



Haringey Council

Agenda item:

Pensions Committee

On 29 January 2008

Report Title: **Governance arrangements and Governance Compliance Statement**

Report of: Chief Financial Officer and Assistant Chief Executive - People, Organisation & Development

Wards(s) affected: **All**


Report for: **Decision**

1. Purpose

1.1 This report considers a review of our governance arrangements and the requirement to publish a Governance Compliance Statement by 1 March 2008.

2. Recommendations

- 2.1 That our revised governance proposals be approved as set out in section 7 of the report.
- 2.2 That Staff Side be asked to confirm whether all staff are represented at Pensions Committee and if not we seek an additional representative.
- 2.3 That Committee decide whether the employee representative(s) will also represent pensioners or if we seek a separate representative for pensioners at Pensions Committee.
- 2.4 That the Governance Compliance Statement be approved.
- 2.5 That we produce a revised Governance Compliance Statement once all stakeholders are represented on this Committee.


for **KEVIN BARTLE**

Report Authorised by: Gerald Almeroth – Chief Financial Officer

Contact Officers:

John Hardy, Head of Finance-Budgeting, Projects & Treasury (tel no: 020 8489 3726)

Ian Benson, Pensions Manager (tel no: 020 8489 3824)

3. Executive Summary

3.1 This report sets out proposals to further improve our governance arrangements by increasing representation at Pensions Committee to cover all stakeholders.

3.2 The report also sets out our first Governance Compliance Statement that is required to be published by 1 March 2008. It is proposed that we produce a revised Governance Compliance Statement once all stakeholders are represented on this Committee.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 Further improvements are proposed in our governance arrangements by increasing representation at Pensions Committee to cover all stakeholders. This will help us to fully comply with the new Governance Compliance Statement.

5. Local Government (Access to Information) Act 1985

5.1 Report to Pensions Panel on 5 October 2006 – DCLG consultation on the Local Government Pension Scheme – governance arrangements.

6 Background

6.1 Pensions Panel on 5 October 2006 considered draft proposals issued by DCLG for consultation purposes and agreed that the 'best practice model' be submitted to a future meeting of Pensions Committee.

6.2 At the above meeting the Panel heard that DCLG had embarked on a consultation exercise for governance arrangements in the LGPS. A discussion paper was presented, which put forward ideas for the future governance and stewardship of the LGPS. In line with previous discussions at Panel, it was suggested that the proposals should be welcomed for improving governance. A further detailed report would be prepared for a future meeting of the Panel, once the results of the DCLG statutory consultation exercise were known, to consider

establishing a 'Pensions Representative Panel', that takes account of the range of issues considered, such as:

- The composition of the panel;
- The frequency of meetings;
- Arrangements for voting rights;
- Scope and remit;
- Access to committee papers and scheme information;
- Relationships and communications with main committees;
- Constitutional issues, Chairmanship, etc;
- Costs, accommodation, facility time, etc;
- Publicity.

- 6.3 For a representative panel to be effective, it was noted that it would be necessary to encourage sufficient admitted and scheduled bodies to engage in the process, which meant having a mechanism in place to provide for employer representatives.
- 6.4 This report was delayed pending receipt of the draft statutory guidance and best practice principles to be issued. These were received on 8 October 2007. The document received from DCLG is shown in Appendix 1 and includes a detailed description of each of the best practice principles against which compliance is to be measured and secondly contains guidance on how the compliance statement should be completed. Our first Governance Compliance Statement must be published by 1 March 2008 and we also need to submit a copy to the Secretary of State at the Department for Communities and Local Government. This document would sit alongside other documents – including our Statement of Investment Principles (SIP), Funding Strategy Statement (FSS) and Communication Policy Statement.
- 6.5 The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.
- 6.6 Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in our governance compliance statement, the reasons for not complying.
- 6.7 In response to previous proposals issued by the then ODPM we published details of our governance and stewardship arrangements by 1 April 2006. This is included as Appendix 2. The purpose of this first step by ODPM was to gauge the current position.

7. Governance proposals

- 7.1 We have considered the best way to meet the best practice principles. We have rejected the option of having a 'Secondary Panel' in addition to Pensions Committee as we believe it would be better to increase representation on Pensions Committee. We propose that the following approach is adopted.
- 7.2 That all stakeholders be represented at Pensions Committee. These would be non-voting members of the Committee in accordance with guidelines and legal requirements. Up to three additional representatives would seem to be appropriate; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent other staff, if necessary, subject to confirming whether all staff are represented. An alternative option would be for the employee side representative(s) to also represent all classes of pensioner. We would also keep our annual AGM as this represents good practice.
- 7.3 If it is agreed that we have a separate representative for pensioners as opposed to being represented by the employee side representative(s), it is suggested that we invite nominations for the role of representative of the various categories of member (e.g. pensioner and deferred) and hold the election at our Annual General meeting (AGM) on 24 July 2008. We propose to invite pensioners and deferred members to express an interest when we invite them to attend our AGM.
- 7.4 We shared this report in advance of a meeting held this afternoon (29 January) with admitted and scheduled bodies that was chaired by the Chair of this Committee to seek their views. Any responses will be given verbally at tonight's meeting. It is suggested that we write to all admitted and scheduled bodies to invite them to nominate somebody to be represented at Pensions Committee. We currently copy non exempt Pensions Committee agendas, reports and minutes to admitted and scheduled bodies and plan to continue this practice.
- 7.5 The Council's Overview and Scrutiny Committee is permitted to scrutinise the performance of this Committee. This is permitted in accordance with Section 21, Sub-Section 2 (C) of the Local Government Act 2000, Chapter 22.

