

PENSIONS COMMITTEE - 29 NOVEMBER 2007

GOVERNANCE COMPLIANCE STATEMENT

SUMMARY

This report provides details of the guidance provided to Local Government Pension Scheme administering authorities on the contents of the Governance Compliance Statement, and proposes a new Statement for the Committee to consider.

RECOMMENDATIONS THAT

- (1) Amendments to the Governance Compliance Statement shown in Appendix 1 be agreed in principle.
- (2) The Controller of Finance and IT Services in consultation with the Chairman of the Committee be authorised to finalise and publish the Governance Compliance Statement following the issue of final guidance from the Department for Communities and Local Government.
- (3) The final statement be published before 1 March 2008.

1. Introduction

At this Committee's last meeting Members were informed that the LGPS (Amendment)(No.3) Regulations 2007 had been issued requiring administering authorities to produce additional documentation for their schemes. One of these was the Governance Compliance Statement.

This statement is to build on the existing Governance Policy Statement by requiring additional information to be published and to measure the policies against a set of best practice principles. The first such Governance Compliance Statement must be published by 1 March 2008 and a copy sent to the Secretary of State.

The draft best practice principles were published for consultation on 8 October, with a response deadline of 9 November. Details of the principles are given below, and amendments have been made to the existing Governance Policy Statement in Appendix 1 for Members' consideration. The amended document will form the Governance Compliance Statement and will be published once final guidance is received.

2. Statutory Requirements

Section 73A of the LGPS Regulations 1997 requires administering authorities to prepare a written statement setting out how they delegate pension functions and details of how the committees and sub-committees operate. The extent to which the delegation complies with guidance given by the Secretary of State must be

disclosed. The statement must be kept up to date, published, consulted with relevant parties and copied to the Secretary of State.

It is the guidance mentioned above that has now been issued, and is discussed below.

3. Draft Guidance

The principles which administering authorities must explain any non-compliance against are shown below (in italics), together with officers' comments as to how these are met.

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.

This is covered by the Committee's orders of reference.

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.

This is covered by members and observers on the Committee.

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

Where sub committees have been established in Bexley their powers are established by the Committee and they report back to the Committee.

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.

Where sub committees have been established in Bexley they have been formed from members of the Committee.

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).*

Committee members and observers meet (i) and (ii) and the availability of the Investment Adviser meets (iv). The Council does not have, or see the need for an independent professional observer. This will, therefore, be disclosed as an area where Bexley does not comply with the best practice principles – see updated Statement.

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.

This is complied with.

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.

This is complied with.

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.

Suggested words have been included in the Statement, but this is a matter that the Committee may wish to discuss.

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.*

This is complied with, but the Statement has been expanded to make this clear.

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.*

Where sub committees have been established in Bexley they have been formed from members of the Committee, so this is complied with.

F – Meetings (frequency/quorum)

a) *That an administering authority's main committee or committees meet at least quarterly.*

As this is now the case the Statement has been updated.

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 to Bexley as sub committees have been set up only to undertake time limited tasks.

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*

Not applicable to Bexley.

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.*

The Statement has been updated to make this explicit.

H – Scope

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

The Committee does consider wider issues than just the management and investment of the Pension Fund. This is stated in the orders of reference and covers such matters as the annual early retirement report.

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.*

The statement is published on the website, is referred to in annual newsletters sent to all scheme members, and will in future be included in the new annual reports.

4. Summary of Financial Implications

All costs of administration of the LGPS are met by the Pension Fund.

5. Summary of Other Implications

The regulations will apply to employees regardless of race, gender, age, disability, or level in the organisation.

Local Government Act 1972 – section 100d
List of background documents

DCLG website www.communities.gov.uk

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The existing Governance Policy Statement is shown below. Proposed changes are shown in italics or deletions.

Governance ~~Policy~~ *Compliance* Statement – ~~February 2006~~.

Background

The Local Government Pension Scheme (Amendment) (No 23) Regulations ~~2006~~2007 require administering authorities to prepare and maintain a separate written statement of governance policy on pension fund matters. *The statement is required to indicate the extent to which it complies with guidance given by the Secretary of State and to provide reasons for not complying.*

Governance is the leadership, direction and control of organisations to ensure they achieve their aims and objectives. In public service organisations particularly these processes need to be clear and open to scrutiny.

Delegation of Pension Fund Management and Administration

The Council has delegated its pension fund management and administration functions to the Pensions Committee.

Pensions Committee Meetings

The Pensions Committee ~~regularly meets twice~~ *is scheduled to meet four times* a year. Further meetings *or sub-committees* are arranged as necessary to deal with specific issues.

Committee meetings are generally held in the evenings at the Civic Offices in Bexleyheath, and are open to members of the public. *All Committee members and observers have equal access to committee papers, documents and advice that falls to be considered at committee meetings.*

Reports to the Pensions Committee are published on the Council's website.

Orders of Reference and Delegated Powers

The Orders of Reference for the Pensions Committee are:

- To oversee the management and investment of the Pension Fund.
- The appointment of Fund Managers and independent Fund Advisers and the review of their performance.
- Pension and retirement matters

The Delegated Powers of the Pensions Committee are as follows:

- To agree the investment strategy having regard to the advice of the Fund's managers and the independent adviser.
- To determine the Fund management arrangements and appointments of Fund Managers and Fund Advisers.
- To agree to the admission of bodies into the Council's Pension Scheme.
- To agree discretionary payments in respect of pension and retirement matters.
- To agree actuarial valuations

The Pension Fund operates under the Local Government Pension Scheme and publishes separately its Statement of Investment Principles, Funding Strategy Statement and Communications Policy Statement.

Committee Membership

The committee consists of seven Members, with its membership allocated proportionally to party political representation on the full Council. The Committee also has three observers representing

- Admitted and scheduled bodies,
- Pensioners, and
- Employees

although these observers do not have voting rights.

Observers are given the opportunity to express their views on all issues considered by the Pensions Committee, but voting rights have not been extended to them as the risk arising from the decisions taken falls on the employers' contributions to the fund and the Members are accountable to the Council Taxpayers for this expenditure. In order to have voting rights eligible observers would need to be appointed/co-opted as members of the Committee.

Training sessions are made available to Members and observers to assist them in making informed investment decisions and to keep them informed on other matters concerning the Local Government Pension Scheme. *A training budget is specifically provided for members and observers on the Pensions Committee, and they are able to reclaim expenses incurred in undertaking training and attending seminars.*

Advice and Monitoring

The Pensions Committee is advised by the Director of Finance and Business Services, the ~~Director of Law and Administration~~ Assistant Director (Legal Services), the Fund's investment consultant and the Fund's investment managers. The Director of Finance and Business Services is responsible for ensuring that the in-house team is providing adequate support to the Committee.

The investment managers present to the Committee at six monthly intervals on the implementation of the investment policy. In between Committee meetings they report to the Director of Finance and Business Services on investment policy. The Pension Fund's performance is regularly assessed by an independent performance review organisation. The Fund's procedures are subject to audit and scrutiny by both the Council's internal audit team and by external auditors, the Audit Commission.

Compliance

The Pension Fund complies with all the best practice principles issued under section 73A(1)(c) of the LGPS Regulations 1997 with the exception of:-

Principle B(a)(iii). Independent Professional Observers are not offered the opportunity to be represented on the Pensions Committee as it is felt that the existing membership of the Committee, including observers representing admitted bodies, pensioners and employees, cover the full spectrum of key stakeholders within the Pension Fund. The Committee takes professional advice on management and investment matters where necessary.

This statement issued in November 2007.