



PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

UPDATED NOVEMBER 2012

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LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

APPENDIX A

1. The Council is the Administering Authority of the Havering Pension Fund (the Fund). The council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

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2. Constitutional Arrangements

Under the Council's Constitution the duties and terms of reference of the Pension Committee are as follows:

"To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance".

"Authorise staff to invite tenders and award contracts for actuaries, advisers and fund managers and in respect of other related investment matters".

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"To appoint and review the performance of advisers and investment managers for pension fund investments".

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"To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme"

3. Current Membership of the Pension Committee

From May 2012 the Pension Committee consists of seven councillors listed below:

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| Conservative Group (4) | Residents' Group (1) | Independent Residents (1) | Labour (1) |
|-------------------------------------|----------------------|---------------------------|-------------------|
| <u>Melvin Wallace (Chair)</u> | Ron Ower | Jeffery Tucker | <u>Pat Murray</u> |
| <u>Rebecca Bennett (Vice Chair)</u> | | | |
| Eric Munday | | | |
| Roger Ramsey | | | |

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Deleted: (Chairman)

Deleted: Damian White (Vice Chairman) ¶
Melvin Wallace¶

Three Members constitute a quorum.

The staff trade union may appoint two representatives, entitled to attend and speak at meetings of the Pension Committee. They possess no voting powers. These representatives are however entitled to remain within the Committee, should the public be excluded on the grounds that exempt information is to be considered.

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Scheduled and Admitted bodies may appoint one representative, entitled to attend the meetings of the Pensions Committee on their behalf. Voting rights were assigned to this representative at a Council meeting on the 28 March 2012.

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The Committee obtains and considers advice from the authority's officers, and as necessary from the fund's appointed professional advisor, actuary and performance measurers who also attend the meetings as and when required.

Longevity in membership of the Committee is encouraged in order to ensure that expertise is maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the Council in order that members are fully trained in matters relating to investment, unless exceptional circumstances require a change. Furthermore substitute members are expected to have also been trained. The constitution was amended on the 28 March 2012 to include a condition that if a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed.

Day to day management of the fund is delegated to the Group Director Finance and Commerce.

The Committee is supported by the Group Director of Finance and Commerce and the Assistant Chief Executive Legal and Democratic Services. The Head of Internal Shared Services has the responsibility to administer the Council's pension fund.

4. Training/Reimbursement

An annual training plan is submitted to the Pensions Committee for approval. Committee Members receive in depth training on a wide range of topics. Specific training is given on specific investment topics prior to any key decisions being taken. This approach ensures that important decisions are taken whilst training is still fresh in Members minds.

Members expenses are reimbursed in line with the Council's constitution as laid down in part 6 'Members Allowance Scheme'.

5. Whistle Blowing

The Pension Committee comply with the Whistle Blowing requirements of the Pension Act 2004. It urges anyone to inform the correct authorities of any known wrong doings.

6. Diary

The Committee meets five times a year and occasionally holds extra meetings if required.

7. Further Trustee Responsibilities on Governance and Stewardship

Trustees are encouraged to look beyond administration procedures to really understand the key risks associated with all the functions and activities of the scheme. They are expected to consider risk management and stewardship in broad terms. Key risks include:

- Risk of fraud
- Corporate risk – risk of deterioration in the strength of employer covenant
- Funding and Investment risk – inappropriate investment strategies (one example of this could be risk of a mismatch of assets and liabilities)
- Compliance of Regulatory risk – risk of failure to comply with scheme rules and legislation

The further practical steps undertaken to cover these risks are as follows:

- The Statement of Investment Principles includes procedures to undertake a risk management review, and ensures terms of reference of delegations cover all key responsibilities.
- There are codes of conduct in place which ensure there is a process in place that considers potential conflicts of interest, with clearly identified steps to mitigate the likelihood or protocols if conflict occurs.
- The Pension Committee periodically sets out a business plan for the year.

8. Accountability and publication of information

Details of the Pension Committee meetings are published on the Council's website together with agendas and minutes. The meetings of the Pension Committee are held at the Town Hall and are open to the public.

Scheduled and Admitted bodies are directed to the Agenda and minutes published on the Council's web-site and are notified in writing of any major issues.

An Annual Pension Fund Report and Accounts is published and circulated to all council members, reporting on the activities and investment performance of the fund. The report also includes the meetings held and details of matters considered.

9. Reviewing and Updating

As well as undertaking an annual review the Council will review the policy as and when material changes occur.