8. Governance Compliance Statement

- 8.1 The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.
- 8.2 The report now considers each of the best practice principles against which compliance is to be measured (with each of the principles being set out in bold). We have set out how we compare with the published standards. It has been assumed that the proposals to revise our governance arrangements as set out in section 7 of the report will be approved although until these are actually

implemented this will not improve our rating compared to the published standards. However our plans to increase the representatives on pensions Committee will be explained in our Governance Compliance Statement (included as Appendix 3). It is suggested that we produce a revised Statement once all stakeholders are represented on this Committee.

- 8.3 Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in our governance compliance statement, the reasons for not complying.

The Principles

Part 11/A - Structure

A. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.

Pensions Committee has full responsibility for these functions and meets six times per annum.

B. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

Pensions Committee includes an employee representative as part of its membership. We plan to increase the membership of the Committee to include all stakeholders as soon as possible and then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and deferred members and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner. We also hold an Annual General meeting (AGM).

Bi-annually a meeting is held with admitted and scheduled bodies that is chaired by the Chair of Pensions Committee to cover key issues. e.g. actuarial valuation results where the Actuary is invited to attend.

C. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

D. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

Part 11/B - Representation

A. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-

- i) employing authorities (including non-scheme employers, eg, admitted bodies);**
- ii) scheme members (including deferred and pensioner scheme members),**
- iii) independent professional observers, and**
- iv) expert advisors (on an ad-hoc basis).**

Pensions Committee includes an employee representative as part of its membership. We plan to increase the membership of the Committee to include all stakeholders as soon as possible and then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

Pensions Committee is attended by an Independent Advisor to trustees to advise Trustees.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

B. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

The employee representative that currently is a member of Pensions Committee receives all non-exempt papers and attends the Committee other than for exempt matters. Equal access is given to training and also has a full opportunity to contribute to the decision making process but without voting rights. This approach will also be followed when we increase the membership of the Committee to include all stakeholders as soon as possible, namely to represent admitted and

scheduled bodies, to represent all pensioners and staff not represented by the current member of the Committee.

Part II/C - Selection and role of lay members

A. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

We meet the above by ensuring that proper training is received at regular intervals. Where technical pensions matters are discussed at Committee meetings .e.g. asset liability modelling proper explanation is given in the report and by our external Investment Advisors when introducing their reports.

When we increase the membership of Pensions Committee we will similarly ensure that new representatives are given the same opportunities for training.

Part II/D – Voting

Elected members of authorities other than the administering authority and lay members

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

Our policy regarding voting rights is clearly set out. Only elected members of Pensions Committee are permitted to vote.

Part II/E – Training/Facility time/Expenses

A. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

Clear policy is to ensure that there is regular and comprehensive access to training. The current stakeholder representative on Pensions Committee has equal access and we plan the same approach for new stakeholder representatives.

B. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

Our policy applies equally to all members on Pensions Committee including those that represent stakeholders.

Part II/F – Meetings (frequency/quorum)

A. That an administering authority's main committee or committees meet at least quarterly.

Pensions Committee meets six times per annum plus any special meetings.

B. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

C. That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

An employee representative is currently a member of Pensions Committee. We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

Bi-annually a meeting is held with admitted and scheduled bodies, and is chaired by the Chair of Pensions Committee.

Part II/G - Access

A. That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Equal access is given. This will be applied for additional stakeholder representatives that will sit on pensions Committee as soon as possible.

Part II/H – Scope

A. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

Wider scheme issues are also part of the Council's governance arrangements.

Some pensions matters are dealt with by General Purposes Committee regarding determining the Council's policies as Employing Authority and determining the terms of release of Chief and Deputy Chief Officers aged 50 or over and made redundant or retired early with a claim on the pension scheme.

Part II/I – Publicity

A. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Our current Governance Policy Statement has been properly shared with stakeholders; it has been approved by Pensions Committee, copied to our admitted and scheduled bodies, seen by the trade union representative that is a member of Pensions Committee and published on Harinet.

Our proposed first Governance Compliance Statement is appended for approval and will be shared with stakeholders.

9. Comments of the Head of Legal Services

The Head of Legal Services has been consulted on the content of this report. Regulation 73A of the Local Government Pension Scheme Regulations 1997 requires the preparation by an administering authority of a written statement setting out certain matters regarding the governance of their scheme. The statement must also set out the extent to which the governance arrangements are in compliance with statutory guidance given by the Secretary of State. The statement set out in the report at Appendix 3 complies generally with the relevant Regulation and draft Statutory Guidance. The method of representation of scheme members is not prescribed in the draft Statutory Guidance and thus there is some discretion as to how this can be achieved, provided that the principle is retained that all scheme members should be afforded the opportunity to be represented. Section 21(2)(c) of the Local Government Act 2000 allows the authority's Overview and Scrutiny Committee to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions not the responsibility of the Cabinet.



