



**LOCAL PENSION BOARD - 24 MAY 2021**  
**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**  
**GOOD GOVERNANCE PHASE 3 – PROGRESS REPORT**

**Purpose of the Report**

1. The purpose of the report is to advise the Board of the proposed changes to Pension Fund governance as described in the latest 'Good Governance' report and the progress made in implementing these changes.

**Background**

2. Following on from the production of the Good Governance report to the national Scheme Advisory Board (SAB) on 8<sup>th</sup> July 2019, which was taken to the Board on 16<sup>th</sup> September 2019, the SAB agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the Good Governance project.
3. The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.
4. The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.
5. A report, 'Good Governance in the LGPS Phase 2' was prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework. This was presented to the Board on 10<sup>th</sup> August 2020.

**Current Position**

6. A further, final report, '[Good Governance: Phase 3 report to SAB](#)' has now been produced. The current position regarding the action taken to date by

officers in respect of the proposals in the report can be found in Appendix One and updates the position that was presented to the Board on 10<sup>th</sup> August 2020. Once actions are completed in respect of the requirements, regular reviews will be scheduled in as appropriate.

7. The Phase 3 report largely expands on Phase 2, providing more detail around the initial proposals, though the proposal in section E5 that suggested consideration should be given to the utilisation of pay and recruitment policies relevant to the needs of the pension function, has been removed.
8. Section E3 now includes a proposed list of Key Performance Indicators (KPIs) covering both administration and governance areas. The current position regarding the action taken to date by officers in respect of the proposals can be found in Appendix Two.
9. SAB has now approved all the proposals in the report and made recommendations to MHCLG to take these forward. They have also produced an action plan, that lists the next steps in respect of the implementation of each of the governance areas. This is provided in Appendix Three, but in essence they are:
  - SAB to meet with MHCLG to discuss the recommendations;
  - MHCLG to produce the statutory guidance, establish the new governance framework and implement the proposals;
  - Relevant bodies such as CIPFA to begin work on the aspects of guidance relevant to them.
10. Once the statutory guidance is published, it is likely that the expectations will increase from current standards and there will be areas, currently fully compliant where further strengthening will be required.

### **Recommendation**

It is recommended the Board notes all areas of the report.

### **Equality and Human Rights Implications**

None specific

### **Appendices**

Appendix One – Current position regarding implementation of proposals

Appendix Two – Current position regarding implementation of proposed KPIs

Appendix Three – Good Governance Phase Three Report

Appendix Four – Scheme Advisory Board Action Plan

### **Background Papers**

Local Pension Board 16 September 2019 – Pension Fund Administration – Current Developments

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=5810&Ver=4>

Local Pension Board 10 August 2020 Good Governance Phase 2 – Progress Report

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=6203&Ver=4>

Local Pension Committee 26 February 2021 – Pension Fund Budget and Business Plan 2021/22

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6523&Ver=4>

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