

Pension Fund Committee

Meeting to be held on 27 March 2014

Electoral Division affected: All

External Audit

Lancashire County Pension Fund Governance Benchmarking Report

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

Grant Thornton UK LLP have produced a national report on the governance arrangements in place for Local Government Pension Schemes.

The report is based on a detailed survey information from the auditors of 30 Local Government Pension Schemes and covers almost 30% of funds nationally. The survey findings have been followed by more detailed discussions with individual auditors and council officers to understand and identify good practices as well as a desk based review of local government pension scheme websites.

Our findings are supplemented by responses to a higher level survey sent to senior officers managing Local Government Pension Schemes nationally. This survey included questions on your key challenges, skills and capacity and communications with your membership.

With the introduction of LGPS 2014 and the accompanying changes in governance requirements, now is an opportune time for funds to assess their current governance arrangements to ensure they are fit for purpose going forwards.

The areas we have highlighted for pension funds to consider are:

- the effectiveness and scope of current governance structures
- ensuring funds have access to appropriate skills and expertise
- the extent to which investment strategies are kept under review at a strategic level
- the effectiveness of risk management arrangements
- the extent to which administration costs are reviewed
- assurance provided over internal controls.

We have prepared an individual benchmarking report to show how Lancashire Pension Fund compares with others across key indicators of good governance.

Recommendation

The Committee is asked to note the report.

Background and Advice

Attached at Appendix 'A' is the external auditor's Lancashire Local Government Pension Fund Governance Benchmarking report.

The report shows that the arrangements in place for Lancashire County Pension Fund are good in comparison with others in respect of:

- maintaining focus on the investment strategy linked to a view on pension liabilities and an understanding of the factors affecting pensions liabilities,
- effective, focussed, whole fund performance reporting
- investing in officers with appropriate skills to manage the pension fund
- the range and coverage of internal audit work and its reporting through to Pensions Committee
- the use of sub-committees and panels to deal with detailed issues and to facilitate more flexible and responsive decision making.

However, progress compares less well in:

- being relatively late in completing an audit of the skills and knowledge of pension committee members, and in identifying any actions to bridge the gaps. This is linked to the timing of elections and the changes in committee membership
- the partial compliance reported against the governance compliance statement. The Annual Governance Statement of the Council makes no specific reference to the pension fund.

Karen Murray, Engagement Lead, will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the County Treasurer.

Implications

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
N/A		