

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Pension Fund Investment Board

**Date of Committee** 17 February 2006

**Report Title** Corporate Governance Policy

**Summary** Report setting out the requirement for a Governance Policy in line with statutory regulations.

**For further information please contact:** Phil Triggs  
Group Accountant  
Tel: 01926 412227  
philtriggs@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework?** No.

**Background papers** None

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- Other Committees  .....
- Local Member(s)
- Other Elected Members  Cllr Davis - Chair of Pension Board
- Cabinet Member  .....
- Chief Executive  .....
- Legal  Jane Pollard, Assistant County Solicitor
- Finance  David Clarke, Strategic Director of Resources - reporting officer
- Other Chief Officers  .....
- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by this Committee  .....

To Council  .....

To Cabinet  .....

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

## Agenda No

### Pension Fund Investment Board - 17 February 2006.

#### Corporate Governance Policy

#### Report of the Strategic Director of Resources

##### **Recommendation**

That the Board approve the Warwickshire County Council PFIB Governance Policy as set out in **Appendix A**.

#### **1. Introduction**

- 1.1 In line with the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2005 SI 2005 No. 3199, administering authorities are required to prepare and publish a corporate governance policy statement.
- 1.2 The draft policy is included in **Appendix A**.

#### **2. The Governance Policy Statement**

- 2.1 The governance policy statement requirement is made under the Local Government Pension Scheme Regulations 1997 rather than under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 ("the investment regulations") as proposed in the statutory consultation paper. The change reflects concerns that the Statement of Investment Principles (SIP) could become overloaded and unwieldy if further extended.
- 2.2 New regulations require each administering authority to publish, after consultation with those persons they consider appropriate, a statement setting out the authority's policy on pension fund governance, including issues concerning the representation and participation of key stakeholders on pension/investment committees. It is envisaged that a consultation process with employer bodies will take place after the Board meeting at which this policy statement is considered.
- 2.3 Authorities have until 1 April 2006 to publish their first statement and to send a copy to the ODPM. It is intended that the data in the statements will help ODPM to assess the overall position on democratisation, note examples of good practice, and identify examples of effective governance across the LGPS as a whole. Regulations require a revised statement to be published

thereafter whenever there is a material change in the authority's policy on any of the relevant matters.

- 2.4 The CIPFA Pensions Panel is expected to publish initial guidance soon to assist authorities in implementing these new regulations. The Panel's existing guidance on the Myners Principles includes material on pension management/investment committees in its discussion of Principle 1 (effective decision-making).
- 2.5 It is clear that the composition of relevant committees and sub-committees is for individual Administering Authorities to consider. But, in exercising their discretion on this matter, it is important that they recognise the desirability of achieving an effective and comprehensive level of stakeholder representation within the LGPS.
- 2.6 As part of the outcome of discussions about the long-term future of the LGPS overseen by the framework of the Deputy Prime Minister's Tripartite Committee, discussions are to begin on how best to take this initiative forward in terms of greater degrees of "trusteeship". Further communications are expected from the ODPM on this issue.
- 2.7 Members will notice reference to the risk management policy and the communications policy, both of which are included as separate items for consideration at the PFIB meeting for 13 February 2006.

### **3. Recommendation**

- 3.1 Members are asked to consider the draft governance policy statement in **Appendix A** and to approve the document, making any suitable additions or amendments as appropriate.

DAVID CLARKE  
Strategic Director of Resources

Shire Hall  
Warwick

27 January 2006

**Draft Governance Policy Statement for the Purposes of The Local Government Pension Scheme (Amendment) (No 2) Regulations 2005**

This Statement is prepared for the purposes of the above Regulations. It sets out the policy of the Administering Authority in relation to its governance responsibilities for the Local Government Pension Scheme (LGPS).

**Contents**

1. Overall governance framework
2. Delegation of functions and allocation of responsibility for:
  - Administration
  - Funding
  - Investment
  - Communication
  - Risk management
3. Terms of reference and decision making:
  - Structure of committees and representation
  - Voting rights
4. Operational procedures:
  - Frequency of meetings
  - Competencies, knowledge and understanding
  - Reporting and monitoring
5. Review of this policy statement

## 1. Overall Governance Framework

The Administering Authority with its advisers has identified the following key areas (the “five principles”) to support its overall governance framework.



The governance framework focuses on:

- The effectiveness of the Pension Fund Investment Board (PFIB) and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and PFIB members.
- The ability of the PFIB and officers to communicate clearly and regularly with all stakeholders.
- The ability of the PFIB and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

**Overall responsibility for the governance of the Local Government Pension Scheme and for this document resides with the Strategic Director of Resources.**

## 2. Delegation of Function

The following functions are delegated by the Administering Authority:

### **Scheme Administration**

**Governance Principles: Effective board delegation; appropriate accountability; rigorous supervision and monitoring**

Including, but not exclusively, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, provision of membership data for actuarial valuation purposed.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

**Delegated to the Strategic Director of Resources and the PFIB.**

### **Funding**

**Governance Principles: Effective board delegation; appropriate accountability; written plan policies**

Including, but not exclusively, setting of the appropriate funding target for the Local Government Pension Scheme. The Strategic Director of Resources shall be responsible for maintaining the Funding Strategy Statement.

**Delegated to the Strategic Director of Resources.**

### **Investment**

**Governance Principles: Effective board delegation; appropriate accountability; written plan policies**

Including, but not exclusively, setting of an appropriate investment strategy, selection of investment managers, setting of performance benchmarks and monitoring of performance. The PFIB shall be responsible for maintaining the Statement of Investment Principles.

**Delegated to the PFIB.**

### **Communications**

**Governance Principle: Effective Information Flow; written plan policies**

Including setting of communication strategy, issuing, or arranging to be issued, benefit statements, annual newsletters, shortened annual report. The PFIB shall be responsible for maintaining the Communications Policy (included as part of the PFIB agenda for the 13 February 2006 meeting).

**Delegated to the PFIB.**

## **Risk Management**

### **Effective board delegation; appropriate accountability; written plan policies**

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The PFIB shall be responsible for maintaining the Risk Register (included as part of the PFIB agenda for the 13 February 2006 meeting).

**Delegated to the PFIB.**

## **3 Terms of Reference and Decision Making**

### **Terms of Reference:**

**Governance Principle: Effective board delegation; written plan policies**

### **Administration, Funding, Investment, Communications and Risk Management**

In line with the Council's Constitution, the PFIB shall oversee Pension Fund investments, management of the Fund, and the administration of the Pension Scheme.

### **Structure of the PFIB and representation:**

**Governance Principle: Effective board delegation**

The PFIB shall be made up of:

2 Conservative members;

2 Labour members;

1 Liberal Democratic member.

### **Decision Making:**

**Governance Principle: Effective board delegation; rigorous supervision and monitoring**

The PFIB shall have full decision-making powers.

## **4. Operational Procedures**

### **Frequency of Meetings:**

**Governance Principle: Effective board delegation; effective information flow**

The PFIB shall convene no less frequently than four times per year. The PFIB shall receive full reports upon all necessary matters as decided by the Strategic Director of Resources (and any matters requested by members of the PFIB).



**Competencies, Knowledge and Understanding:**

**Governance Principle: Effective board delegation; appropriate accountability**

Officers and Members of the PFIB shall undertake to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge etc is evaluated on an annual basis to identify any training or educational needs of the Officers and the PFIB.

**Reporting and Monitoring:**

**Governance Principle: Rigorous supervision and monitoring; effective information flow**

The PFIB shall report to the full Council on a frequency and with such information as shall be agreed and documented.

**5 Review of this policy statement**

Responsibility for this document resides with the Strategic Director of Resources. It will be reviewed by the Director no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy.