

Croydon Council

REPORT TO:	PENSION COMMITTEE 7 June 2016
AGENDA ITEM:	12
SUBJECT:	Governance Review: Local Pensions Board
LEAD OFFICER:	Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 Officer)
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report informs the Pension Committee of the work and progress of the Local Pension Board in undertaking a governance review of the Pension Committee.	
FINANCIAL SUMMARY: Good governance leads to better decisions which should benefit the Council through better investment performance for the Pension Fund.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	
<p>1. RECOMMENDATIONS</p> <p>1.1 The Committee is asked to:</p> <p>1.2 Note the contents of the Governance Review;</p> <p>1.3 Note progress against achieving the goals set out in the action plan;</p> <p>1.4 Request that further progress against this action plan be reported to the Committee in six months.</p>	

If the

2. EXECUTIVE SUMMARY

- 2.1 This report considers the findings of a review of the governance of the Pension Fund commissioned by the Croydon Pension Board.

3. DETAIL

- 3.1 At the first meeting of the Croydon Local Pension Board it was agreed that a priority agenda item should be a review of the Governance arrangements for the Pension Fund. Following an open procurement exercise the review was commissioned from Aon Hewitt.
- 3.2 The results of this review are detailed in Aon Hewitt's report which is attached. 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. 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.
- 3.3 The executive summary from the report is set out below.

Executive Summary

The purpose of this review is to ensure that the London Borough of Croydon, the Administering Authority for the Fund, is meeting its legal requirements in relation to the running of the Fund. In addition, the review highlights areas of good practice in relation to the governance of the Fund and also recommends any potential areas for improvement. The approach taken has been to compare the Administering Authority's current practices (at a high level) against the Aon Hewitt governance framework. The framework considers the following key areas:

Direction – What is the Fund trying to achieve?

- Legislation
- Strategies and Policies
-

Delivery – How does the Fund meet its aims?

- Business Planning
- Performance Monitoring
- Risk Management
-

Decisions – Does the Fund have effective decision making?

- Governance Structure
- Behaviour
- Pensions Skills and Knowledge

Our overall conclusion is that the governance of the Fund is of a good level in many areas, meets legal requirements on the whole, and in some areas the Administering Authority is demonstrating best practice. These include:

- having an administration strategy in place, which is an optional strategy but key to the delivery of services to the Fund's stakeholders;
- having good quality investment monitoring information;
- having clear evidence of appropriate debate and discussion by the Pension Committee when reviewing the investment strategy, and particularly the asset allocation;
- making good use of officers' and advisers' expertise to assist with decision making;
- evidence of good quality training for the Pension Committee;
- evidence of appropriate delegation to officers to allow the Pension Committee to focus on strategic matters.

We also identified some areas which could potentially be improved, and we therefore made some recommendations, including the following:

- 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.

Next steps

We recommend that the Pension Board considers the recommendations set out in this report, and considers what should (and how it should) be fed back to the Pension Committee and officers of the Fund. We further recommend that an action plan is developed in relation to implementing these recommendations, in order that progress can be monitored on an ongoing basis.

3.4 The overall conclusion of the review is that the governance of the Fund is good in many areas, meets legal requirements on the whole and demonstrates best practice in several areas. The review identifies some areas which could potentially be improved.

3.5 Since work on commissioning this review commenced progress has been made against several of these targets.

- A business plan was presented to the Committee for adoption at the March

- meeting (Minute A08/16 refers);
- The Committee, also at its March meeting, noted the current risk register specifically relating to the Pension Fund (Minute A09/16 refers);
- A document detailing the Pensions Committee's terms of reference has been submitted to the Constitutional Review group and adopted by the Council;
- Within that document were specific references to the areas of Conflicts of Interest, Training and Risk Management.

3.6 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 will be undertaken when resources are available to support the exercise.

4. RECOMMENDATIONS

4.1 After discussing the report in detail, the Board suggested three recommendations to the Pensions Committee. These are:

- To commend the report to the Committee;
- Note progress against achieving the goals set out in the action plan;
- Request that further progress against this action plan be reported to the Committee in six months..

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 Council Solicitor comments that there are no direct legal implications arising from this report.

(Approved by: Gabriel MacGregor, Acting Council Solicitor & Acting Monitoring Officer)

CONTACT OFFICER:

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Chief Executives department, ext. 62552.

BACKGROUND DOCUMENTS: None

APPENDIX A: Governance Review, London Borough of
Croydon Pension Fund, Aon Hewitt, March
2016