



LOCAL PENSION COMMITTEE – 27 NOVEMBER 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

GOVERNANCE REVIEW

Purpose of the Report

1. The purpose of this report is to seek the Committee's views on the independent governance review of the Leicestershire Pension Fund.

Background

2. Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation, as defined under the Public Service Pensions Act 2013, to administer a Pension Fund for eligible employees of all Local Authorities within the County boundary and also the employees of certain other scheduled and admitted bodies. In accordance with Section 101 of the Local Government Act 1972 the County Council has delegated the responsibility for decisions relating to investment of the Fund's assets to the Local Pension Committee. The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.

Governance Review

3. A high-level governance review of the Leicestershire County Council Pension Fund was undertaken by the Fund's Independent Adviser Clare Scott to consider the Fund's performance in relation to regulatory requirements in respect of the LGPS, the expectations of the Pensions Regulator and the emerging themes from the Scheme Advisory Board's Good Governance Review.
4. In relation to the Committee it is worth highlighting the following recommendations:

- Committee Terms of Reference should be updated – to be considered as part of a separate agenda item.

Rename the Local Pension Committee – It is proposed that 'Local' is dropped from the Committee's title to avoid confusion with the Local Pension Board. This would need to be approved as part of the County Council's constitution review if the Committee is supportive.

- General Administration of the Fund - The Local Pension Board receives regular updates on administration of the Fund, in its role it can escalate any concerns it may have to the Committee. To strengthen this, it is proposed that the Committee also receive updates on administration matters and approve

any related Administration and Communication strategies, following consultation with the Board.

- Investment Governance – An investment review will consider the way the Fund and the Committee oversees its investments to ensure the appropriate level of scrutiny and effective use of governance time is undertaken.
- That An open invitation be issued to the Chairman of the Board to the Local Pension Committee and the Chairman of the Committee to the Local Pension Board – With the Committee's consent officers will extend the invitation for each Chairman to the others meeting, this would only be for observation, not to take part actively and include observation of any exempt items.

5. Recommendations highlighted in Appendix A are set out below alongside officers' responses.

Recommendation	Priority	Anticipate d Ease of Implemen tation	Fund response
Governance Structure			
Committee Terms of Reference should be updated	High	Medium	The Committee's Terms of Reference is under review and will be taken to its meeting in November.
Ensure the Fund's accounts and audits are routinely considered by the Local Pensions Committee to ensure it has visibility of all the issues facing the Fund	High	Medium	External Audit report and statutory accounts to be bought to Committee in November 20 Internal Audit to utilise the quarterly risk report to highlight relevant items
Document who makes decisions in relation to LGPS Central, who represents the Council at the Joint Committee of LGPS Central and which Committee should receive updates on the company	High	Low	Included within the Committee's draft revised Terms of Reference
Rename the 'Local Pensions Committee' the 'Pensions Committee'	Low	Low	To be picked up as part of the County Council's Constitution Review.
Local Pension Board			
Ensure clarity of the responsibility of the Local Pensions Board in the Governance Compliance Statement (GCS) and the Administration and Communications Policy	High	Low	The Committee's ToR update clarifies its responsibility to approve relevant Fund policies such as the Administration and Communications Policy, while taking account of any comments or recommendations of the Board. The role of the Board will also be clarified within the GCS.
Pensions Committee to approve the Administration and Communications Strategy	Medium	Low	This policy will be approved by the Committee in line with a policy update schedule officers will develop.
Pensions Committee to oversee pension administration performance	Medium	Low	Proposal to bring to Committee a report (frequency tbc) re admin performance. The Board receives quarterly pension

			administration performance and can recommend reports to the Committee on any areas of concerns.
Local Pension Board collectively produces an Annual Report	Medium	Low	Annual report to be taken to the Fund AGM.
Local Pension Board considers how it ensures the right balance of skills and experience, and reviews its effectiveness on an ongoing basis	Low	Medium	The Board to consider improvements to the current knowledge base as part of the skills assessment.
Investments			
Review the way the Fund oversees its investments to ensure the appropriate level of scrutiny and an effective use of governance time	High	Medium/High	Officers develop an annual workplan for Committee and Investment Sub Committee for presentation at the January 2021 committee meeting
Add longer-term performance and net new money to external investment performance reporting	Medium	Medium	Officers are in discussion with the Fund's external provider and expect to include this within any improvements
Scheme Advisory Board – Good Governance Review			
Appointment of the 'LGPS Senior Officer' (when details of new requirement are available)	High	TBC	The Director of Corporate Resources, as Section 151 officer, currently undertakes this role. Will review if the guidance from the Scheme Advisory Bboard is different to expected.
The relevant areas of the Council should be aware of the need to consider policies relevant to the needs of the pension fund and should not simply apply general Council staffing policies to the pension function	High	Medium	The Fund's budget is approved by the Local Pension Committee and thus not restricted by any savings required in the County Council's budget. Changes in staffing policies are considered by the corporate Resources Management team, which included the LGPS Senior Officer
Operational Matters			
Agenda planning document	Medium	Low	Review of current officers internal planning document to include other scheduled matters including policy updates
Introduce to the Committee's business: <ul style="list-style-type: none"> - Progress on business plan - Annual ISS review - Pension administration performance - Employer changes and risk management - Service and cost Benchmarking Local Pension Board's Annual Report.	Low Medium Medium High Medium Medium	Low Low Low Medium Potentially High Low	Officer review and proposals as part of the workplan proposed above.
Introduce an open invitation for the chair	Low	Low	Will propose to chair and vice chair

of the Committee to observe the Board's meetings			where appropriate. Currently they receive the agenda alert for each meeting.
Introduce an open invitation for the chair of the Board to observe the Committee's meetings	Low	Low	Will propose to chair and vice chair where appropriate Currently they receive the agenda alert for each meeting.

6. The Board considered the Governance Review at its meeting on 26 October 2020 which it supported and proposed that an update would be given on progress made towards each recommendation which would be presented to the Board and Committee.
7. Following consideration by the Board further discussions were held with the Fund's Independent Advisor pertaining to additional proposals regarding the Conflicts of Interest Policy and Training. It is proposed that consideration will first be given to the ongoing recommendations and guidance expected as part of the Good Governance Review in relation to conflicts. In the meantime, Committee and Board Members must adhere to Leicestershire County Council's Code of Conduct which will be circulated periodically.
8. It is also proposed that a review of the Fund's current training policy is undertaken, this will be aided by the Committee's completion of knowledge assessment questionnaires following this meeting. Officers will subsequently look at putting in place customised training plans for individual members.

Recommendation

That the Committee supports the recommendations set out as part of the Governance Review.

Equality and Human Rights Implications

None.

Appendix

Governance Review of the Fund

Background Papers

Good Governance in the LGPS – Phase II report from Working Groups to the Scheme Advisory Board

https://www.hymans.co.uk/media/uploads/Hymans_Robertson_Good_governance_in_the_LGPS_Phase_II.pdf

Pension Fund Management Board – Proposed Changes to Governance Arrangements 19 May 2010 County Council

<http://politics.leics.gov.uk/ieListDocuments.aspx?CIId=134&MID=2562#AI25260>

Officers to Contact

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