



LOCAL PENSION BOARD - 3 FEBRUARY 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

GOOD GOVERNANCE IN THE LOCAL GOVERNMENT PENSION SCHEME

Purpose of the Report

1. The purpose of this report is to inform the Board of the Good Governance in the LGPS Phase Two report.

Background

2. The Good Governance Project was previously known as the separation project and has been split into two phases.

Phase One

3. In 2015, the Scheme Advisory Board (SAB) commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of LGPS administering authorities from their host authorities. SAB's concern was to ensure there is no conflict of interest between the administering authority and the interest of the pension fund.
4. Earlier in 2019 the SAB commissioned Hymans Robertson was set up to see how the recommendations that emerged from the exercise undertaken in 2015, could be made to work in practice. This project became known as the Good Governance Project.
5. On the 31 July 2019 the Good Governance report was published and was presented to the Local Pension Board at its meeting on the 16 September 2019. The report included comments from a wide variety of interested parties covering, Pension Fund Officers, 151 Officers and Trade Unions.
6. The report covered four possible models to improve governance in the LGPS. **Model 2** was the favored option from the engagement activity and set out the model for greater ring-fencing of the LGPS within existing structures Greater separation of pension fund management from the host authority, including budgets, resourcing and pay policies.

This model aligns with the views of Leicestershire Fund Officers.

Phase Two

7. The SAB has considered the results of phase one and in November 2019 produced the Phase two report.
8. Whilst the findings in the report are not confirmed it does include several recommendations. These include proposals on how to implement the suggested requirements needed for model 2 detailing what Funds should do, and the framework required.
9. The phase two report is attached as Appendix A.

There are six separate areas identified in the report. Rather than repeat the information in the report, please refer to page 12 of Appendix A.

The six areas are;

- General
 - Conflicts of Interest
 - Representation
 - Knowledge and Understanding
 - Service Delivery for the LGPS function
 - Compliance and Improvement
10. Included in the section General - each administering authority must have a single named officer responsible for the delivery of all LGPS related activity (the LGPS senior officer). Mr Chris Tambini – Director of Resources, Leicestershire County Council is the Leicestershire Fund's LGPS senior officer.
 11. Following the publication of the Phase Two report, Officers have met with a Hymans colleague involved in the project. Officers understand there will be national working groups taking place in 2020 to assist Fund administrators manage these governance recommendations.
 12. Prior to the publication of the Phase two report, The Pensions Manager was already looking at a revised structure for the Pension Section in 2020. Following the report greater emphasis in Governance, compliance and risk will be considered and incorporated in the final structure.

Should the recommendations in the Phase Two report be implemented, two main areas of change that the Pension Section will need to meet under Governance are;

- Annually the Pension Section will need to publish the Fund's governance compliance statement.

- Every two years an independent governance review will be carried out. It is expected the results will go to the Scheme Advisory Board (SAB) for review.
13. It is not expected that there will be issues with the Leicestershire Fund's governance compliance, but if there is, these may be escalated to the Pensions Regulator.
 14. Officers are working with Hymans on a template governance compliance statement to start working through the recommendations.
 15. Once a final recommendation is received from the SAB, The Board will receive an update.

Recommendation

It is recommended that the Board notes The Good Governance in the LGPS – Phase Two report.

Appendix

The Good Governance in the LGPS – Phase Two.

Equality and Human Rights Implications

None specific

Background Papers

The Local Pension Board 16 September 2019 – Current Developments

<http://politics.leics.gov.uk/documents/s148068/Pension%20Board%20-%20Current%20Developments%20-%20Good%20Governance%20September%202019%20V1.pdf>

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