

Decision Maker: PENSIONS INVESTMENT SUB-COMMITTEE

Date: 29th April 2021

Decision Type: Non-Urgent Non-Executive Non-Key

Title: GOVERNANCE REVIEW OF THE LGPS

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Ward: Borough Wide

1. Reason for report

1.1 This report sets out the results of the Good Governance Phase III report published by Hymans Robertson in relation to Local Government Pension Schemes, during February 2021. The report is a continuation of the Good Governance project and it provides further detail on the implementation of the proposals that were included in the Phase II report as accepted by the Scheme Advisory Board in February 2020

2. RECOMMENDATIONS

2.1 The Committee is requested to consider and note the report (refer to the Appendix for the full report) and the recommendations contained therein.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: No Cost
 2. Ongoing costs: Recurring Cost. Total administration cost £5.3m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £43.9m expenditure (pensions, lump sums, etc); £56.8m income (contributions, investment income, etc); £1,000.3m total fund market value at 31st March 2020
 5. Source of funding: Contributions to Pension Fund
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Personnel

1. Number of staff (current and additional): 1 FTE
 2. If from existing staff resources, number of staff hours: 35 hours per week
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Legal

1. Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016.
 2. Call-in: N/A.
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,253 current employees; 5,592 pensioners; 5,945 deferred pensioners (for all employers in the Fund) as at 31st March 2020.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 In January 2019, the Scheme Advisory Board (SAB) appointed Hymans Robertson to facilitate a review of governance structures for the LGPS. The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance.
- 3.2 This paper provides details of the Good Governance Phase III report, published in February 2021. The report is a continuation of the overall project and it provides further detail on the implementation of the proposals that were included in the Phase II report, as accepted by the Scheme Advisory Board in February 2020.
- 3.3 It should be noted that MHCLG was represented during Phase II and Phase III of the project. Additionally, a senior representative from MHCLG also attends the meetings of the SAB. Therefore, the proposals are likely to be adopted by the MHCLG and compliance with them required of LGPS Funds through the issuing, in due course, of new Statutory Guidance on Governance in the LGPS (and if necessary, amendment to the LGPS Regulations).
- 3.4 The table below summarises the proposed changes to the LGPS governance as detailed in the Phase III report

Area	Proposal	
A: General	A1	MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“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”).
	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 co-signed by the LGPS senior officer and S151.
B: Conflicts of Interest	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, with specific reference to key conflicts identified in the Guidance.
	B2	The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular those on decision making committees.
C: Representation	C1	Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.

D: Knowledge and Understanding	D1	Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D2	Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
	D3	Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D4	CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
E: Service Delivery for the LGPS Function	E1	Each administering authority must document key roles and responsibilities relating to the LGPS 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 processes.
	E2	Each administering authority must publish an administration strategy.
	E3	Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	E4	Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
F: Compliance and Improvement	F1	Each administering 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.
	F2	LGA to consider establishing a peer review process for LGPS Funds

3.5 Amongst the recommendations, there is the proposed requirement (recommendation A2) for the administering authority to have a single identified officer (the 'LGPS Senior Officer') responsible for all LGPS matters. The report outlines several options as to the appropriate organisational level and requisite seniority for this individual, including the option of a new separate post dedicated to Pensions, or that the role be combined with an existing post such as the Finance Director/Section 151 Officer.

- 3.6 The recommendation to publish an annual governance compliance statement (recommendation A3) seeks to develop and enhance the existing requirement for this statement by including additional narrative concerning compliance with the recommendations of the report, as set out in paragraph 3.3. The statement will require formal sign-off by the LGPS Senior Officer.
- 3.7 The report refers to Scheme Advisory Board requesting MHCLG to produce statutory guidance to establish new governance requirements for funds to effectively implement these proposals (recommendation A1) and it is acknowledged that additional work will have to be completed to meet the new standards at Bromley. Once further detail is available, officers will report to the Committee with details of implementation proposals and how they impact on Pension Fund governance.

4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), for the purpose of providing pension benefits for its employees.

5. LEGAL IMPLICATIONS

- 5.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

Non-Applicable Sections:	Personnel Implications; Impact on Vulnerable Adults and Children; Financial Implications; Procurement Implications.
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013 (as amended); Good Governance in the LGPS (Phase II Report).