



## **LOCAL PENSION BOARD – 26 OCTOBER 2020**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **GOVERNANCE REVIEW**

##### **Purpose of the Report**

1. The purpose of this report is to seek the Board's views on the independent governance review of the Leicestershire Pension Fund (Appendix A) and the draft Terms of Reference for the Local Pension Committee (Appendix B).

##### **Background**

2. Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation, as defined under the Public Service Pensions Act 2013, to administer a Pension Fund for eligible employees of all Local Authorities within the County boundary and also the employees of certain other scheduled and admitted bodies. In accordance with Section 101 of the Local Government Act 1972 the County Council has delegated the responsibility for decisions relating to investment of the Fund's assets to the Local Pension Committee. The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.
3. The role of the Local Pension Board is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme including, securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator.

##### **Governance Review**

4. A high-level governance review of the Leicestershire County Council Pension Fund was undertaken by the Fund's Independent Adviser Clare Scott to consider the Fund's performance in relation to regulatory requirements in respect of the LGPS, the expectations of the Pensions Regulator and the emerging themes from the Scheme Advisory Board's Good Governance Review.
5. In relation to the Board it is worth highlighting the following recommendations:

- Ensure clarity of the responsibility of the Local Pensions Board in the Governance Compliance Statement (GCS) and the Administration and Communications Policy - Officers will ensure that as Fund policies are reviewed and all documentation is updated to reflect and highlight the Board's roles and responsibilities in relation to it assisting the Fund achieving secure compliance with LGPS responsibilities.
- To produce an Annual Board Report – Currently the Board's Terms of Reference states that individual members should produce annual reports, it is proposed that the proposal to create an Annual Board Report replaces that requirement and will highlight the combined work of the Board's activities over the financial year to demonstrate its role in ensuring the effective and efficient governance and administration of the Fund, this would then be presented to the Fund's Annual General Meeting.
- That it considers how it ensures the right balance of skills and experience and reviews its effectiveness on an ongoing basis – This will be reviewed as part of the annual skills assessment of the Board, to which a training programme would follow.
- That An open invitation be issued to the Chairman of the Board to the Local Pension Committee and the Chairman of the Committee to the Local Pension Board – With the Board's consent Officers will extend the invitation for each Chairman to the others meeting, this would only be for observation, not to take part actively.

6. Recommendations highlighted in Appendix A are set out below alongside officers' responses.

<b>Recommendation</b>	<b>Priority</b>	<b>Anticipate d Ease of Implemen tation</b>	<b>Fund response</b>
<b>Governance Structure</b>			
Committee Terms of Reference should be updated	High	Medium	The Committee's Terms of Reference is under review and will be taken to its meeting in November.
Ensure the Fund's accounts and audits are routinely considered by the Local Pensions Committee to ensure it has visibility of all the issues facing the Fund	High	Medium	External Audit report and statutory accounts planned to be bought to Committee in November 20 Internal Audit to utilise the quarterly risk report to highlight relevant items
Document who makes decisions in relation to LGPS Central, who represents the Council at the Joint Committee of LGPS Central and which Committee should receive updates on the company	High	Low	To be included as part of the Committee's revised Terms of Reference
Rename the 'Local Pensions Committee' the 'Pensions Committee'	Low	Low	This remains under consideration.
<b>Local Pension Board</b>			
Ensure clarity of the responsibility of the Local Pensions Board in the Governance Compliance Statement (GCS) and the Administration and Communications	High	Low	The Committee's ToR update clarifies its responsibility to approve relevant Fund policies such as the Administration and Communications Policy, while taking

Policy			account of any comments or recommendations of the Board. The role of the Board will also be clarified within the GCS.
Pensions Committee to approve the Administration and Communications Strategy	Medium	Low	This policy will be approved by the Committee in line with a policy update schedule officers will develop.
Pensions Committee to oversee pension administration performance	Medium	Low	Proposal to bring to Committee a report (frequency tbc) re admin performance. The Board receives quarterly pension administration performance and can recommend reports to the Committee on any areas of concerns.
Local Pension Board collectively produces an Annual Report	Medium	Low	Annual report to be taken to the Fund AGM.
Local Pension Board considers how it ensures the right balance of skills and experience, and reviews its effectiveness on an ongoing basis	Low	Medium	The Board to consider improvements to the current knowledge base as part of the skills assessment.
<b>Investments</b>			
Review the way the Fund oversees its investments to ensure the appropriate level of scrutiny and an effective use of governance time	High	Medium/High	Officers develop an annual workplan for Committee and Investment Sub Committee for presentation at the January 2021 committee meeting
Add longer-term performance and net new money to external investment performance reporting	Medium	Medium	Officers are in discussion with the Fund's external provider and expect to include this within any improvements
<b>Scheme Advisory Board – Good Governance Review</b>			
Appointment of the 'LGPS Senior Officer' (when details of new requirement are available)	High	TBC	The Director of corporate Resources, as Section 151 officer, currently undertakes this role. Will review if the guidance from the Scheme Advisory Bboard is different to expected.
The relevant areas of the Council should be aware of the need to consider policies relevant to the needs of the pension fund and should not simply apply general Council staffing policies to the pension function	High	Medium	The Fund's budget is approved by the Local Pension Committee and thus not restricted by any savings required in the County Council's budget. Changes in staffing policies are considered by the corporate Resources Management team, which included the LGPS Senior Officer
<b>Operational Matters</b>			
Agenda planning document	Medium	Low	Review of current officers internal planning document to include other scheduled matters including policy updates
Introduce to the Committee's business:			