8 October 2007

Addressees as attached

Our Ref:
Your Ref:

Dear Colleague,

**LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997
GOVERNANCE COMPLIANCE STATEMENT : STATUTORY GUIDANCE**

1. Further to my letter of 6 June regarding the Local Government Pension Scheme (Amendment)(No 3) Regulations 2007 (SI 2007 No 1561), I enclose a draft of the statutory guidance about completing a Governance Compliance Statement that the Secretary of State is required to issue under Regulation 73A(1)(c) of the 1997 regulations.
2. The draft has been prepared with the assistance of the CLG chaired working group on Governance and is now being circulated widely to all LGPS interested parties for further comment.
3. In making comments, consultees are asked to bear in mind that the scope of the guidance is restricted to the way in which an appointing council delegates its statutory functions under the scheme. Issues like investment and scheme administration performance and investment and communication policy, for example, are already dealt with separately under the 1997 regulations which require administering authorities to prepare, publish and maintain Statements of Investment Principles, Funding Strategy Statements and Communication Policy Statements. In addition, Regulation 76C of the 1997 Regulations, enables an administering authority to establish a local Pension Administration Strategy which includes the power to introduce local performance targets and to measure performance against them. In this respect, the Governance Compliance Statement is to be seen as just one of a number of similar measures that are designed to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders.
4. Comments are invited on the format, structure and content of the draft guidance. In this respect, it should be noted that references to the provisions on governance

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compliance statements in the final version will include references to both the 1997 and 2007 (Administration) Regulations. The first such statement must be published by 1st March 2008. Although comments received in response to this letter will be fully considered in preparing the final version, it is suggested that administering authorities and other interested parties should start preparing for the initial publication on the basis of the attached draft guidance.

5. The draft includes at Annex A, an example of a compliance statement template (Principle A on Structure) which administering authorities may wish to adopt when submitting a copy of their statement to the Secretary of State as required by Regulation 73A(5). This arrangement would not, however, fetter the way that an administering authority chooses to publish their statement, either as a stand alone document or as part of their Pension Fund Annual Report (see Regulation 76B(e) of the 1997 Regulations).

6. The closing date for comments is 9 November **2007**. For enquiries on the content of this letter and the attached draft guidance, please e-mail me (Robert.holloway@communities.gsi.gov.uk) or telephone 0207 944 5998. Alternatively, contact Margaret.dunleavy@communities.gsi.gov.uk. Or telephone 0207 944 6012. A copy of this letter and the draft guidance is available in the "What's New" section of our web site at www.xoq83.dial.pipex.com.

Yours sincerely,

Bob Holloway

Addressed to :

The Chief Executive of
County Councils (England)
District Councils (England)
Metropolitan Borough Councils (England)
Unitary Councils (England)
County and County Borough Councils in Wales
London Borough Councils
South Yorkshire Pension Authority
Tameside Metropolitan Borough Council
Wirral Metropolitan Borough Council
Wolverhampton Metropolitan Borough Council
Bradford Metropolitan Borough Council
South Tyneside Metropolitan Borough Council
London Pensions Fund Authority
Environment Agency

Town Clerk, City of London Corporation
Clerk, South Yorkshire PTA
Clerk, West Midlands PTA

Local Government Association/Local Government Employers

CIPFA
LAPFF
NAPF
Society of County Treasurers
Society of Metropolitan Treasurers
Society of London Treasurers
Society of Welsh Treasurers
Association of District Treasurers
PPMA
Audit Commission
Association of Consulting Actuaries

Trades Union Congress
UNISON
TGWU
UCATT
NAPO
UNITE

Members of CLG Governance Working Group

Other Government Departments with public service pension interests
GAD
DoE (NI)
SPPA

DRAFT GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

PART I

INTRODUCTION

1. This guidance is issued to all administering authorities in England and Wales with statutory responsibilities under the Local Government Pension Scheme Regulations 1997 (as amended) and other interested parties listed at Annex B and deals with the compliance standards against which Local Government Pension Scheme (“LGPS”) committees are to measure themselves.
2. The guidance includes a combination of descriptive text explaining the rationale of each compliance principle and a description of the relevant statutory provision of the 1997 Regulations (Regulation 73A(1)(c) refers) that requires LGPS administering authorities to measure their governance arrangements against the standards set out in this statutory guidance. Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in their governance compliance statement, the reasons for not complying.
3. The Secretary of State will keep the content of the guidance under review in the light of administering authorities and other interested parties’ experience of applying the best practice standards. The guidance will be updated as necessary to reflect this and subsequent legislative changes.

BACKGROUND

4. The LGPS is a common scheme throughout England and Wales, administered by 89 individual pension funds, which includes the Environment Agency. In the context of the UK public pensions sector, it is atypical in being funded with assets in excess of £100bn. Viewed in aggregate, the LGPS is the largest funded occupational pension scheme in the UK.
5. As a statutory public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management. The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the accrued benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are ultimately to be paid by the local authority revenue and not from the pension funds themselves. The pension funds exist to defray the costs. On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme.

6. The word “trustee” is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people (“trustees”) hold property on behalf of other people (called beneficiaries). Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions. Although those entrusted to make statutory decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. But they are not trustees in the strict legal sense of that word.

7. Trustees are needed in the private sector to ensure better scheme security, prevent employer-led actions which could undermine a scheme’s solvency and to ensure that investment decisions are not in any way imprudent. But in a statutory scheme like the LGPS, benefits are guaranteed by statute, independent of investment performance. As such, scheme members in the LGPS bear none of the investment risk. The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 simply extends that status.

8. Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

9. It is also relevant to note that under The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No 2853) and The Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001 (Welsh SI 2001 No 2291), statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the Executive arrangements introduced by the Local Government Act 2000. This means, for example, that the executive cannot make decisions in relation to discretions to be exercised under the LGPS, or make decisions relating to the investment of the Pension Fund and related matters. These functions have continued to be subject to the same legislative framework as they were before the passing of the Local Government Act 2000, including delegations under section 101 of the Local Government Act 1972. Such delegations vary from local authority to local authority depending on local circumstances. However, the Secretary of State has advised that where such decisions were delegated to committees or to officers, then those

delegations should continue. (see paragraphs 5.10 and 5.11 of the Statutory Guidance to English Local Authorities – New Council Constitutions : Guidance Pack Volume 1)

10. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

STATUTORY BACKGROUND

11. In response to proposals issued by the former Office of the Deputy Prime Minister, the Local Government Pension Scheme Regulations 1997 were amended to require LGPS administering authorities to publish details of their governance and stewardship arrangements by 1 April 2006. The purpose of this first step was to gauge progress made in the democratisation of LGPS committees and governance arrangements in general and to assess what action, if any, should be taken to ensure that all committees operate consistently at best practice standards. On 30 June 2007, the 1997 regulations were further amended to require administering authorities to report the extent of compliance against a set of best practice principles to be published by CLG, and where an authority has chosen not to comply, to state the reasons why. The first such statement must be published by 1st March 2008.

12. The relevant provision, shown below, is regulation 73A of the Local Government Pension Scheme Regulations 1997 :-

“Governance compliance statement

73A.—(1) An administering authority must prepare a written statement setting out—

- (a) whether they delegate their function, or part of their function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- (b) if they do so—
 - (i) the terms, structure and operational procedures of the delegation;
 - (ii) the frequency of any committee or sub-committee meetings;
 - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

(2) An administering authority must publish the first such statement on or before 1st March 2008.

(3) An administering authority must—

- (a) revise their statement following a material change in respect of any of the matters mentioned in paragraph (1); and
 - (b) publish the statement as revised.
- (4) In preparing or revising their statement an administering authority must consult such persons as they consider appropriate.
- (5) When they publish their statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State.””

This regulation will cease to have effect from 1 April 2008 when the 1997 regulations are revoked. After that date, the relevant provision will be regulation xxx of the Local Government Pension Scheme (Administration) Regulations 2007.

PURPOSE

13. The purpose of this guidance is two fold. Firstly, Part II of the guidance provides a detailed description of each of the best practice principles against which compliance is to be measured (with each of the principles being set out in **bold** type) and secondly, it includes guidance on how the compliance statement in Part II should be completed.

TERMINOLGY

14. Throughout this paper, the distinction is made between those committees or sub-committees that have been formally constituted under 101 of the Local Government Act 1972 (“main committees”) and other committees or panels that have been established outside of that provision (“secondary committees”). Unless reference is made to “elected members”, the word “member” where it appears in the text is used to denote any member of a main or secondary committee, whether elected or not.

POSITION OF NON-LOCAL AUTHORITY ADMINISTERING AUTHORITIES

15. Regulation 73A of the Local Government Pension Scheme Regulations 1997 and this guidance made under powers granted by Regulation 73A(1)(c) of those regulations apply equally to all LGPS administering authorities in England and Wales. It is recognised, however, that a small number of administering authorities are not constituted as local authorities and are not therefore subject to the legal framework imposed on local authorities and their committees by local government legislation. In these cases, the authorities concerned are still required to measure the extent to which they comply with the principles set out in Part II of this guidance and where they are unable to comply, for example, because of their special position, to explain this when giving reasons for being unable to comply.

SUGGESTED READING

16. Although not a formal part of this guidance, it is recommended that administering authorities and other stakeholders should be aware of the contents of the following documents :-

- a) Good Governance Standards for Public Services (Office for Public Management (Alan Langlands – January 2005)
- b) Code of Corporate Governance in Local Government (CIPFA/SOLACE – 2007)
- c) Institutional Investment in the UK – A Review (HM Treasury – March 2001)
- d) Local Government Pension Scheme : Pension Fund Decision Making – Guidance Note (CIPFA Pensions Panel – 2006)
- e) Guidance for Chief Finance Officers : Principles for Investment Decision Making in the Local Government Pension Scheme in the UK (CIPFA Pensions Panel – 2001)

PART II - THE PRINCIPLES

Part II/A - Structure

17. Elected members have legal responsibilities for the prudent and effective stewardship of LGPS pension funds and, in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their statutory functions to the Council, committees, sub-committees or officers, but there are a small number of fund authorities which are not local authorities and therefore have their own, distinct arrangements (see para xx above).

18. The formal committee structures operated by individual pension fund authorities reflect local circumstances and priorities and it is not the remit of this guidance to prescribe a “one size fits all” approach. The evidence collected by Communities and Local Government in 2006 indicated that the overwhelming majority of these committees operate efficiently and effectively despite the variations in their constitution, composition and working practices. The intention is not therefore to level out these differences but instead to ensure that these different structures reflect the best practice principles described below :-

- a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**
- b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.**
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.**

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Part II/B - Representation

19. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights (see Part II/C) by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme member and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989)

20. The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual committee structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations. The following principles are therefore intended to ensure that the composition of committees, both formal and secondary, offers all key stakeholders the opportunity to be represented. For example, deferred and pensioner scheme members clearly have an interest in the performance of pension committees but it would be impractical in many cases to expect them to have direct representation on a committee. Instead, there is no reason why a representative of active scheme members couldn't also act on behalf of deferred and pensioner scheme members. Similarly, a single seat in the committee structure could be offered to somebody to represent the education sector as a whole, rather than having individual representatives for FE Colleges, Universities, academies, etc.

