



Report to:	Pension Committee	Date:	5 September 2016
Report title:	Governance Review		
Report from:	Gerald Almeroth, Strategic Director – Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee:	Councillor Sunita Gordon		
Author(s)/Contact Number(s):	Lyndsey Gamble, Head of Financial Strategy and Planning 0208 770 5358		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • A Smart Council 		
Open/Exempt:	Open Appendix A Exempt By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.		
Signed:		Date:	24 August 2016

1. Summary

- 1.1 In October 2015 the Pension Board agreed to commission a review of the governance arrangements relating to the London Borough of Sutton pension scheme. Officers engaged with John Raisin Financial Services Ltd to undertake this review. At the meeting of the Pension Board on 5 July 2016 John Raisin presented the review findings. This report summarises the key findings, conclusions and recommendations arising from the review for information for the Committee and outlines action now being taken by officers.

2. Recommendations

The Pension Committee is recommended to:

- 2.1 Support the outcome of the review and note the recommendations listed in paragraph 3.6 of this report.
- 2.2 Note that an action plan will be taken to the next Pension Board in October which sets out plans for implementing the recommendations.

3. Background

- 3.1 It is a new statutory requirement to have an independent Pensions Board in operation. Their terms of reference was agreed at Strategy and Resources Committee in March 2015 and Full Council in April 2015. Their terms of reference centres on supporting efficient and effective governance and administration of the scheme. To this end the Board commissioned an independent review of governance for the benefit of the fund. The terms of reference for the review was agreed by the Board at their meeting on 15 October 2015.

Scope of Review



- The role of the Pensions Committee and the effectiveness of its decision making
 - The extent to which the Committee takes proper advice on those matters which require specialist input.
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- Documenting and noting the key reports, statements and policies governing the scheme. These should include:
 - Statement of Investment Principles
 - Asset Allocation Review
 - Policy on Discretions
 - Policy on Socially Responsible Investing
 - Compliance Statement on the Myners Principles
 - Actuarial Assessments
 - Employer and Employee Engagement
 - Processes for Reporting Breaches of legislation
- 3.3 The methodology should seek to identify those areas where the administering authority does not follow published guidance or best practice, and provide an assessment of the significance of not doing so.
- 3.4 During the course of the review John met with officers and reviewed relevant documentation and assessed current practice and procedures against legislation and best practice guidance. In particular the review focused on decisions taken at the four meetings of the Pension Committee during 2015/16 together with appropriate reports and documentation going back to when the Pension Committee was formally established on 9 June 2011

Review Findings

- 3.5 The review concluded as follows:

‘Overall this review has confirmed that the role of the Pension Committee meets the requirements of Regulation and Statutory Guidance and identified an overall good level of Governance of the Fund and positive decision making by the Pension Committee’

‘As with any review, however, there are areas where enhancements can be implemented to improve Governance and decision making. Such improvements are particularly relevant given the applicability of the requirements and provisions of the Public Service Pensions Act 2013 from April 2015.

- 3.6 A number of the key findings reflect those previously highlighted in a review of the annual report carried out in February and reported to the Pensions Committee on 14 March 2016. These include reviewing the content and structure of the annual report, including quality and performance standards within the pension administration section and preparing a draft administration strategy. Further key findings are as follows:
- the Pension Committee has not established an appropriate procedure for reporting breaches of law;
 - training for members of both the Committee and Board needs to be a little more structured with reference to the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills including adopting the policy statement within the Code, approving the CIPFA Pensions Knowledge and Skills Framework and development of a training plan



- the risk register broadly covers key areas of concerns but does not address ~~all areas~~ of such as employer risk, resource and skill risk and reputational risk included within the CIPFA best practice guidance. The 'actions' column does not always contain detailed controls to actively mitigate risk;
- a number of key documents are compiled by officers, but are not formally agreed by Pension Committee at regular intervals. These include the risk register, the Funding Strategy Statement and Statement of Investment Principles;
- charges set for schools that do not use the Council payroll provider are potentially lower than they might reasonably be;
- the Fund's web presence could be improved to include further information and the completion of forms on line, and;
- while the Pension Committee is well supported in terms of advice by Officers and the Fund's appointed Investment Consultant (Hymans) the appointment of an Independent Advisor with a broad remit could be considered to widen the available advice. The report does not recommend the appointment of such an Advisor but merely that consideration be given to this issue.

3.7 There are twenty recommendations in all. Eight recommendations are classified as High Priority, ten as Medium Priority and two as Low Priority. The recommendations are listed below:

1. That the Constitution of the Council be amended by adding a new point following the existing point 1 of the "Function" of the Pension Committee as follows "*To approve all policy statements required or prepared under the LGPS Regulations or any other relevant statute, regulation or statutory guidance.*" **Low Priority.**
2. That the 2015/16 Annual Report as prepared and considered by the Pension Committee is evaluated against the CIPFA statutory guidance and a statement on compliance included in the covering report on the 2015/16 Annual Report presented to the meeting of the Pension Committee on 5 September 2016. **Medium Priority.**
3. For the sake of both clarity and accuracy it is made clear in any future Governance Compliance Statement the source of the "Guidance" used for the "Assessment" in relation to both the Administering Authority and the Pension Board. **Medium Priority.**
4. That in accordance with the requirements of the Pensions Regulator's Code of Practice No 14 a procedure relating to reporting Breaches of the Law is prepared as soon as practical for consideration and approval by the Pension Committee. **High Priority.**
5. That the Pension Committee receive a report on the CIPFA "*Code of Practice on Public Sector Pensions Finance Knowledge and Skills*" (2013) and adopt the Policy Statement contained within the Code. **High Priority.**
6. That the Pension Committee receive a report on and adopt the 2010 CIPFA "*Pensions Knowledge and Skills Framework*" for Elected Representatives with the addition of the expanded emphasis on Legislation and Governance and the new area of Pensions Administration included in the CIPFA publication "*Local Pension Boards, A Technical Knowledge and Skills Framework,*" of July 2015. **High Priority.**



7. That the Pension Committee formally approve a Training Programme for Committee Members. **High Priority.**
8. That a comprehensive Medium Term Business Plan including a Medium Term and Annual Budget, is considered and approved annually by the Pension Committee and monitored by the Committee on a quarterly basis. **Medium Priority.**
9. That the Officers review the Risk Register to ensure that it fully meets the CIPFA guidance "*Managing Risk in the LGPS*" of November 2012 and the "Actions" column for all risks in the Risk Register include clear and detailed controls to actively mitigate risk. **High Priority.**
10. The Pension Committee formally receives and reviews the Risk Register on a six monthly basis. **Medium Priority.**
11. That the Funding Strategy Statement prepared in conjunction with the 2016 Actuarial Valuation is formally considered and approved by the Pension Committee prior to the completion of the 2016 Actuarial Valuation. **Medium Priority.**
12. That a full review of the Investment Strategy is undertaken following the 2016 Actuarial Valuation. **Medium Priority.**
13. That the Officers undertake a detailed review covering the Fund's policies, reporting, actions and activities against the "Key issues to Consider" section relevant to each of the six (revised) Myners Principles in the CIPFA Statutory Guidance "*Principles for Investment Decision Making and Disclosures in the Local Government Pension Scheme in the United Kingdom 2012.*" **Low Priority.**
14. That the Statement of Investment Principles be specifically considered and approved by the Pension Committee when any revision to the Statement is made. **Medium Priority.**
15. That the Pension Administration Update report be extended to include regular consideration of quality and performance issues including information on the adherence to the requirements of Code of Practice No 14 by both the Pension Fund and individual Employers within the Fund together with the monitoring of agreed Performance Standards in terms of processing issues relating to individual members of the Fund. **High Priority.**
16. That the Officers prepare a draft Pension Administration Strategy under Regulation 59 of the LGPS Regulations 2013 (As amended) for approval by the Pension Committee. **High Priority.**
17. That the charges applicable to schools that do not use the Council's payroll are reviewed. **Medium Priority.**
18. That consideration is given to the further enhancement of online information in respect of the Pension Fund. **Medium Priority.**



19. That the Pension Board adopt the CIPFA “*Technical Knowledge and Skills Framework*” for Pension Boards, formally approve a Training Programme for Board Members and consider resolving that all Members complete the Pensions Regulator’s online Public Service Toolkit within a defined timescale **High Priority**.

20. That the Pension Committee considers the appointment of an Independent Advisor with a broad remit across the areas of responsibility of the Committee and including training. **Medium Priority**.

3.8 Officers are now working on bringing an action plan to the next Pension Board in October setting out actions required to implement each recommendation, timescales for implementation and the name of responsible officers for consideration and agreement by Pension Board members.

4 Impacts and Implications

Financial

4.1 There are no financial implications arising from this report.

Legal

4.2 There are no legal implications arising from this report.

5 Appendices and Background Documents

Appendix Letter	Title
A	Governance Report (exempt By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.)

Background Documents
None

Audit Trail		
Version	Final	Date: 18 August 2016
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	Yes	Lyndsey Gamble
Legal	N/A	N/A

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