

Croydon Council

REPORT TO:	Local Pension Board 10 January 2019
SUBJECT:	Review of Key Policy Documents
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The Pension Board functions to support the administration of the Local Government Pension Scheme. One aspect of this support is to consider and update where required the policy documents drafted to ensure good governance arrangements are in place and are observed.	
FINANCIAL SUMMARY: This proposal may have implications for the administration of the Scheme. Poor governance arrangements will result in financial implications for the Council as scheme administrators.	

1. RECOMMENDATIONS

- 1.1 The Board is invited to consider this report by the Pension Committee, in particular whether, as the Pension Committee has invited it to consider, it is appropriate to adopt the review of these policy documents as part of the Board's Forward Plan of work.

2. EXECUTIVE SUMMARY

- 2.1 This report specifies seven policy documents that could be periodically be reviewed by the Pensions Board as part of its forward Business Plan. The Pension Committee have proposed this option as a way of managing workloads more effectively. The Board is asked to consider this invitation.

3 DETAIL

- 3.1 The Local Pensions Board supports the Scheme Administrator (the Executive Director of Resources) and hence the Pensions Committee by considering a number of issues. These include:

- Review of strategy and policy documents such as the Funding Strategy Statement and Investment Strategy Statement;
- Key Performance Indicators;
- Engagement with stakeholders;
- ESG (Ethical, Social and Governance) and voting matters;
- Assessment of the performance of professional advisors;
- Consideration of Myners principles; and
- Matters relating to fees.

- 3.2 Good governance suggests that the administering authority periodically reviews key policy documents to ensure that they remain fit for purpose. When most recently reviewing its business plan the Pensions Committee discussed whether the Pensions Board could review certain policy documents and if appropriate, flag up any areas for revision that the Committee could then deliberate upon. These policies include, but are not limited to:

- Discretion's policy for the Council;
- Cessation Policy;
- Communications Policy;
- Internal Disputes Resolution Policy;
- Reporting Breaches of the Law policy;
- Administration Strategy; and
- Conflicts of Interest Policy (for the Pensions Board).

- 3.3 The Policy Statement of Exercise of Discretionary Powers covers the most frequently used discretionary powers available to the administering authority. These powers are adopted by a meeting of the full Council. The regulations allow for a number of discretions such as whether to waive, on compassionate grounds the actuarial reduction applied to deferred benefits paid early; whether to grant an application for early payment of suspended tier 3 ill health pension on or after age 55 and before age 60; and whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after 55 and before age 60.

- 3.4 The Council's cessation policy refers to the approach taken by the Council when Admission Agreements end, either naturally, at the end of the contract term, or when a breach occurs. This policy is significant because it deals with matters such

as termination valuations which often relate to significant cash sums. The cessation policy is set out in each individual admission agreement.

- 3.5 The Communications Policy sets out the mechanisms which are used to meet the communication needs of the various groups considered stakeholders in the Scheme to make sure that they are kept informed of developments within the Pension Fund. The policy aims to ensure transparency and an effective communication process to help maintain the efficient running of the Scheme.
- 3.6 The Internal Disputes Resolution Policy is a two-stage procedure that operates if disputes cannot be resolved by discussion with the administration team. It refers Scheme members to options beyond this internal mechanism and these comprise the Pensions Advisory Service and the Pensions Ombudsman.
- 3.7 The Reporting Breaches of the Law policy covers the Pensions Committee, Pensions Board and officers of the Council. Identifying and assessing a breach of law is important in reducing risk and providing an early warning of possible malpractice. Those people with a responsibility to report breaches, including Scheme Managers and Board members should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters.
- 3.8 The Administration Strategy is fundamental to the relationship between the Scheme administration and the stakeholders. The delivery of a high quality administration service involves the joint working of a number of different parties. The pension administration strategy statement of the London Borough of Croydon Pension Fund, administered by Croydon Council (the administering authority) was developed following consultation with employers in the Pension Fund. The aim of the strategy statement is to set out the quality and performance standards expected of Borough of Croydon Council in its role of administering authority and scheme employer, as well as all other scheme employers within the London Borough of Croydon Pension Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.
- 3.9 Finally, the Conflicts of Interest Policy (for the Pensions Board). The members of the Pensions Committee are covered by the Council's Conflict of Interest Policy which is a separate document. Ensuring that conflicts of interest are properly managed is a key consideration to make sure that sound governance principles are followed. Whilst members of the Board may be subject to other general legal requirements, when exercising functions as a member of the Board, the Pensions Regulator expects the requirements which specifically apply by virtue of the 2013 Act to be met and the standards of conduct and practice set out in its Code of Practice to be complied with. This Policy sets out how this should happen.
- 3.10 The Pension Committee considered, when it most recently reviewed the Committee Forward Business Plan, whether these items could not be subject to evaluation by the Pensions Board. As the Board operates to support the Scheme Administrator the Committee discussed whether this support could include an appraisal of these policy documents and to flag any areas of concern or matters

that the Committee should focus its attention on which could then be incorporated into the Committee's Business Plan.

- 3.11 The Board is therefore invited by the Pension Committee to consider whether it should adopt this exercise as part of its forward plan of work.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no direct financial implications for this report.

5. OTHER CONSIDERATIONS

- 5.1 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

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BACKGROUND DOCUMENTS:

None