

Croydon Council

REPORT TO:	Local Pension Board 1 December 2016
AGENDA ITEM:	8
SUBJECT:	Pension Fund Governance review update
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report is update the Board on the progress of the Pension Fund Governance review.	
FINANCIAL SUMMARY: There are no financial considerations arising from this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Pension Board is asked to note the progress outlined in this report.

2. EXECUTIVE SUMMARY

- 2.1 The Board commissioned Aon Hewitt to undertake a review of the governance of the Pension Fund in December 2015. This report is to give the Board an update on the progress made on the recommendation to date.

3. DETAIL

- 3.1 The Croydon Pension Board, recognising that being in possession of the fullest picture of the way the Local Government Pension Scheme (LGPS) operated was critical to discharging its responsibility to the Scheme manager, commissioned Aon Hewitt to undertake a review of the governance of the Pension Fund in December 2015. The final report from Aon Hewitt was presented to the Board at its meeting of 21 April 2016. The brief for the review was to document and review the governance arrangements relating to the London Borough of Croydon

Pension Scheme. The areas to be documented covered the role of the Pensions Committee and the effectiveness of its decision making; and the extent to which the Committee takes proper advice on those matters which require specialist input. The review additionally covered the suite of policy documents that relate to the administration of the LGPS. The review adopted a methodology that sought to identify those areas where the administering authority fails to follow published guidance or best practice and to provide an assessment of the significance of any such failures. The overall conclusion of the review is that the governance of the Fund is of a good level in many areas, and meets legal requirements on the whole.

3.2 However, the report did identify certain areas which could potential be improved, including:

- developing a Fund business plan, to be approved and monitored by the Pension Committee;
- developing a Fund risk register, with summary data to be regularly fed back to the Pension Committee;
- expanding the terms of reference for the Pension Committee so that their responsibilities are more clearly articulated;
- formalising Fund strategies / policies in the areas of Conflicts of Interest, Training and Risk Management to provide a clearer framework;
- undertaking a detailed review of the Fund's practices against The Pension Regulator's Code of Practice Number 14 - Governance and administration of public service pension schemes.

3.3 These recommendations are being addressed in turn. Progress to date includes:

3.3.1 The previous business plan has been refreshed and presented to the Pension Committee. This has been adopted and will be updated on a six-month cycle (Minute A7/16 refers). This same report detailed the risk register that has been compiled for the Pension Committee.

3.3.2 As part of an overall corporate review the terms of reference for the Pension Committee have been reviewed and as part of the Constitution of the London Borough of Croydon, adopted by the Council, May 2016.

3.3.3 Work is in progress to review the policies relating to Conflicts of Interest; Training; and Risk Management.

3.4 From April 2014, the Pension Regulator's responsibilities were extended to encompass the public service pension schemes. Consequently any guidance published by the Regulator needs to be observed as a function of the governance of the LGPS. As noted above, the review of the governance arrangements made specific reference to the Pensions Regulator Code of Practice Number 14 (the Code). Although the Code does not represent a statement of the law, and it is not necessary for all the provisions of the Code to be followed in every circumstance, adopting an approach at variance to the Code creates the possibility that the underlying legal requirements might not be met, which may result in penalties.

3.5 Code of Practice number 14 sets out the legal requirements in respect of the governance and administration of the LGPS. The Code covers the following

issues:

- Knowledge and understanding required by pension board members;
- Conflicts of interest and representation;
- Publishing information about schemes;
- Internal controls;
- Scheme record-keeping;
- Maintaining contributions;
- Providing information to members;
- Internal dispute resolution; and
- Reporting breaches of the law.

3.6 Obviously the scope of this piece of work means that a review of how the governance arrangements sit with the Code will consider all of the areas covered by the review and therefore must be the concluding piece of work. This exercise is currently underway and the results of this work will be reported to the Board henceforth.

4. RECOMMENDATIONS

4.1 The Pension Board is asked to note the progress outlined in this report.

5 FINANCIAL CONSIDERATIONS

5.1 There are no further financial considerations flowing from this report.

6. OTHER CONSIDERATIONS

6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

7.1 The Acting Council Solicitor comments that the report details areas in respect of which governance of the Fund could be improved and details where progress has been made to meet these.

(Approved for and on behalf of Jacqueline Harris-Baker , Acting Council Solicitor and Acting Monitoring Officer)

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