

Croydon Council

REPORT TO:	Local Pension Board 11 January 2018
SUBJECT:	Governance Review
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 informs the Pension Board of the work and progress since the publication in June 2016 of the governance review of the work 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	

1 RECOMMENDATIONS

- 1.1 The Board is asked to note the contents of this report.

2 EXECUTIVE SUMMARY

- 2.1 This report provides the Board with a survey of work undertaken in reviewing the governance arrangements for the Pension Committee.

3 DETAIL

- 3.1 At the first meeting of the Croydon Local Pension Board (21st April 2016), it was agreed that a priority agenda item should be a review of the Governance arrangements for the Pension Fund. The review was conducted by Aon Hewitt.
- 3.2 The results of this review were detailed in Aon Hewitt's report which is attached for information, as an appendix to this report. 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

3.4 *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*

3.5 *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.*

3.6 *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.*

3.7 Progress has been made against achieving these targets. These next paragraphs detail this work.

3.8 A business plan for the work of the Pension Committee was adopted at the March meeting (Minute A08/16 refers) and has been periodically review on a semi-annual basis (Minutes A37/16 and A5/17 refer also 5 December 2017 agenda). At that same meeting, (Minute A09/16 refers), the Committee, noted the entries in the current risk register that specifically relate to the Pension Fund and again, have reviewed the register twice a year since (Minutes A37/16 and A6/17 refer and also 5 December 2017 agenda). A document detailing the Pensions Committee's terms of reference has been submitted to the Constitutional Review group and adopted by the Council.

3.9 In addition the Pension Committee has updated key strategy documents, adopting:

- Communications Strategy, revised 7 June 2016 and reviewed 20 June 2017;
- Pensions Governance Policy and Compliance Statement adopted 7 March 2017;
- Administration Strategy revised 20 June 2017;
- Training Policy revised 20 June 2017; and
- Risk Management Policy adopted 5 December 2017.

3.10 Finally, the Pension Board Chair has attended meetings of the Pension Committee, both as an observer and to report back on the work of the Board. The Pension Committee has addressed a perceived deficit in representation by giving the co-opted pensioner representatives a vote on Committee decisions. The Committee and this Board have also received reports on key performance indicators for the administration function.

3.11 The one outstanding item from the review is to undertake 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. The Pension Committee, at its meeting of 5 December 2017, mandated the Executive Director of Resources (Section 151 Officer) to commission a review of the Fund's practices against The Pension Regulator's Code. The results of this review will be reported once completed.

4 CONSULTATION

4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

- 5.1 Poor governance inevitably impacts of the investment performance for the Pension Fund which, in turn, impacts on the contributions required from Scheme Employers, including the Council. Steady, stable levels of returns are essential to avoid excessive costs to the finances of the Council.

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 7.1 This report does not contain any information which will not be made publically available by being published on the Council's Pension Fund website.

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Appendices

APPENDIX A: Governance Review, London Borough of Croydon
Pension Fund