has a Training and Attendance Policy in place and dedicates time and resource to training and development of both its employees and the membership of its governance fora. The level of commitment to training is also generally high. It is, however, recognised that Pension Board members are voluntary role-holders, and the Pensions Committee membership interrelated with the election cycle of Councillors. It is acknowledged that these factors may give rise to potential continuity issues and, as such, the development, and retention, of knowledge and expertise. In addition, while there is a training policy, no structured approach to training and development is in place. A specific audit of skills and experience (to identify and help address gaps and imbalances, or specific training needs) is not, for example, undertaken. LPF intends to review the approach to training (and the associated Policy) in FY24/25.
Page 25 Para 3	Pension board be conversant with: the rules of the scheme, and any document recording policy about the administration of the scheme. And have knowledge and understanding of the law relating to pensions and other such matters.	✓	LPF operates an induction process. Previous comments related to the training also apply. The Pension Board (collectively) understood over 300 hours of training in FY23/24. There is, accordingly, a strong indicator of commitment to training. Many of the Pension Board members are long serving.
Page 25 Para 3	Scheme managers or delegates to achieve at least basic competence in knowledge and skills.	Partial	LPF operates an induction process. Previous comments related to training also apply. There has been, and will be, several changes to the membership of the Pensions Committee in 2024: induction and training is, therefore, of particular importance in the coming year. The indicative rating reflects this transitional point in time.

Pages 26-30 Para's 3-12	Pension board members to have a working knowledge of topics noted in the Code.	✓	Excepting members appointed in 2024, Pension Board members previously completed all TPR modules. A refresher process is underway.
Page 32 Para 2	Demonstrate, as a group, the governing body, or pension board, possess skills, knowledge, and experience.	Partial	Previous observations regarding induction and training also apply. There has been, and will be, several changes to the membership of the Pensions Committee (and to a lesser extent, the Pension Board) in 2024: induction and training is, therefore, of particular importance in the coming year. The indicative rating reflects this transitional point in time. It also reflects the absence of a structured knowledge and expertise development process, aligned to the purpose and remit of the body in question.
Page 32 Para 3	Expectation that the governing body have certain skills and attributes, as more fully set out in Paragraph 3, including (i) have a balance of skills and experience, (ii) be able to identify and address skill gaps, and (iii) have and maintain training and development plans to ensure that individual and collective knowledge is kept relevant.	Partial	Previous observations apply here. Structured training and development plan are not in place. Positively, however, a record of training activities and hours is maintained. Training hours are also reported quarterly. In 2024, Pensions Committee and Pension Board members received access to LPF's Learning Management System to access training videos and digitally record training hours directly.
Page 33 Para 4	Members of the pension board should be aware of their responsibilities and duties begin from the date they take up post.	✓	LPF operates an induction process.
Page 33 Para 5	Governing bodies should provide the necessary training and support to its members.	✓	Previous observations regarding induction, training, and the intention to review the training Policy and framework during the 2024 financial year, apply.
Page 33 Para 7	Members of the pension board to work towards completing TPR public service toolkit or equivalent learning programmes.	✓	Observations at Page 26-30, paragraphs 3 – 12, apply.
Page 33 Para 8	Ensure knowledge and understanding is established and maintained by, for example, member being able to demonstrate a basis level of knowledge and understanding within 6 months of their appointment etc.	Partial	LPF's induction is designed to be completed within 6 months of appointment, beginning immediately on appointment. The indicative rating, however, recognises the absence of a structured process to review knowledge and understanding (and identify gaps) at least annually.

Page 68 Para 1	Scheme managers needs a system of governance and internal controls that: provide the governing body with oversight of the day-to-day operations of the scheme, include any delegated activities for which the governing body remains accountable, and provide the governing body with assurances that their scheme is operating correctly and in accordance with the law.	✓	Previous observations against Page 20, paragraph 3, apply. In addition, a risk based LPF compliance monitoring programme focusses on obligations of TRP, ICO, GDPR. Each test is assigned a frequency (quarterly, biannual, annual) and a due date, and tests are carried out and reported each calendar quarter. Findings and recommendations are discussed with relevant teams, and any actions and due dates agreed with owners and reported and tracked through issue management processes. The outputs of the 2024 TRP gap assessment will inform any changes to the compliance monitoring programme.
Page 68 Para 4	Establish and operate internal controls, which are adequate for securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law.	✓	As above.
Page 149 Para's 1, 2 & 5	Publish certain information about the pension board, which is kept up to date. Must publish: names of pension board members, details about representation of scheme members on the pension board, and details of matters which the pension board is responsible.	✓	These are available on LPF's website and reported in the Annual Report and Accounts.
Page 149 Para 3	Consider publishing information about pension board business, e.g., board papers, agendas, and minutes (redacted to extent confidential or protected by law).	✓	Pensions Committee, and Pensions Audit Sub Committee, agendas, papers, and minutes are published and publicly available, subject to any matters considered under a Private Agenda as permitted by legislation. The Pension Board is not required to publish agendas, papers, and minutes, and currently doesn't. This is mirrored in the language of the Code which refers specifically to "may".
Page 149 Para 6	May also publish: employment and job title and any other relevant position each board member holds, details of pension board recruitment process, who each pension board member represents, full terms of reference for the pension board, and any specific roles and responsibilities of individual pension board members.	✓	Published on LPF's website and in the Annual Report and Accounts. LPF's Nominations and Appointments Policy is also publicly available. While the Pension Board does not have a Terms of Reference <i>per se</i> , it does have a constitution document. The constitution is not published on LPF's website.

<p>Page 149 Para 7</p>	<p>Scheme managers should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete, and any out of date or incorrect info identified is updated as soon as possible.</p>	<p>✓</p>	<p>A specific policy isn't in place. However, LPF's Company Secretariat team monitors the data published on LPF's website about the governance bodies. Updates are made, as required. LPF provides a Scheme Return to TPR annually (typically calendar Q4) which gives up to date information on, for example, Pension Board membership.</p>
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