10. Compliance table

A table is appended to this document and shows the extent of compliance with guidance given by the Secretary of State.

| PRINCIPLE | HAVERING POSITION |
|--|--|
| <p>A. <u>Structure</u></p> <p>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.</p> | <p>Full compliance. Duties and terms of reference are laid out in the Councils constitution (Part 3) and states that management of the pension fund <u>assets</u> lies with the Pensions Committee. <u>Day to day management of the Pension Fund is delegated to the Group Director Finance and Commerce.</u></p> <p>Sections 2 and 3 of the Governance Compliance Statement refer.</p> |
| <p>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 committee.</p> | <p>Full compliance. Admitted/Scheduled bodies <u>may appoint one</u> representative to attend <u>the</u> committee meetings. The staff Trade Unions may appoint two representatives to attend and speak at meetings.</p> <p>There is no secondary committee.</p> <p>Section 3 of the Governance Compliance Statement refers.</p> |
| <p>c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> | <p>No secondary committee or panel has been established.</p> |
| <p>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.</p> | <p>No secondary committee or panel has been established.</p> |

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| PRINCIPLE | HAVERING POSITION |
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| <p>B <u>Representation</u></p> <p>a. 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) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis) | <p>i) Full compliance - A position has been established for Admitted/Scheduled bodies' representative to be a member of the Pensions Committee. This position became vacant in May 2012 and a replacement is currently being sought. Supplementary to the above stakeholders are consulted for their views with regard to various policies and are directed to papers and reports held on the Council's website.</p> <p>ii) Full compliance – via trade union representation</p> <p>iii) Non compliance – The Pension Committee have considered this and decided that it is not appropriate to appoint an independent observer on the basis that the current monitoring arrangements are sufficient for the size of the fund.</p> <p>iv) Full compliance – The Fund has appointed an Investment Advisor, an Actuary and Performance Measurers, who attend meetings as and when required.</p> <p>Section 3 of the Governance Compliance Statement refers.</p> |

Deleted: was filled in September 2008.

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| C | <p><u>Selection and role of lay members</u></p> <p>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.</p> | <p>Full compliance. Duties and terms of reference are laid out in the Councils constitution and states that management of the pension fund lies with the Pensions Committee.</p> <p>Sections 2 and 3 of the Governance Compliance Statement refer.</p> |
| | <p>b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p> | <p>Full compliance. Declarations of interest are always an agenda item at the Pension Committee meetings.</p> <p>Section 7 of the Governance Compliance Statement refers.</p> |
| D | <p><u>Voting</u></p> <p>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.</p> | <p>Full compliance. The Governance Compliance Statement is clear about voting rights</p> <p>Section 3 of the Governance Compliance Statement refers.</p> |
| E | <p><u>Training/Facility time/Expenses</u></p> <p>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.</p> | <p>Full compliance. Member's expenses and allowances are laid out in the Council's Constitution (Part 6). <u>The business plan includes the policy on training.</u></p> |

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Going forward – Pension Committee members to review whether to extend voting rights to the co-opted member or to provide justification for not extending voting rights..¶

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| 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. | Full compliance. As above. |
| c. That the administrating authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken | <p>Full compliance.</p> <p>As above. Training is laid out in the Annual Business Plan/Work of the Committee. The Business Plan is agreed by the Pensions Committee and all committee members and nominated substitutes are offered training.</p> <p>A log is maintained and records attendance and training undertaken.</p> <p>Section 4 of the Governance Compliance Statement refers.</p> |

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| F | <p><u>Meetings (frequency/quorum)</u> a. That an administering authority's main committee or committees meet at least quarterly</p> | <p>Full compliance. The Pension Committee meets five times a year and occasionally holds extra meetings if and when required. Sections 2, 3 and 6 of the Governance Compliance Statement refer.</p> |
| | <p>b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the committee sits.</p> | <p>No secondary committee or panel has been established.</p> |
| | <p>c. That an administration authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which interests of key stakeholders can be represented.</p> | <p>Full compliance. Membership on the Pensions Committee has been extended for one representative to serve all Admitted/Scheduled bodies.</p> <p>The current forums for which stakeholders interests can be represented are:</p> <ul style="list-style-type: none"> • Through invitation to committee meeting • Written correspondence – employers are invited for comments via letters and email as part of any consultation process, including proposed policy changes. Havering is one of the partnerships working with the London Pensions Fund Authority, who have produced a website for scheme members to use. <p>Factsheets and scheme communications are <u>also</u> published on this website along with contact details at Havering for members to contact with their views.</p> |

Deleted: A newsletter to launch the website was distributed to members of the scheme in the spring 2011.

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| G | <p><u>Access</u></p> <p>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.</p> | <p>Full compliance. Committee papers are sent to members at least seven days prior to the meeting and non confidential papers are published on the Council’s website.</p> <p>Section 8 of the Governance Compliance Statement refers.</p> |
| H | <p><u>Scope</u></p> <p>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p> | <p>Full compliance. The Committee already considers a wider range of pension issues.</p> <p>Section 7 of the Governance Compliance Statement refers.</p> |
| I | <p><u>Publicity</u></p> <p>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.</p> | <p>Full compliance. Governance arrangements are published on the Council’s website and comments are invited from stakeholders.</p> <p>Section 8 of the Governance Compliance Statement refers.</p> |