21. An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate.

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-

- i) employing authorities (including non-scheme employers, eg, admitted bodies);**
- ii) scheme members (including deferred and pensioner scheme members),**

- iii) independent professional observers, and
- iv) expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Part II/C - Selection and role of lay members

22. It is important to emphasise that it is no part of the fund authority's remit to administer the selection process for lay members sitting on main or secondary committees or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS committees or panels and to make places available. Effective representation is a two way process involving the fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of the fund authority.

23. Members of a main decision-making LGPS committee are in the same position as trustees in the private sector. Trustees owe a duty of care to their beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest. On a main committee, the interests of the scheme and its beneficiaries must always be put before the interests of individual groups or sectors represented on the committee whereas on secondary committees or panels that are not subject to the requirements of the Local Government Act 1972, private interests can be reflected in proceedings.

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Part II/D – Voting

24. Although the 2006 survey conducted by Communities and Local Government revealed that formal votes taken by LGPS committees were rare, it is important to set out the legal basis on which voting rights are, or may be prescribed to elected and lay members.

Elected members of the administering authority

a) All elected members sitting on LGPS committees have voting rights as a matter of course. Regulation 5(1)(d) of the Local Government (Committee and Political Groups) Regulations 1990 (SI No 1553/1990) provides that voting rights will be given to a person appointed to a sub committee of a committee established under the Superannuation Act 1972 who is a member of the authority which appointed the committee.

Elected members of authorities other than the administering authority and lay members

b) Under sections (13)(1)(a) and (2)(a) of the Local Government and Housing Act 1989, a person who is a member of a committee appointed by an authority under the Superannuation Act 1972 but who is not a member of that authority, shall be treated as a non-voting member of that committee. However, the provisions of section 13(3) and (4) of the 1989 Act allow an administering authority discretion as to whether or not a member of a committee is treated as a voting or non-voting member.

Lay members of advisory panels, etc

c) Because they are not formally constituted committees, secondary committees or panels on which lay members sit are not subject to the restrictions imposed by the Local Government Act 1972 on voting rights. In these circumstances, there is nothing to prevent voting rights being conferred by the administering authority on all lay members sitting on panels or informal committees outside the main decision making committee.

25. The way in which an administering authority decides to exercise its discretion and confer voting rights on lay members is not a matter for which the Secretary of State, under his regulations making powers under the Superannuation Act 1972, has any remit. The issue of whether voting rights should be conferred on district council or scheme member representatives, for example, is a matter for individual administering authorities to consider and determine in the light of the appointing council's constitution. Regulation 73A(1)(b)(iii) of the 1997 Regulations already requires an administering authority to include in their statement details of the extent to which voting rights have been conferred on certain representatives, but does not extend to the need to give reasons where this is not the case.

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

Part II/E – Training/Facility time/Expenses

26. In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, "Institutional Investment in the UK". The first of those principles, "Effective Decision Making", called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where trustees - or in the case of the LGPS, members of formal committees - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

27. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) already requires administering authorities to report the extent of compliance with this principle. But on the wider issue of governance, it is equally important that they report on the extent to which training facilities, etc, are extended to lay members sitting on either main or secondary LGPS committees.

28. If all stakeholders represented on LGPS committees or panels are to satisfy the high standards set out in the Myners' set of investment principles, it follows that equal opportunity for training, and hence facility time, should be afforded to all lay members. They too should have access to the resources that would enable them to evaluate the expert advice commissioned by the main investment committee and to comment accordingly. But the way that is achieved at local level is not a matter for national prescription, in particular, the policy adopted by individual administering authority or local authority on the reimbursement of expenses incurred by committee or panel members. On this basis, the best practice standard which administering authorities are required to measure themselves focuses on the extent to which they have a clear and transparent policy on training, facility time and reimbursement of expenses and whether this policy differs according to the type of member, for example, elected member or scheme member representative.

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

Part II/F – Meetings (frequency/quorum)

29. From the evidence collected in 2006 by Communities and Local Government, it is clear that the majority of administering authorities who have introduced a multi-level committee structure operate different reporting/meeting cycles for each committee or panel. In the case of main, formal committees, these tend to meet, on average, at least quarterly, though there are a few examples where meetings are held less often. As a general rule, it is expected that main committees should meet no less than quarterly. Although it is important that any secondary committees or panels should also meet on a regular and consistent basis, it is accepted that there should be no compulsion or expectation that there should be an equal number of main and secondary committee meetings. But as a matter of best practice, it is expected that secondary meetings should be held at least bi-annually.

30. Although the overwhelming majority of administering authorities operate effective representation policies, the evidence collected in 2006 by Communities and Local Government revealed a small handful of authorities who restrict membership of their committee's to elected members only. In legal terms, this is permissible, but in terms of best practice, it falls well short of the Government's aims of improving the democratisation of LGPS committees. In those cases where stakeholders, in particular, scheme members, are not represented, it is expected that administering authorities will provide alternative means for scheme employers, scheme members, pensioner members, for example, to be involved in the decision-making process. This may take the form of employer road-shows or AGMs where access is open to all and where questions can be addressed to members of the main committee.

- a) **That an administering authority's main committee or committees meet at least quarterly.**
- b) **That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.**
- c) **That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented**

Part II/G - Access

31. The people to whom the appointing council entrust with taking investment, and other statutory decisions, is a matter for that council to consider and determine. However, it is important that others, outside that formal decision-making process but involved in some capacity in the general governance arrangement, have equal access to committee papers and other documents relied on by the main committee in taking its decisions.