<ul style="list-style-type: none"> <li>- Progress on business plan</li> <li>- Annual ISS review</li> <li>- Pension administration performance</li> <li>- Employer changes and risk management</li> <li>- Service and cost Benchmarking</li> </ul> Local Pension Board's Annual Report.	<p>Low</p> <p>Medium</p> <p>Medium</p> <p>High</p> <p>Medium</p> <p>Medium</p>	<p>Low</p> <p>Low</p> <p>Low</p> <p>Medium</p> <p>Potentially High</p> <p>Low</p>	Officer review and proposals as part of the workplan proposed above.
Introduce an open invitation for the chair of the Committee to observe the Board's meetings	Low	Low	Will propose to chair and vice chair where appropriate. Currently they receive the agenda alert for each meeting.
Introduce an open invitation for the chair of the Board to observe the Committee's meetings	Low	Low	Will propose to chair and vice chair where appropriate. Currently they receive the agenda alert for each meeting.

7. The Fund will continue to review its governance arrangements which will include conflicts of interest management, training and service planning which are either planned for a later date or are awaiting further guidance from the Scheme Advisory's Good Governance Review.

### **Terms of Reference Review**

8. The Local Pension Committee's existing terms of reference have remained the same since a governance review took place in 2010. Following the Local Pension Board's revised Terms of Reference, agreed 16 September 2019 it was considered timely to review the Committee's Terms of Reference to ensure both meetings aligned.
9. The review was undertaken having regard to Government legislation, advice provided in the Good Governance Project Local Government Pension Scheme report, other relevant guidance and terms of reference of other Committees as well as the recommendations from the Governance Review undertaken by the Fund's Independent Advisor, detailed in Appendix A.
10. While the main features of the original Terms of Reference have been retained, such as the number of times the Committee will meet each year and the number of members on the Committee, the revised version, attached as an appendix, offers far more detail and clarity about the role and function of the Committee, and the role of its members. The Board's attention is specifically drawn to the following key changes: -
- Activity of the Committee, has been expanded to embed what is currently reported to the Committee to cover pooling, LGPS Central matters, Responsible Investment and the strategies, statements and reports that the Committee has oversight and approval of as highlighted as part of the independent governance review
  - That the Leicestershire Pension Fund is represented by the Committee Chairman at the Local Government Pension Scheme Central Joint Committee and Shareholders Forum.

- That the Committee will have regard to the advice of the Local Pension Board in its role in assisting the Administering Authority ensuring the effective and efficient governance and administration of the Local Government Pension Scheme including, securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator.

11. Due to the Board's role in assisting the Administering Authority in ensuring the effective and efficient governance and administration, it was considered appropriate to seek the Board's views on the matter. Any comments from the Board will be considered by Committee at its meeting on 27 November 2020.

12. Once agreed the Terms of Reference will be reviewed at least every three years or following any significant change to relevant regulations.

### **Equality and Human Rights Implications**

None.

### **Appendix**

Appendix A – Governance Review of the Fund

Appendix B - Draft Local Pension Committee Terms of Reference

### **Background Papers**

Good Governance in the LGPS – Phase II report from Working Groups to the Scheme Advisory Board

[https://www.hymans.co.uk/media/uploads/Hymans\\_Robertson\\_Good\\_governance\\_in\\_the\\_LGPS\\_Phase\\_II.pdf](https://www.hymans.co.uk/media/uploads/Hymans_Robertson_Good_governance_in_the_LGPS_Phase_II.pdf)

Pension Fund Management Board – Proposed Changes to Governance Arrangements 19 May 2010 County Council

<http://politics.leics.gov.uk/ieListDocuments.aspx?CIId=134&MID=2562#AI25260>

### **Officers to Contact**

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