

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Pension Fund Investment Board  
**Date of Committee** 18 February 2008  
**Report Title** Governance Compliance Statement

**Summary**

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

**Background papers**

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- Other Committees  .....
- Local Member(s)  .....
- Other Elected Members  Cllr Davis, Chair of Pension Fund Board
- Cabinet Member  .....
- Chief Executive  .....
- Legal  Tony Maione
- 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 18 February 2008

#### Governance Compliance Statement

#### Report of the Strategic Director of Resources

##### **Recommendation**

That the Pension Fund Investment Board note and approve the report, and the position with regard to Warwickshire's compliance on governance.

#### **1. Introduction**

- 1.1 Since 1 April 2006, the Local Government Pension Scheme (LGPS) administering authorities have been required to publish a Governance Policy Statement. With effect from 1 March 2008, we are now required to publish a Governance Compliance Statement. The Department for Communities and Local Government (DCLG) has now published draft guidance which sets out the best practice principles for pension fund governance.
- 1.2 This report outlines the background to the Governance Compliance Statement and includes the Fund's own draft statement.

#### **2. The Governance Compliance Statement**

- 2.1 LGPS administering authorities are required to publish a Governance Compliance Statement by 1 March 2008. This statement is a development of the Governance Policy Statement that all funds have been required to publish since 1 April 2006.
- 2.2 The Governance Policy Statement was largely descriptive whereas the Governance Compliance Statement will require LGPS funds to demonstrate their compliance (or non compliance) with best practice principles. These are contained in statutory guidance which is not mandatory but there is an obligation to comply unless there is a good reason not to do so. The move to a compliance based approach reinforces the need for pension funds to have well defined and transparent governance structures.

#### **3. Contents of the Governance Compliance Statement**

- 3.1 The Governance Compliance Statement must include the following information:

- The delegation arrangements (from the administering authority to a Committee and/or officers).
  - The frequency of any meetings, terms of reference, structure and operational procedures of the delegation.
  - Whether the committee or sub-committee includes representatives of employing authorities (including non LGPS employers) or members, and if so, whether those representatives have voting rights.
- 3.2 In addition to the above, the GCS must:
- State the extent to which a delegation complies with CLG guidance.
  - Where the statement does not comply with the guidance, the reason for the non-compliance.
- 3.3 A copy of the Governance Compliance Statement must be sent to the DCLG. The guidance paper also includes a template which administering authorities may wish to adopt when submitting a copy of their statement to the CLG.
- 3.4 In summary, the Governance Compliance Statement covers various governance issues, namely, structure, representation, the selection and role of lay members, voting, training/facilities/expenses, meetings (frequency and quorum), access to information and papers, scope and publicity.
- 3.5 Warwickshire's draft statement is included as **Appendix A** to this report.

## 4. Recommendation

- 4.1 That the Pension Fund Investment Board note and approve the report, and the position with regard to Warwickshire's compliance on governance.

DAVID CLARKE  
Strategic Director, Resources

Shire Hall  
Warwick  
February 2008

## GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

Principle	Warwickshire's Approach	Compliance
<b>STRUCTURE</b>		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Warwickshire County Council delegates the management of the Warwickshire Pension Fund to the Pension Fund Investment Board. The Investment Board is responsible for these areas under the terms of reference contained in the Council's constitution.	Comply
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.	Warwickshire is compliant with these principles. Employers and employee representatives are represented on the Pension Fund Consultative Panel. The Panel comprises Pension Fund Investment Board members, the five Borough/District Councils, UNISON, Police UNISON, TGWU and a representative of the Fund's pensioners.	Comply
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	The Pension Fund Consultative Panel receives all papers sent to the Investment Board, except where reports are deemed to be confidential (such as fund manager appointment reports). Consultative Panel meetings are attended by Investment Board members and officers of the Council.	Comply
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.	The Pension Fund Investment Board consists of County Councillors only.	Explain

Principle	Warwickshire's Approach	Compliance
<b>REPRESENTATION</b>		
<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"> <li>• employing authorities (including non-scheme employers, e.g., admitted bodies);</li> </ul>	<p>Not all member bodies are represented on the Board or the Panel.</p>	<p>Explain</p>
<ul style="list-style-type: none"> <li>• scheme members (including deferred and pensioner scheme members);</li> </ul>	<p>The Consultative Panel includes trades union representatives.</p>	<p>Comply</p>
<ul style="list-style-type: none"> <li>• independent professional observers; and</li> </ul>	<p>The Board employs an independent consultant who is an experienced ex chief executive of an investment house. The consultant is present at all Board meetings.</p>	<p>Comply</p>
<ul style="list-style-type: none"> <li>• expert advisors (on an ad hoc basis).</li> </ul>	<p>Expert advisors attend the Board as required depending on the nature of the decisions to be taken. For example, the actuary attends when the valuation is being considered and the investment consultant attends when strategic asset allocation decisions are being discussed.</p>	<p>Comply</p>
<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>	<p>All members are treated equally in terms of access to papers and to training that is given as part of the Board processes. However, to date the Consultative Panel members have not been on any formal training.</p>	<p>Explain</p>

Principle	Warwickshire's Approach	Compliance
<b>SELECTION AND ROLE OF LAY MEMBERS</b>		
That Board 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.	Board members are given initial and ongoing training to support them in their role as trustees. There is no formal approach at present with regard to Panel members.	Explain
<b>VOTING</b>		
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.	Warwickshire is fully compliant with this principle. Most decisions are reached by consensus, but voting rights remain with councillors because the Council retains legal responsibility as the administering authority. Panel members do not have voting rights because they are not members of the Administering Authority which has the responsibility in law to administer the scheme.	Comply
<b>TRAINING/FACILITY TIME/EXPENSES</b>		
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 falls within the County Council's normal approach to member expenses. Panel members do not receive expenses. Training has been referred to above.	Comply
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.	The policy applies equally to all elected members of the Investment Board. Unelected Panel representatives do not receive expenses from the Administering Authority.	

<b>Principle</b>	<b>Warwickshire's Approach</b>	<b>Compliance</b>
<b>MEETINGS (FREQUENCY/QUORUM)</b>		
That an administering authority's main committee or committees meet at least quarterly.	Warwickshire is fully compliant with this principle by holding quarterly and special appointment meetings. The Strategic Director of Resources sends performance data and relevant information as appropriate.	Comply
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.	The Consultative Panel meets every six months with the dates of the meetings synchronised with the dates of the Investment Board.	Comply
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	The Pension Fund holds an annual meeting in November each year to which all key stakeholders are invited. The meeting is a two-way process in which all delegates have the opportunity to ask questions and express their views.	Comply
<b>ACCESS</b>		
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.	Certain papers involving confidential information about fund managers are held to be exempt from the usual distribution process.	Explain
<b>SCOPE</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Warwickshire is fully compliant with this principle by bringing both investment and benefit issues to the Board. An agenda will usually include a fund monitoring report, individual reports from managers, and reports on specific investment and administration issues. A business plan is approved each year.	Comply



Principle	Warwickshire's Approach	Compliance
<b>PUBLICITY</b>		
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.	Warwickshire is fully compliant with this principle by publishing statements in the Annual Report and on its website.	Comply