

Croydon Council

REPORT TO:	Pension Committee 11 February 2020
SUBJECT:	Governance Review – London Borough of Croydon Pension Fund Action Plan.
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms a component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: There are no direct financial consequences arising from the report but it does form a component of the governance arrangements for the stewardship of the Pension Fund.	

1. RECOMMENDATION

- 1.1 The Committee are invited to comment on the draft governance action plan and agree to its implementation.
- 1.2 The Committee are invited to review progress on delivering this action plan in 12 months' time.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of a draft action plan which addresses the issues raised by Aon Hewitt's recent Governance Review. It recommends actions which the Committee are invited to endorse.

3. DETAIL

- 3.1 At their meeting on 17 October 2019 the Pension Board were asked to note the review of the Fund's governance arrangements prepared by Aon Hewitt. This report is appended for information (Appendix A, Governance Review, London Borough of Croydon Pension Fund, prepared by Mary Lambe, Senior Public Sector Benefits & Governance Consultant, Aon Hewitt, 30 May 2019). Members of the Board were also asked to note that an action plan to deliver the findings would be developed and presented to the Pension Committee in December 2019

and, subsequently, to the Croydon Local Pension Board. Resourcing issues have resulted in this timetable slipping.

3.2 The Board agreed:

“... to fully endorse the findings of the Governance Review and to invite the Pension Committee to develop and, importantly, fully resource an action plan to comply with the Regulator’s Code of Practice.”

3.3 An action plan has now been drafted and is attached as Appendix B. This plan specifies the practical steps required to address the findings of the review including relevant officers and plotting against the business plans of both the Board and this Committee.

3.4 The Aon report recommends that an action plan is developed in relation to implementing these recommendations, in order that progress can be monitored on an ongoing basis. A clear plan of action is needed in relation to the areas that are not compliant or partially compliant to ensure the Fund can demonstrate its compliance with the requirements of the Regulator’s Code of Practice.

3.5 In summary, the Regulator’s Code of Practice has a checklist comprising eleven areas:

- Reporting Duties
- Knowledge and Understanding
- Conflicts of Interest
- Publishing Information
- Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Contributions
- Providing Information to Members and Others
- Internal Dispute Resolution
- Reporting Breaches
- Scheme Advisory Board Requirements

The Aon report has noted partial compliance in each of these areas barring ‘Reporting Duties’. There are red flags for non-compliance in seven areas and these are discussed in more detail below.

Reporting Duties

3.6 Note the requirements in this section are not included in the Pensions Regulator’s Code of Practice (the TPR Code) but they are a fundamental to the relationship with TPR. All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details. The requirements in this section are not included in the TPR Code but are a requirement for all schemes. The authority’s response is to ensure that a response is in future provided to TPR annual survey request - normally November each year.

Knowledge and Understanding

- 3.7 A member of the pension board must be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. Also the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board. The review looked for an up-to-date list of the Fund specific documents with which pension board members need to be conversant. This is to be added to the training policy document.

Conflicts of Interest

- 3.8 The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied that a person to be appointed as a member of the pension board does not have a conflict of interest and from time to time, that none of the members of the pension board has a conflict of interest. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above. The Review suggests that the Pension Board Conflict Policy be revised and then expanded to cover all of those involved with the management of the Fund (i.e. Pension Committee and senior officers) in a Fund wide Conflicts of Interest Policy. It should also have regard to the work with the London CIV.

Risk and Internal Controls

- 3.9 The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law. The risk register should be updated regularly and be a standing item at the Pensions Committee and Local Pension Board meetings. TPR guidance states that a scheme manager "must establish and operate internal controls". LB of Croydon should ensure it full meets the requirements of this guidance. The Fund has a Forward Plan for both the Pension Committee and Pension Board which sets out their respective annual business plan. Progress against this is reported regularly to the Board and Committee. Croydon Pension Fund use the Altair task management system - everyday tasks on task list are allocated, and it can monitor all tasks on the team to prioritise and allocate to other members on team if task overdue. Note that the Fund directly pays pensioners.

Internal Dispute Resolution

- 3.10 The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme. The Act states that a person has an interest in the scheme if they are a member or beneficiary; are a prospective member; have ceased to be a member, beneficiary or prospective member or claim to be any of the above and the dispute relates to this claim. The Act also states that the procedure must include how an application is to be made, what must be included in an application, how decisions are to be reached and notified and a specified period (which is reasonable) within which applications must be made. The procedure may require people with an

interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these. The review identified that it was not clear whether the Administering Authority's process highlight or consider whether a dispute is exempt.

Reporting Breaches

- 3.11 Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that: a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. People who are subject to the reporting requirement ('reporters') for public service pension schemes are scheme managers; members of pension boards; any person who is otherwise involved in the administration of a public service pension scheme; any participating employer who becomes aware of a breach. The report must be made in writing as soon as reasonably practicable. The review was concerned as to whether breaches were being recorded in accordance with the agreed procedures.

Scheme Advisory Board Requirements

- 3.12 Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme. Issues flagged as matters of concern include: members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan; the Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them; and a Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.

Governance Action Plan Recommendations

- 3.13 The review recommended that it was not appropriate for reports to go out in the name of a Cabinet Member as the Pension Committee is a non-Executive Committee. This finding is not accepted as this practice is Council policy. Other responses are detailed in the action plan attached as Appendix B and this includes a timetable for addressing each specific finding.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations arising from 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

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that GDPR will be further considered and that other than this, there are no additional legal implications from this report.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of Sean Murphy Director of Law and Monitoring Officer.

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

APPENDICES

Appendix A – Governance Review, London Borough of Croydon Pension Fund,
prepared by Mary Lambe, Senior Public Sector Benefits & Governance Consultant,
Aon Hewitt, 30 May 2019

Appendix B - London Borough of Croydon – Governance Action Plan