



LOCAL PENSION BOARD - 10 AUGUST 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

GOOD GOVERNANCE IN THE LGPS PHASE TWO – 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 'Good Governance Phase Two' 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 8th July 2019, which was presented to the Board on 16th 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' has been 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.
6. Phase 3 of the project, which should detail how the recommendations will actually be implemented, has been temporarily halted due to Covid-19.

Current Position

7. The Good Governance Phase Two report is attached as Appendix 1. The Fund's current position with regards to implementing the proposals can be found below. These cross reference to page 12 of appendix one.

Good Governance Phase 2

Report Section	Area of Governance	Current Position
<u>General</u>		
A1	MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the new proposals below. ("the Guidance")	Awaiting production of the guidance.
A2	Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer")	The LGPS Senior Officer for Leicestershire is Chris Tambini.
A3	Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.	Awaiting production of the guidance.
<u>Conflicts of Interest</u>		
B1	Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.	Currently awaiting further guidance from SAB before this can be progressed.
B2	The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.	Awaiting production of the guidance.
<u>Representation</u>		
C1	Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on it's committees, explaining it's approach to representation and voting rights for each party.	Membership and voting rights of the Board and Committee are set out in its respective Terms of Reference. Further explanation on the approach taken may be needed.

Knowledge and Understanding

D1	Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	A training policy for Board and Committee members was approved by the Pension Committee on 8th November 2019 and the Local Pension Board on 16th September 2019.
D2	Introduce a requirement for S151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.	The current policy covers "Officers involved in the management of the fund".
D3	Administering authorities must publish a policy setting out their approach to delivery, assessment and recording of training plans to meet these requirements.	Pension Board training policy (approved September 2019) meets this criteria.
D4	CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for S151 officers and to consider including LGPS training within their training qualification syllabus.	Awaiting production of the guidance.

Service Delivery for the LGPS Function

E1	Each admin auth must document key roles and responsibilities relating to the LGPS fund and publish a roles and responsibilities relating to it's LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business procedures	To be addressed.
E2	Each admin authority must produce an admin strategy	Admin and Comms strategy already in place and is reviewed every two years.
E3	Each admin authority must report the fund's performance against an agreed set of indicators designed to measure standards of service	CIPFA will work with AON to agree a standard set of KPIs to benchmark performance. Awaiting further information on this.

E4	Each admin authority must ensure their committee is included in the business planning process. Both the committee and senior LGPS officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	A specific Pensions business plan and a separate Pension Fund budget was approved by the Local Pension Committee on 28th February 2020. Initially this is a one year budget (2020/21) but in time will be developed into a four year budget..
E5	Each admin authority must give proper consideration to the utilisation of pay and recruitment policies , including as appropriate market supplements, relevant to the needs of their pension function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.	This practice is already in place.

Compliance and Improvement

F1	Each admin authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Awaiting production of the guidance.
F2	LGA to consider establishing a peer review process for LGPS funds	Awaiting production of the guidance.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix – Good Governance Phase Two Report

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>

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