

Lancashire Local Pension Board
Meeting to be held on 19 October 2015

Electoral Division affected: None

Governance Review

Contact for further information:

George Graham (01772) 538102, Director, Lancashire County Pension Fund,
george.graham@lancashire.gov.uk

Executive Summary

It is good practice for any organisation to regularly review its governance arrangements, particularly when its operating environment is changing, and the Pension Fund is no different in this regard.

The Fund's operating environment has changed as a result of the reforms introduced by the Public Service Pensions Act 2013, including the introduction of the Local Pension Board. In addition to the proposed partnership with the London Pensions Fund Authority, if it proceeds, any other form of pooling arrangement will also require different things from the Fund's governance arrangements.

As a result, a review is being undertaken of the Fund's governance arrangements to ensure that they are fit to meet the challenges going forward.

Given that the Pension Board has only just begun to operate it is not proposed to specifically review the Board. However, members of the Board may have valuable insights which can help shape the conclusions of this review.

Recommendation

The Board is asked to:

- (i) Note the work being undertaken to review the Fund's governance arrangements;
- (ii) Provide comments to officers which can be taken into account in framing the conclusions and recommendations from the review.

Background and Advice

The environment within which the Lancashire County Pension Fund operates is changing and consequently it is good practice to consider whether the Fund's governance arrangements need to change as a result. The key changes to the environment are:

- The changes brought about by the Public Service Pensions Act 2013, including the introduction of Local Pension Boards and the Scheme Advisory Board, together with the new role for the Pensions Regulator.
- The potential partnership with the London Pensions Fund Authority and the requirement from the Government to pool investment assets even if the Partnership does not proceed.
- The work being undertaken by the Scheme Advisory Board on the separation of the Fund from the operation of the host (administering) authority in order to avoid conflict of interest.

These changes require the Fund's governance arrangements to deliver different outputs and deliver a different form of challenge to the executive.

The Review Process

The review process is being carried out as a series of parallel dialogues:

- Firstly with the members of the Pension Fund Committee facilitated by Grant Thornton, the Fund's external auditor. The key question in this dialogue, which mirrors the type of self assessment regularly undertaken by the Audit Committee, i.e. whether the current arrangements are fit for purpose.
- Secondly with Fund officers, internally facilitated focussing on the same question.
- Thirdly, with review agencies such as internal and external audit.
- Finally, through inviting comments from the Local Pension Board, which given its statutory focus and recent creation is being treated as out of the scope of this review.

The conclusion of each of these dialogues will be brought together by officers to form recommendations for consideration by the Pension Fund Committee and if necessary the full County Council. The aim will be to bring any changes into operation from the beginning of the new municipal year in May 2016.

Issues for Consideration

The sort of questions to be considered in coming to a view on the effectiveness of governance arrangements in the context of the Pension Fund are:

- Is the balance of time spent by the various governance bodies focussed on the most important issues?
- Are reports considered by governance bodies clear and comprehensible?
- Are governance bodies providing sufficient and appropriate challenge to the Executive (in this case officers)?
- Are members of governance bodies able to develop and maintain adequate knowledge and skills in line with the relevant guidelines?
- Are appropriate interests represented and able to be heard in governance bodies?
- Do the various governance bodies effectively engage key stakeholder groups in coming to significant policy decisions?

Members of the Local Pension Board may wish to comment on these questions based on their personal experience of the operation of the Fund in recent years.

Pension Fund Committee Workshop

The workshop held on 16 September 2015 invited members of the Pension Fund Committee to critically reflect upon current governance arrangements and assess the extent to which they support the effective operation of the Fund and the fulfilment of the roles and responsibilities falling upon the Committee and its members.

Grant Thornton asked attendees a series of questions designed to facilitate discussion around five key themes:

- Knowledge and understanding
- Pension Committee – structure, terms of reference, and operation
- Managing risks
- Funding strategy and performance
- Conflicts of interest

Members were asked to anonymously indicate their personal views on a range of questions including whether the Committee's terms of reference and the way it operates gives sufficient time to all key aspects of the fund's management and administration.

The workshop was practically focussed and designed to elicit feedback on any significant problems or barriers faced and also to produce opinions and ideas on how the business of the Committee can be enhanced or better supported through practical changes to current practices and arrangements.

Consultations

This report forms part of the process of consultation and dialogue.

Implications:

N/A

Risk management

There are no significant risks associated with the proposals set out in the report.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Reason for inclusion in Part II, if appropriate

N/A