

Croydon Council

REPORT TO:	PENSION COMMITTEE 10 March 2015
AGENDA ITEM:	9
SUBJECT:	Governance of the Pension Fund
LEAD OFFICER:	Richard Simpson, Director of Finance and Assets (Section 151 Officer)
CABINET MEMBER	This is an Officer report
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: the establishment of a Local Pension Board represents a significant step towards improving the governance of the Local Government Pension Scheme.	
FINANCIAL SUMMARY:	
The report is for information only in relation to the governance of the fund	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note this report.

If the

2. EXECUTIVE SUMMARY

- 2.1 This report is in response to serious concerns raised by Councillor Hopley at Full Council on Monday 23rd February 2015 as part of the Council tax debate. Councillor Hopley set out what she believed were serious failings in governance. Given my role as Section 151 officer this report is my response to the points made and sets out again the governance framework that this committee operates within.

3. DETAIL

- 3.1 There are a number of indicators as to the health and effectiveness of the governance arrangements in place for the Pensions Committee. These range from the specific, such as the spot checks undertaken by the Fund's auditors, to the high level, covered by the Myners Principles. The six Myners Principles were drafted to guide the work of elected Members charged with stewardship of the Pension Fund. The Committee assesses the extent to which these have been observed and reports this in the Fund's Annual Report. The Principles cover: effective decision making; clarity of objectives; risks and liabilities; performance assessment; responsible ownership; and transparency and reporting.
- 3.2 In addition to this self-evaluation three years ago steps were taken to further support the Committee to measure progress towards the long-term overall goal of being fully funded by splitting out the professional advice provided by investment advisors and the Scheme's Actuary. These functions are provided by two, separate, independent, regulated, professional firms. This has the twin effect of providing the widest range of advice and also a challenge, check and control function. This represents an ideal balance between complementary sources of professional advice and consultancy and over-complexity and conflicting voices. By delivering this support through the Croydon Framework costs are effectively controlled and bench-marked and at the same time the Committee is assured access to the principal industry advisors.
- 3.3 At the more detailed level the Committee is provided with the assurance that processes are robust, compliant with the Regulations and that there is no fraudulent activity, from both internal and external auditors.
- 3.4 On a quarterly basis the Committee monitors the key metrics for performance of the Fund towards the long-term goal of closing the gap between Fund value and forecast liabilities. These metrics relate not only to the performance of asset classes but also risk measures. Officers, third-party independent consultants and investment advisors also monitor adherence to investment strategies and styles.
- 3.5 From April 2015 the Pensions Regulator will have a role in regulating all public sector schemes including the LGPS. In addition the Local Pension Board will assist in ensuring compliance with the good practices described above.
- 3.6 In response to the issues raised at full council these are covered in turn below;

Ending of contract of advisor

- 3.7 The decision to end the contract of Valentine Furness has been discussed at Committee on at least two occasions. It is common practice for a new Chair and Vice Chair to review the arrangements for support to the committee and its meetings. This appointment of Valentine Furness was a corporate appointment by the Council and the advice from officers was that the arrangement should

be reviewed as the committee was approaching a major review of asset allocation (which is still underway). Throughout that review the committee have received advice and training from a number of sources to help shape the final decisions, in addition to the ongoing support detailed in Section 3.2. The professional advice to the committee is comprehensive and robust but will obviously be kept under continuous review as the fund continues to develop

Ending of Co-opted member term

- 3.8 The decision to bring co-optees onto the committee has in the past been made by the Chair and Vice Chair. On the election of a new Chair and Vice Chair the support was reviewed and Mike Brakes's role was not renewed. This is entirely in keeping with previous practise and raises no concerns about governance. The process for co-optees to the Pension Committee has also been clarified by the report to the General Purposes and Audit Committee on the 17th September 2014.

Decision to invest in Legal and General

- 3.9 As with any major change to the Fund the proposal to change equity managers was brought to the Committee on the 8th July 2014. The report contained full legal and financial comments to support the decision and it was the culmination of discussions by the Committee for about a year. The decision was voted upon and taken by Committee. Whilst there may be differing views on the passive or active manager decision it is clear the decision was made in the appropriate way.

Fund Manager Visits

- 3.10 Meetings with Fund Managers remain an important tool for the fund to manage our assets. This is principally a role for officers but it is also key that committee members are engaged as part of their continuous development. A paper was brought to the Committee in September 2014 part of which noted future fund manager visits and attempted to formalise a process so that all Members of the committee have the opportunity to visit fund managers. The proposal was for attendance by the Chair and Vice Chair, one member of the minority group and also one of the co-optees. The previous arrangement prior to May 2014 was less formal, dates would be agreed with the chair and vice chair and then circulated to the rest of the committee on some occasions and often quite close to the actual date of visit. There were some visits that were not available to all the committee such as trips to Scotland. My view is both methods are reasonable and meet the requirements of the fund in governance terms. Following further discussions the Chair has agreed that all visits will be open to all members of the committee. However, this may need to be reviewed as where more detailed discussions need to take place or procurement is being considered it may not be the most effective forum for the fund to have the whole committee present.

Budget Impact 2015/16

- 3.11 The council's budget includes growth of just over £900k for 2015/16. This is as a direct result of the Actuarial Valuation completed as at 31st March 2014 that led to a 1% increase in the council's contribution rate for 2015/16 and a further 1% for 2016/17. Those changes were fixed when the last valuation was signed off. It is vitally important to work towards the best possible valuation in March 2016.

4 CONCLUSIONS

- 4.1 Governance of the Pension Fund is hugely important and it is very much appreciated that all members of the committee are here to help the Fund achieve its objectives. As the officer responsible for ensuring that governance remains robust I am clear that the arrangements we have in place are sufficient.

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 5.1 The Council Solicitor comments that the role of the section 151 Officer pursuant to the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements. The arrangements as set out in this report meet those requirements.

Approved by: Julie Belvir the Council Solicitor & Director of Democratic & Legal Services

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BACKGROUND DOCUMENTS:

