



Governance Compliance Statement

Pension Fund Panel - 16th June 2010

1. Background

The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to prepare and maintain a separate written statement on governance policy on pension fund matters. The Department for Communities and Local Government (DCLG) has published regulations requiring Pension Funds to report on their governance arrangements against a set of best practice principles. Where a Pension Fund's compliance does not meet the required standards there is a requirement to explain, within the governance compliance statement, the reasons for not complying i.e. the compliance principles are not mandatory.

2. Structure

2.1 DCLG principle: 'The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.'

Partially compliant

London Borough of Hounslow (LBH) Pension Fund is partially compliant in that the Administering Authority delegates its investment function in maintaining a pension fund to the Pension Fund Panel (PFP). The 4 Terms of Reference are:-

1. To consider on the advice of the Director of Finance and Council's Fund managers, the Council's general policy with regard to Pension Fund Investments.
2. To make arrangements for the management of the Fund in line with the Statement of Investment Principles.
3. To monitor the performance of the Fund and its Managers.
4. To exercise the Council's voting rights at AGM's and EGM's of companies in which the Fund has holdings, after considering the advice of the Director of Finance and appropriate Manager (s).

N.B. The Benefits contract is outsourced to Capita Hartshead. Regular contract monitoring statistics are reported to the PFP. However, benefits issues are formally dealt with by the Executive.

- 2.2 DCLG principle: '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.'**

Compliant

LBH representatives include Administering Authority councillors, an employer representative, and a staff side representative. A pensioner representative is currently being appointed.

- 2.3 DCLG principle: 'That where a secondary committee or panel has been established the structure ensures effective communication across both levels'.**

Compliant

Not applicable as there is no secondary committee. The Pension Fund Panel considered that the additional resource and time allocated to such a secondary committee could not be justified within the current management of the fund. However it was considered that this could be reviewed if it was felt that there was significant demand from scheme members or employers for such a committee at some future time.

- 2.4 DCLG principle: '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'.**

Compliant

Not applicable as there is no secondary committee.

3. Representation

- 3.1 DCLG principle: '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, 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).'

Partially Compliant

LBH Pension Fund has representation from the Administering Authority, a further scheme employer, and from a current scheme member. In addition an independent expert adviser attends meetings. There is currently no pensioner representative.

- 3.2 DCLG principle: '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.'**

Compliant

LBH Pension Fund is compliant, although lay members do not have voting rights (see 4 below).

- 3.3 DCLG principle: '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.'**

Compliant

Representatives are aware of their roles and responsibilities as members of the Pension Fund Panel.

4. Voting

DCLG principle: '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.'

Compliant

LBH Pension Fund does not extend voting rights to lay members.

The survey undertaken by the DCLG, in March 2006 showed that only 4 Administering Authorities, out of 89, had conferred voting rights on these Committee members sitting directly on the Pensions Committee and only 5 Administering Authorities had conferred voting rights on these Committee members sitting on a secondary or advisory committee. This survey has not been updated. In line with other Pension Funds the PFP does not currently consider extending voting rights to lay members would add value to the management of the Fund. If appropriate the situation will be reconsidered at a later date.

5. Training/Facility time/Expenses

- 5.1 DCLG principle: '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.'**

Compliant

Training is provided to all members of the PFP to assist with the decision making process. All members are required to attend the 3 day trustee training provided by the Local Government Employers' Association.

- 5.2 DCLG principle: '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.'**

Compliant.

6. Meetings (frequency/quorum)

- 6.1 DCLG principle: 'That an administering authority's main committee or committees meet at least quarterly.'**

Compliant

PFP meets at least once a quarter.

- 6.2 DCLG principle: '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. '**

Compliant

Not applicable as there is no secondary committee.

- 6.3 DCLG principle: '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.'**

Compliant

Lay members have representation on the PFP. In addition an Annual General Meeting is held for all scheme members.

7. Access

DCLG principle: '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. '

Compliant

8. Scope

DCLG principle: 'That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.'

Partially compliant

Hounslow's PFP has, in common with most LGPS Committees, traditionally focussed on the management and investment of the funds under their supervision. The PFP has discussed whether to extend its Terms of reference. These are detailed in Section 2.1. At its meeting in June 2008 the PFP decided to maintain its Terms of Reference as they are. It also decided that regular contract monitoring statistics should come to PFP.

9. Publicity

DCLG principle: '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.'

Compliant

This Governance Compliance Statement is a public document on Part 1 of the PFP Agenda of 16 June 2010.