

REPORT TO:	Pension Committee 16 March 2021
SUBJECT:	Matters Arising from Governance Review Concerning the Governance Policy and Compliance Statement
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: Ensuring that the management of the Pension Fund (“The Fund”) is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL IMPACT: There are no direct financial implications associated with this report. However, the governance of the Fund can have significant financial consequences for the Fund and, indirectly, for the Council’s Revenue Account.	

1. RECOMMENDATION
1.1 The Committee are invited to note this report.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of action taken or being taken in respect of the recommendations on specific aspects of the Fund’s governance made by Aon Hewitt in their Governance Review received by the Committee on 11 February 2020.

3 DETAIL

Background

- 3.1 On 11 February 2020 the Committee received the final version of the Governance Review commissioned from Aon Hewitt and agreed to the implementation of the action plan attached to it (Minute 14/20 refers.)
- 3.2 This report deals with the recommendations concerning the Governance Policy and Compliance Statement.
- 3.3 During the finalisation of the Review an updated version of the Statement was agreed by the Committee on 17 September 2019. This dealt with the matters raised by Aon Hewitt specifically in connection with the Statement (Reference 1.4 of action plan).
- 3.4 However, in addition to the matters raised specifically in relation to the Statement Aon Hewitt raised further “linked” matters included in the action plan as references 10.1, 10.2 and 10.3. These matters are dealt with below.

Reference 10.1 Governance Structure – Functions of the Pensions Board

3.5 As reported by Aon Hewitt, in the Council's Constitution Part 3 (Responsibility for Functions) Section 2.7 states the responsibilities of the Pension Board to be:
The Board secures the effective and efficient governance and administration of the Croydon Council Pension Fund.

3.6 However, again as reported in the Review, Regulation 106 of The Local Government Pension Scheme Regulations 2013 states as follows:

*(1) Each **administering authority** shall no later than 1st April 2015 establish a pension board ("a **local pension board**") responsible for assisting it-*

a) to secure compliance with-

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

*(iii) any requirements imposed by the **Pensions Regulator** in relation to the Scheme and any connected scheme; and*

b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

3.7 There is clearly a difference in meaning between the two statements and the Committee are asked to note that at the next review of the Constitution the Council will be asked to agree that the current responsibilities be deleted and replaced by:

The Pension Board is responsible for assisting the Council as Administering Authority for the Local Government Pension Scheme:

(a) to secure compliance with-

(i) The Local Government Pension Scheme Regulations 2013,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by The Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

3.8 The role of the Pension Board is dealt with more fully in Part 4.M, paragraph 3.1 of the Constitution. At the next review of the Constitution the Council will be asked also to agree that this paragraph be updated to reference the wording of the regulations rather than the wording of the primary statute as is currently the case.

Reference 10.2 Governance Structure – Scheme of Delegation

- 3.9 Aon Hewitt recommend that the Council:
Consider officer delegations (within Constitution and more generally) and ensure they are clearly documented.
- 3.10 Section 3 of Part 4.N of the Constitution dealing with the Pension Committee Terms of Reference was included as follows:

3. Delegations

1. Unless otherwise reserved for this Committee or Full Council by law or the Constitution, this Committee hereby delegates all Fund matters to the Executive Director Resources (Section 151 Officer). As appropriate the Executive Director Resources (Section 151 Officer) will delegate aspects of the role to other officers of the Council including the Head of Pensions and Treasury, and to professional advisors within the scope of the Regulations.

Reference 10.3 Governance Structure – London CIV

- 3.11. In their Review Aon Hewitt allocate the whole of Section 5 to “How Governance has evolved with the introduction of the London CIV.”.
- 3.12 In the agreed action plan Aon Hewitt recommend that the Council:
Update Constitution as required to reflect new London CIV governance arrangements.
- 3.13 The Council, along with all other London boroughs, is an equal shareholder of the London CIV. Its rights are exercised through a Shareholder Committee which, according to its Terms of Reference, is made up as follows:
The Committee will be comprised of 12 members from London Local Authorities made up of eight leaders (or Pension Chairs or equivalent) and four Treasurers, plus the Chair of the Board (the “Members”). The members of the Committee will be agreed by the Shareholders acting collectively and nominated for appointment by the collective political processes of the London Councils or in the case of the Treasurers by the Society of London Treasurers.
- 3.14 At the next review of the Constitution officers will consider how these arrangements can be incorporated and any outdated references removed and recommend to the Council accordingly.
- 3.15 It has also been agreed in the Action Plan that the Fund will:
Review information sharing with and from the London CIV and its governance bodies to ensure appropriate information is being provided to the officers, Pension Committee and Pension Board and there is appropriate engagement. Ensure that the new client engagement approach to be provided by the London CIV is agreed and put in place.
- 3.16 The CIV is currently actively engaging with shareholders as to the information required and the format in which it is presented. When arrangements are put in place the Committee will be advised and the level of involvement they wish to have will be agreed.

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Chris Buss, Interim Director of Finance, Investment and Risk, S151 Officer

5. LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters.
- 5.2 Section 5 of the Public Service Pensions Act 2013 (“the Act”) provides as follows:
- (1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.
 - (2) Those matters are—
 - (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
 - (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
 - (c) such other matters as the scheme regulations may specify.
- 5.3 The Local Government Pension Scheme Regulations 2013 (as amended) provide, in regulation 106, as follows relation to Pension Boards:
- (1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—
 - (a) to secure compliance with—
 - (i) these Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme², and
 - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
 - (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.
- 5.4 Amendments to the Constitution as detailed within the report are a matters reserved to Full Council.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Interim Director of Law and Governance.

6. HUMAN RESOURCES IMPACT

- 6.1 The Director of Human Resources comments that this report contains only information which can be publically disclosed.

Approved by: Sue Moorman, Director of Human Resources

7. OTHER CONSIDERATIONS

- 7.1 There are no Equalities, Environmental, Crime and Disorder Reduction considerations arising from this report

8 DATA PROTECTION IMPLICATIONS

- 8.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Chris Buss, Acting Section 151 Officer

CONTACT OFFICER:

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APPENDICES:

None.

BACKGROUND DOCUMENTS:

None.