

Governance Overview

Prepared for

London Borough of Croydon Pension Fund

Prepared by

Aon Hewitt

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Risk. Reinsurance. Human Resources.

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Governance Overview

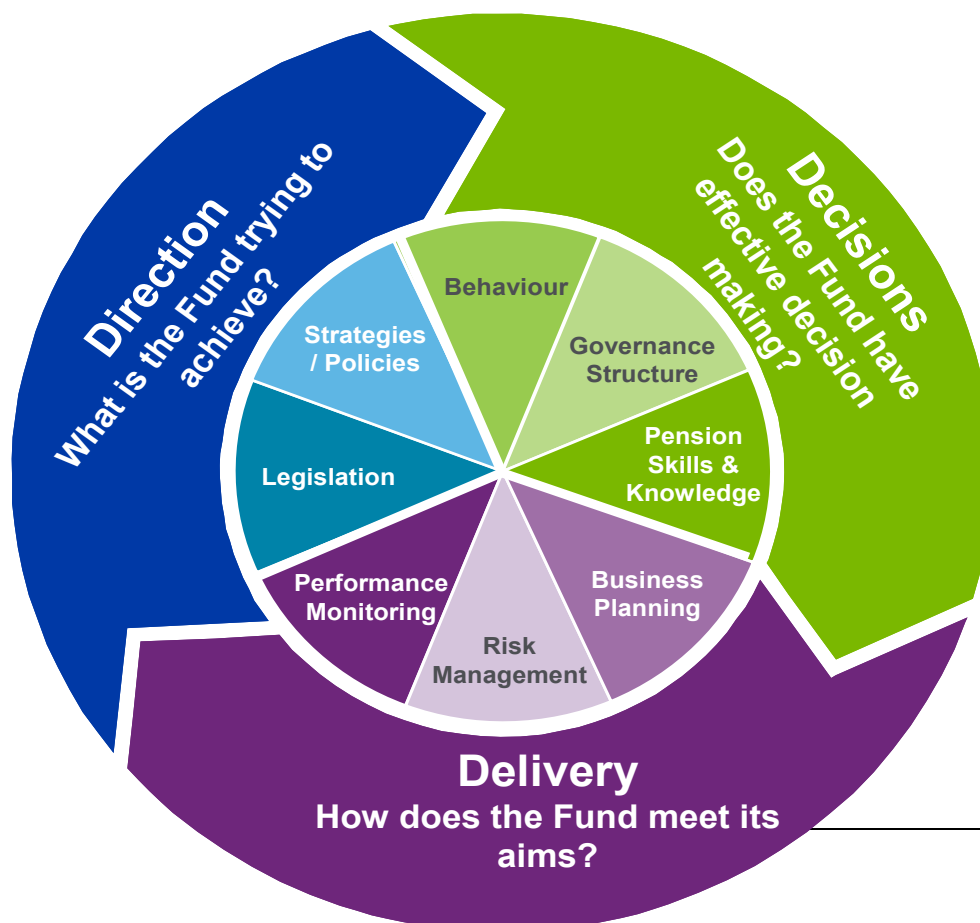
The key benefits from effective governance include the following:

- Robust risk management, which can assist in avoiding problems arising or at least reducing their impact
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view for the Pension Committee of how the Fund operates and is being managed.

At Aon Hewitt, our beliefs on achieving good governance can be categorised as follows:

- Direction – having clear strategies and policies that also meet legislative requirements are fundamental
- Delivery – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management are critical to ensure effective and efficient delivery
- Decisions – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge are key.

These beliefs are shown in the following diagram and described in more detail below. Use of this framework can help ensure decision-making is put into context for the Pensions Committee.



Legislation	<p>The Fund's strategies and policies should be in line with legislative requirements and any related statutory or other guidance. These include, but are not limited to:</p> <ul style="list-style-type: none">▪ The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009▪ The Local Government Pension Scheme Regulations 2013▪ The LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014▪ CIPFA guidance such as the Pensions Finance Knowledge and Skills Framework, Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012 and Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012.
Strategies and policies	<p>The Fund's strategies and policies should provide the aims, principles, protocols and environment for how the Fund is managed. The strategies and policies:</p> <ul style="list-style-type: none">▪ should be wide ranging covering all key areas including funding, investments, administration, communications and governance itself▪ should be clearly articulated, to provide a framework within which those managing the Fund are able to operate▪ should provide the focus for all future decisions and plans▪ should be agreed by those responsible for governing the Fund.
Governance structure	<p>There is no one 'correct' governance structure. The Administering Authority's structure should:</p> <ul style="list-style-type: none">▪ have clear terms of reference▪ have a clearly documented scheme of delegation▪ allow decision making at the appropriate level▪ allow quick decision making where appropriate▪ include well presented information/reports▪ allow sufficient time for discussion where necessary▪ have good quality (committee) administration (e.g. issuing papers in good time)▪ include a process for managing conflicts▪ provide transparency to stakeholders where appropriate.

Behaviour	<p>A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:</p> <ul style="list-style-type: none">▪ have a high level of attendance at meetings▪ demonstrate integrity in relation to their Fund role▪ be engaged and provide appropriate challenge to advisers▪ be accountable for the decisions made▪ highlight any potential conflicts they may have▪ prepare adequately for meetings. <p>In addition, the Chairperson should manage the meetings fairly without any bias to individuals or self</p>
Pension Skills and knowledge	<p>A critical element is the need for those managing the Fund to have the appropriate level of knowledge and skills. Administering Authorities should:</p> <ul style="list-style-type: none">▪ clearly articulate the knowledge and skills requirements in a Fund policy▪ provide ongoing training in an effective and suitable manner to meet those requirements▪ regularly review whether knowledge aspirations are being met▪ ensure they rely appropriately on officers and advisers to provide expert knowledge and advice.
Business Planning	<p>The Fund should have a business plan, setting out required activities in the period to which the plan related. Those activities:</p> <ul style="list-style-type: none">▪ should be driven by the Fund's strategies and policies▪ must include activities driven by changes in overriding legislation.
Performance Measurement	<p>Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:</p> <ul style="list-style-type: none">▪ illustrate whether or not the Fund's aims are being achieved▪ illustrate whether or not the Fund's business plan is being achieved▪ be updated in accordance with appropriate timescales▪ be presented in a manner that is easy to follow and understandable to those governing the Fund▪ assist in identifying changes to the Fund's business plan, strategies, policies and aims.

Risk Management

Effective risk management is critical to minimise the impact and/or probability of unfortunate events and to maximise the realisation of opportunities. It should be:

- aligned with the Fund's aims
- a key consideration in decision making
- systematic or structured
- an integral part of the Administering Authority's processes and procedures on a daily basis.

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