32. The fact that voting rights are not conferred on individual lay members should not put them on any less footing than those members who serve on the main committee with full voting rights. Secondary panels or committees have a clear role to underpin and influence the work of the main committee and can only do so where there is equal access.

- a) **That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**

Part II/H – Scope

33. Traditionally, LGPS committees have focussed on the management and investment of the funds under their supervision, with questions arising from the main scheme dealt with by officers with delegated authority under the council's constitution. In recent times, however, and reflecting the trend towards de-centralisation, administering authorities have become responsible for formulating a significant number of policy decisions on issues like abatement, compensation and the exercise of discretions under the scheme's regulations. These are key decisions which should be subject to the rigorous supervision and oversight of the main committee. And with the prospect of some form of cost sharing arrangement to be in place by March 2009, it is clear that there are other key scheme issues, outside the investment field, that main committees may need to address in the future. Given the not insignificant costs involved in running funds, LGPS committees and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the fund is being run on an effective basis. This would involve reviewing the committee's governance arrangements and the effective use of its advisers to ensure sound decision making. Here, the use of an independent

professional observer, free of conflicts of interest, would enable a wholly objective approach to be taken to the stewardship of the fund.

34. All this points to LGPS committees perhaps becoming more multi-disciplined than they have been in the past, with a consequential impact on, for example, membership and training. For example, if decisions are to be taken by LGPS committees that could impact on the cost-sharing mechanism, it is reasonable to expect scheme member representatives to be present on those decision making committees, given that those decisions could have a direct impact on the position of scheme members under the scheme.

35. Although the future may see LGPS committees having a broader role than at present, individual administering authorities may adopt different strategies to meet these new demands. The more traditional approach might be to extend the scope of existing investment committees to include general scheme and other administrative issues. But already, there is evidence to suggest that some administering authorities have opted instead to establish new sub committees to deal solely with non-investment, scheme issues. The purpose of this guidance is not to prescribe the way in which administering authorities develop and adapt to scheme developments. Instead, the intention is to increase the awareness that administering authorities and their committees must be flexible and willing to change to reflect scheme changes and wider pensions issues.

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

Part II/I – Publicity

36. A key component in improving the democratisation of LGPS governance arrangements is to increase the awareness that opportunities exist for scheme member representatives and LGPS employers, for example, to become part of these arrangements. But the onus for increasing awareness should not rest entirely with the administering authority. It is just as much the role of scheme member representatives and scheme employers to keep abreast of developments in this field and to play an active part in the selection and appointment of committee or panel members. This is best left to local choice and discretion. However, administering authorities are reminded that under Regulation 76B(1)(e) of the 1997 Regulations, the latest version of their Governance Compliance Statement must be included in their Pension Fund Annual Report.

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Annexe A : Compliance Statement

Principle A – Structure

	Not Compliant*				Fully Compliant
a)					
b)					
c)					
d)					

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE SURVEY - A SUMMARY

On 31 March 2006, LGPS administering authorities in England and Wales were required to publish details of their governance arrangements. This paper summarises the results of the survey. For the purposes of the paper, "representation" is taken to mean either attendance of scheme members (or their representatives) on formal investment/pension committees; attendance on secondary, formal committees; attendance on informal, advisory panels or the opportunity to attend annual general meetings, employer/scheme road shows, etc. A list of LGPS funds showing the extent of representation across these four areas is attached.

1. Main findings

- a). Percentage of fund authorities with representation on main committee = 84%
- b) Percentage of fund authorities with representation on second committees = 11%
- c) Percentage of fund authorities with representation on advisory panels = 15%
- d) Percentage of fund authorities with representation at AGMs, etc = 18%
- e) Percentage of fund authorities with none of the above = 15% (11 authorities)

(English shire counties = 4 authorities)
(London Boroughs = 6 authorities)
(Mets + others = 0 authorities)
(Welsh Unitaries = 1 authority)

2. Membership of Committees

- a) Average Number of members on all main committees= 10 (range = 3 to 20)
- b)) English shire counties = 11 (range = 5 to 20)
- c) London Boroughs = 8 (range = 4 to 15)
- d) Mets + others = 15 (range = 10 to 20)
- e) Welsh Unitaries = 8 (range = 3 to 16)

3. Frequency of Committee Meetings

- a) 86% of committees meet at least Quarterly
- b) 2 committees meet twice per annum
- c) 3 committees meet five times per annum

d) 5 committees meet six times per annum

4. Voting Rights

a) 4 authorities have conferred voting rights on lay members :-

- English shire counties = 2
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 0

b) 5 authorities have conferred voting rights to lay members on advisory panels :-

- English shire counties = 1
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 2

5. Number of “trustees”

a) Total number of members on main committees = 900

b) Total number of elected members on main committees = 650 (72%)

c) Number of lay members on main committees = 250 (28%)

6. Correlation between Governance and Funding levels

a) No representation - Average funding level = 73% (range = 62% to 79%)

b) 1 item of representation - Average funding level = 72.3% (range = 61% to 88%)

c) 2 items of representation - Average funding level = 76.5% (range = 64% to 94%)

d) 3 items of representation - Average funding level = 83.5% (range = 74% to 93%)

e) 4 items of representation - Average funding level = 79.5% (range = 77% to 82%)

(Average funding level of all funds in England and Wales = 73.4%)

7. Correlation between Governance and Investment Returns

a) No representation (11 funds) 03/04 Average = 25.7% (range = 22% to 30%)
04/05 Average = 13% (range = 10% to 17%)

b) 1 item of representation (47 funds) 03/04 Average = 25.4% (range = 20% to 30%)
04/05 Average = 13.1% (range = 9% to 20%)

- c) 2 items of representation (19 funds) 03/04 Average = 23.5% (range = 20% to 29%)
04/05 Average = 11.7% (range = 7% to 15%)
- d) 3 items of representation (2 funds) 03/04 Average = 24.5% (range = 24% to 25%)
04/05 Average = 12.5% (range = 12% to 13%)
- e) 4 items of representation (2 funds) 03/04 Average = 23% (range = 22% to 24%)
04/05 Average = 13.5% (range = 13% to 14%)

REPRESENTATION LEVELS IN THE LGPS (ENGLAND & WALES)

LGPS Funds with no form of representation :-

Buckinghamshire County Council
 Cambridgeshire County Council
 West Sussex County Council
 Worcestershire County Council
 Hackney London Borough
 Hounslow London Borough
 Kensington & Chelsea London Borough
 Corporation of London
 Redbridge London Borough
 Wandsworth London Borough
 City & County of Swansea

LGPS Funds with 1 form of representation :-

Berkshire Pension Fund
 Cheshire County Council
 Cornwall County Council
 Devon County Council
 Durham County Council
 East Riding County Council
 Essex County Council
 Gloucestershire County Council
 Hampshire County Council
 Hertfordshire County Council
 Kent County Council
 Lincolnshire County Council
 Teeside Pension Fund
 Norfolk County Council
 Northumberland County Council
 Oxfordshire County Council
 Somerset County Council
 Suffolk County Council
 Surrey County Council
 Warwickshire County Council
 Wiltshire County Council

Barking London Borough
Barnet London Borough
Bexley London Borough
Bromley London Borough
Camden London Borough
Croydon London Borough
Ealing London Borough
Enfield London Borough
Hammersmith & Fulham London Borough
Haringey London Borough
Harrow London Borough
Havering London Borough
Hillingdon London Borough
Lambeth London Borough
Lewisham London Borough
Merton London Borough
Newham London Borough
Richmond-Upon-Thames London Borough
Southwark London Borough
Sutton London Borough
Tower Hamlets London Borough
Waltham Forest London Borough
City & County of Cardiff Council
Rhondda, Cynon & Taff CBC
Gwynedd Pension Fund
Dyfed Pension Fund
Torfean County Borough Council

LGPS Funds with 2 forms of representation :-

Bath & NE Somerset Council (Avon Pension Fund)
Bedfordshire County Council
Cumbria County Council
Derbyshire County Council
Dorset County Council
East Sussex County Council
Isle of Wight County Council
Lancashire County Council
Leicestershire County Council
Nottinghamshire County Council
Staffordshire County Council
Shropshire County Council
Brent London Borough
Islington London Borough
Merseyside Pension Fund
Tyne & Wear Pension Fund
London Pensions Fund Authority
Environment Agency
Clwyd Pension Fund
South Yorkshire PTA

LGPS Funds with 3 forms of representation:-

West Midlands Pension Fund
Tameside Pension Fund

LGPS Funds with 4 forms of representation :-

West Yorkshire Pension Fund
South Yorkshire Pension Fund

Note 1

Information relating to the following LGPS funds was not available at the time the survey was conducted :-

Northamptonshire County Council
North Yorkshire County Council
Greenwich London Borough
Royal Borough of Kingston Upon Thames
City of Westminster
Powys County Council

Note 2

The four forms of representation referred to above include :-

- membership of scheme members (or their representatives) on formal investment/pension committees;
- membership of scheme members (or their representatives) on secondary, formal committees;
- membership of scheme members (or their representatives) on informal, advisory panels, or
- the opportunity to attend annual general meetings, fund roadshows, etc.

**Department for Communities and Local Government
Local Government and Firefighters' Pension Schemes Division
May 2006**

APPENDIX 2

Our existing governance policy statement

Local Government Pension Scheme Regulations 1997 (as amended) Governance Policy Statement Regulation 73A

1.	<p>Introduction</p> <p>Haringey Council is the Administering Authority for the London Borough of Haringey Pension Fund.</p>
	<p>The Councils obligation to maintain a pension fund is derived from powers conferred by sections 7 12 and 24 of the Superannuation Act 1972.</p> <p>The Council must establish a body to act as the trustees of its Pension Fund. The Council must also establish a body to take decisions on pension entitlements. Under the legislation, this can be the same body exercising both functions or different bodies for the Pension Fund management and for pension entitlements respectively. Alternatively, the functions can be shared.</p> <p>In line with the principles of investment guidance (the Myners principles) decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively.</p>
2.	<p>Delegation:</p>
	<p>The Council's constitution is made in compliance with Sections 29 and 37 of the Local Government Act 2000 and the DETR L.G.A. 2000 (Constitutions) (England) Direction 2000.</p> <p>Under the terms of the Constitution adopted by the full Council on 21 May 2007, the function of acting as trustees of the pension fund is delegated to the Pensions Committee and decisions on pension entitlements to General Purposes Committee. These are delegations made under sections 101 and 102 of the Local Government Act 1972.</p>
3.	<p>Frequency of Meetings:</p>
	<p>The frequency of meetings is determined by the full Council in May of each year. For the Municipal Year May 2007 to April 2008 it was determined that:-</p> <ul style="list-style-type: none"> • General Purposes Committee would meet 6 times a year • Pensions Committee would meet 6 times throughout the year <p>The constitution makes provision for additional meetings to be called and for scheduled meetings to be cancelled for lack of business.</p>
4.	<p>Terms of Reference:</p>
	<p>a General Purposes Committee</p>
	<p>The powers of General Purposes Committee in respect of pensions</p>

