



The Surrey Local Pension Board 17 January 2019

Governance review

Recommendations:

1. The Board is asked to **note** the content of this report.

Detail:

Introduction

2. As part of the governance and oversight of the pension fund, a regular review and update to the governance framework, policies and procedures is essential to ensure that the Fund is compliant with latest legislation, regulations and good practice.
3. Since 2015 there have been several major changes within the LGPS, including the following:
 - The introduction of the Pensions Regulator as regulator for the scheme.
 - The formation of local pension boards for each LGPS scheme.
 - The creation of a national Scheme Advisory Board which plays a significant role in the guidance and stewardship of the scheme.
 - The progress made under Government guidance in the formation of national asset pools leading to the Fund becoming a partner in the Border to Coast Pension Partnership (BCPP).
4. Taking the above major changes which in a way affect the LGPS - presents Funds with a new set of governance challenges. It is therefore necessary and appropriate to carry out a review of the Fund's existing way of thinking about their strategy and management going forward.
5. These changes make a review of the governance of the Fund necessary and appropriate.

Scope of the review

6. At its meeting of 14 September 2018 the Pension Fund Committee agreed the following scope for a governance review:

- Overview: Examine the existing governance framework, identify the main risks associated with the governance of the Fund and suggest possible improvements. In particular to comment on:
 - The extent to which the Committee takes proper advice on those matters which require specialist input;
 - The relationship between the Pensions Fund Committee and the Local Board;
 - The role of Border to Coast;
 - Compliance with the regulatory framework.

- Background: The following Fund policies and other documents will be considered in the review:
 - Terms of reference of the Pension Fund Committee and Local Pension Board;
 - Investment Strategy Statement;
 - Policy on Discretions;
 - Governance policy/Governance compliance statement;
 - Communication Policy;
 - Process for reporting breaches of legislation;
 - Funding Strategy Statement;
 - Training Policy;
 - Conflict of Interest Policy;
 - Administration Strategy;
 - Service specification between the Fund and administration team;
 - ESG/Responsible investment policy.

- Review: The review will include the following:
 - Direction – mission statement and supporting objectives
 - Legislative and regulatory compliance
 - Strategies and Policies
 - Delivery – How does the Fund meet its aims?
 - Annual business plan
 - Performance Monitoring;
 - Risk Management
 - Decisions – Does the Fund have effective decision making?
 - Governance Structure
 - Behaviour
 - Pensions Skills and Knowledge
 - Governance structure: are all appropriate areas included, is ownership clear, appropriate and compliant with delegations of authority
 - Timeliness and quality control
 - In-house competency and use of expert advisors

- The review should include an assessment of current Pensions Fund Committee and Local Pension Board meetings.

Selection of the independent governance consultant and proposed timescale of the review

7. After a procurement exercise using the National LGPS Framework, Hymans Robertson were selected as the independent governance consultant to provide specialist advice for this review.

8. Fixed dates for attending meetings:
- Local pension board – 17/01/2019
 - Pension Fund Committee – 08/02/2019
 - Local pension board – 25/04/2019
 - Pension Fund Committee – 07/06/2019

9. Timeline and responsibilities:

Date	Activity	Action Required
December	Initial phone calls with Chair of the Committee and Local Pension Board, with a view to setting out the intended process for the review and to give them an early opportunity to input their thoughts.	Hymans Robertson (HR) – set calls up, make calls and notes of conversations Surrey Pension Fund (SPF) – provide contact details, inform individuals of the process
December	Issue the Committee/Board effectiveness review	HR – issue effectiveness questionnaire SPF - may have to encourage members to compete, depending on number of responses
December	Begin desktop review of policies	HR – review policies and make notes SPF -provide access to any policies if not available on the website
17 January	Attend Pension Board to provide update on Governance Review and observe	HR – attend meeting SPF - add to Committee agenda
16 or 18 January	Use the day before or after Board, plus any other time on the day, to carry out interviews with key officers	HR – prepare questions and carry out interviews

		SPF – prepare list of appropriate officers, arrange meeting rooms.
7 February	Use the day before the Pension Committee to carry out any interviews with officers not included in the first interview session.	HR – prepare questions and carry out interviews SPF – prepare list of appropriate officers, arrange meeting rooms.
8 February	Attend Pension Committee to provide update on Governance Review and observe	HR – attend meeting SPF - add to Pension Board agenda
February	Progress report including any “mop up” interviews by phone for anyone not able to make interviews in person. Continue to share drafts and progress with officers.	HR – work on report SPF - officers to comment on drafts
March	Delivery of final Report to officers.	

10. One of the key aspects of this exercise will be the development of a mission statement to support the Fund’s strategic objectives. Throughout the process Hymans will be collating the views of Committee members, Board members and officers on some key aspects of the Fund’s direction. These views will then help to feed into the development of a mission statement.

11. Hymans will attend the Board meeting of 17 January 2019 as an observer.

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Sources/background papers:

Annexes: None