

# Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee 5 December 2017</b>
<b>SUBJECT:</b>	<b>Adoption of the Risk Management Policy</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: This report recommends that the Pension Committee formalises the arrangements relating to risk management by adopting a risk management policy.	
<b>FINANCIAL SUMMARY:</b> Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

## 1. RECOMMENDATIONS

- 1.1 The Committee is asked to adopt this policy.
- 1.2 The Committee directs the Executive Director of Resources (Section 151 Officer) to commission a review of the Fund's practices against The Pension Regulator's Code of Practice Number 14 - Governance and administration of public service pension schemes.

## 2. EXECUTIVE SUMMARY

- 2.1 This report deals with the background to the requirement for the Pension Committee to adopt a Risk Management Policy. Adoption of this policy ensures that governance arrangements are in line with best practice and compliant with the requirements of the Pensions Regulator.

## 3. DETAIL

- 3.1 The Croydon Pension Board 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 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 The Fund Business Plan and Risk Register are considered by reports elsewhere on this agenda. The Committee's Terms of Reference, Conflicts of Interest policy and Training policy have been the subject of review by this Committee. A review of compliance against the Pension Regulator's Code of Practice should be undertaken by an independent and qualified party by the end of March, 2018.

3.4 This report considers the Risk Management Policy which is attached. The Risk Management Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

3.5 By adopting this policy Croydon Council, the Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

3.6 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee. However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

3.7 This policy will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

#### **4 FINANCIAL CONSIDERATIONS**

4.1 There are no further financial considerations flowing 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 Solicitor to the Council comments the Council is an Administering Authority under the Local Government Pension Scheme Regulations 2013 (the Regulations) for the London Borough of Croydon's Pension Fund.

6.2 The Pension Committee act as Trustee of the Pension Fund and is responsible for (1) ensuring that the Pension Fund is properly operated in accordance with the Regulations and all other relevant legislation and best practice as advised by the Pensions Regulator (2) adopting Fund specific policies concerning the administration of the Pension Fund and (3) discharging its fiduciary responsibility in the best interest of the Pension Fund.

6.3 The proposed Risk Management Policy details the risk management strategy for the Pension fund and will assist the Committee with its statutory responsibilities.

6.4 When exercising its functions in relation to the Pension Fund the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the Public Sector Equality Duty).

**Approved by:** Sandra Herbert Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker the Director of Law and Monitoring Officer.

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**CONTACT OFFICER:**

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**BACKGROUND DOCUMENTS:**

None

**Appendix**

Appendix A: Risk Management Policy