	entitlements are as follows:-	
	i.	Paragraph H – Pensions; determining the Council's policies as Employing Authority and determining the terms of release of Chief and Deputy Chief Officers aged 50 or over and made redundant or retired early with a claim on the pension scheme.
	b Pensions Committee	
	The powers of Pensions Committee are as follows:-	
	i.	To exercise the functions which are stated not to be the responsibility of The Executive in Regulation 2 and Schedule 1 paragraph H of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and in any Statute or subordinate legislation further amending these Regulations. The Committee's functions are those of the 'Administering Authority' under the Pensions legislation.
	ii	To be responsible for the management and monitoring of the Council's Pension Fund through:-
	a.	Selection and appointment of Investment Managers, master custodian, provider of performance monitoring against benchmarks services, providers for the Council's Additional Voluntary Contributions (AVC) Scheme and specialist external advisors as necessary.
	b.	Reviewing Investment Managers' performance.
	c.	Formulation of investment, socially responsible investments (SRI) and governance policies.
	d.	Maintaining a Statement of Investment Principles.
	e.	Publicising statements and policy documents as required by legislation, Government directives and best practice.
	iii	To monitor and as appropriate to decide upon Pensions Administration issues.
	iv	To receive the Pension Fund budget annually and monitor spend against this.
	v.	To agree to the admission of bodies into the Council's Pension Scheme.
	vi	To receive actuarial valuations.
5	Structure and operational procedures of the delegation	
	a.	General Purposes Committee
	i.	The Committee has 8 elected members (4 majority group and 4 opposition group).
	b.	Pensions Committee

- | |
|--|
| <ul style="list-style-type: none">i. The Panel has 8 elected members (6 majority members and 2 opposition members) There is also a designated Trade Union representative and an independent advisor to the Trustees.ii. Decisions taken by the Pensions Committee under its terms of reference come into immediate effect unless the matter specifically requires approval by full Council.iii. Voting rights reside only with the elected members.iv. There are no representatives of the Fund's employing bodies. |
|--|

APPENDIX 3

GOVERNANCE COMPLIANCE STATEMENT

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partly compliant
c)	C. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable
d)	D. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Pensions Committee includes an employee representative as part of its membership. We plan to increase the membership of the Committee to include all stakeholders as soon as possible. Then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner. We also hold an Annual General meeting (AGM).

Bi-annually a meeting is held with admitted and scheduled bodies that is chaired by the Chair of Pensions Committee to cover key issues. e.g. actuarial valuation results where the Actuary is invited to attend.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Pensions Committee has full responsibility for these functions and meets six times per annum.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

Principle B – Representation

a)	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis). 	Partly compliant
b)	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	Fully compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Pensions Committee includes an employee representative as part of its membership.

We plan to increase the membership of the Committee to include all stakeholders as soon as possible. Then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

Pensions Committee is attended by an Independent Advisor to trustees to advise Trustees.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The employee representative that currently is a member of Pensions Committee receives all non-exempt papers and attends the Committee other than for exempt matters. Equal access is given to training and also has a full opportunity to contribute to the decision making process but without voting rights. This approach will also be followed when we increase the membership of the Committee to include all stakeholders as soon as possible, namely to represent admitted and scheduled bodies, to represent all pensioners and staff not represented by the current member of the Committee.

Principle C – Selection and role of lay members

a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

We meet the above by ensuring that proper training is received at regular intervals. Where technical pensions matters are discussed at Committee meetings .e.g. asset liability modelling proper explanation is given in the report and by our external Investment Advisors when introducing their reports.

When we increase the membership of Pensions Committee we will similarly ensure that new representatives are given the same opportunities for training.

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Our policy regarding voting rights is clearly set out. Only elected members of Pensions Committee are permitted to vote.

Principle E – Training, Facility time, Expenses

a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully compliant
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Clear policy is to ensure that there is regular and comprehensive access to training. The current stakeholder representative on Pensions Committee has equal access and we plan the same approach for new stakeholder representatives.

Principle F – Meetings (frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.	Fully compliant
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which	Partly compliant

	the interests of key stakeholders can be represented	
--	--	--

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

An employee representative is currently a member of Pensions Committee. We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

Bi-annually a meeting is held with admitted and scheduled bodies, and is chaired by the Chair of Pensions Committee.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Pensions Committee meets six times per annum plus any special meetings.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

Principle G – Access

a)	That subject to any rules in the Council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Equal access is given. This will be applied for additional stakeholder representatives that will sit on pensions Committee as soon as possible.

Principle H – Scope

	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant
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* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Wider scheme issues are also part of the Council's governance arrangements.

Some pensions matters are dealt with by General Purposes Committee regarding determining the Council's policies as Employing Authority and determining the terms of release of Chief and Deputy Chief Officers aged 50 or over and made redundant or retired early with a claim on the pension scheme.

Principle I – Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Partly compliant
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* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Our current Governance Policy Statement has been properly shared with stakeholders; it has been approved by Pensions Committee, copied to our admitted and scheduled bodies, seen by the trade union representative that is a member of Pensions Committee and is published on Harinet.

The creation of a pensions page on the Haringey Web site will widen scope for all stakeholders to access this document.

Our proposed first Governance Compliance Statement is appended for approval and will be shared with stakeholders.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-