

PENSIONS COMMITTEE

AGENDA

7.30pm

Thursday,
15 November 2007

Havering Town Hall,
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group

(4)

Melvin Wallace - (Chairman)

Roger Ramsey - (V.Chairman)

Robby Misir

Vacant

Residents' Group

(2)

Clarence Barrett

Linda van den Hende

Trade Union observers with no Voting Rights

(2)

Brian Long (Unison)

Sean Ramsden (TGWU)

For information about the meeting please contact:

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

The Council is committed to protecting the health and safety of everyone who attends meetings of its Committees.

At the beginning of the meeting, there will be an announcement about what you should do if there is an emergency during its course. **For your own safety and that of others at the meeting, please comply with any instructions given to you about evacuation of the building, or any other safety related matters.**

2. MOBILE COMMUNICATIONS DEVICES

Although mobile phones, pagers and other such devices are an essential part of many people's lives, their use during a meeting can be disruptive and a nuisance. Everyone attending is asked therefore to ensure that any device is switched to silent operation or switched off completely.

3. CONDUCT AT THE MEETING

Although members of the public are welcome to attend meetings of the Committee, they have no right to speak at them. Seating for the public is, however, limited and the Council cannot guarantee that everyone who wants to be present in the meeting room can be accommodated. When it is known in advance that there is likely to be particular public interest in an item the Council will endeavour to provide an overspill room in which, by use of television links, members of the public will be able to see and hear most of the proceedings.

The Chairman of the meeting has discretion, however, to invite members of the public to ask questions or to respond to points raised by Members. Those who wish to do that may find it helpful to advise the Committee Officer before the meeting so that the Chairman is aware that someone wishes to ask a question.

PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS (if any) - receive.

3. DECLARATION OF INTERESTS

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in an item at any time prior to the consideration of the matter.

4. MINUTES OF THE MEETING HELD 20 SEPTEMBER 2007

To approve as a correct record the minutes of the meeting held on 20 September 2007 and to authorise the Chairman to sign them.

5. ANNUAL REVIEW OF CUSTODIAN

To review the annual performance of the Custodian, State Street, for the period April 2006 to March 2007.

6. REPORT TO PENSIONERS AND CONTRIBUTORS OF THE PENSION FUND 2006 – 2007

To note the Pension Fund annual report to fund members (with leaflet appendix)

7. REVIEW OF THE INVESTMENT ADVISER

To note the report and views of officers on the performance of the Investment Adviser.

8. REVIEW OF THE ACTUARY

To note officers' views of on the performance of the Actuary and provide any appropriate comment on the report.

Pensions Committee, 15 November 2007

9. REVIEW OF THE PENSION FUND'S COMMUNICATION STRATEGY AND GOVERNANCE POLICY

To review of the Pension Fund's Communication Strategy and Governance Policy
(This item also contains appendices A – E)

10. WHISTLEBLOWING REPORT

To note the 2006 review of the procedures established to comply with the Whistleblowing requirements of the Pensions Act and to note that no breaches have been reported.

Cheryl Coppel
Chief Executive

**MINUTES OF A MEETING OF THE PENSIONS COMMITTEE
Havering Town Hall, Romford**

20 September 2007 (7.30pm – 9.15pm)

Present:

COUNCILLORS:

Conservative Group Melvin Wallace (in the Chair), +Steven Kelly and Roger Ramsey

Residents Group Clarence Barrett

Apologies for absence were received from Councillor Linda van den Hende and +Robby Misir

+Substitute Member: Councillor Steven Kelly (for Robby Misir)

The Chairman advised everyone present of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

5. MINUTES

The minutes of the meeting held on 26 June 2007 were agreed as a correct record and signed by the Chairman.

6. PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDING 30 JUNE 2007

The Committee received a report which provided an overview of the performance of the Fund's investments for the quarter ending 30 June 2007.

The report provided an overview of the performance of the Havering Pension Fund investments for the quarterly period to 30 June 2007. The performance information was taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the quarter to 30 June 2007 was 1.7%. This represents an out-performance of **0.7%** against the combined tactical benchmark and an out-performance of **6.0%** against the strategic benchmark.

The overall net return of the Fund's investments for the year to 30 June 2007 was 11.2%. This represents an out-performance of **2.0%** against the annual tactical combined benchmark and an out-performance **11.6%** against the annual strategic benchmark.

The Committee was informed that it was now possible to measure the individual managers' annual return for the new tactical combined benchmark as they had become active on the 14 February 2005. These results were shown in a latter part of the report.

The Committee was advised by the fund's Investment Advisor that Government bonds were providing negative yields while asset returns continued to be strong. In addition, equities were holding up well (due in part to the input from central banks) and good liquidity was having an impact on world economies. In answer to a question relating to the impact of the motor trade, Members were advised that this largely impacted the secondary ,money market, but that caution needed to be exercised as the recent activity (notably in connection with Northern Rock – intervention by the Bank of England) could still leave markets uncertain.

Members were advised that the Fund which had stood at 370.8 at the 30 June, had fallen back to 366 at the end of August.

Various elements, including "after fees" performance, was considered, as were other indicators and benchmarks for the various fund managers. Specific performances were also assessed:

Royal London (RLAM)

Representatives from RLAM made a presentation to the Committee outlining performance over the last quarter. The market they specialise in was Bonds - Corporate, not Government. Members were informed that the bench-mark had not changed through the period and that the value of the fund at 31 June 2007 was £92.06m; that due to liquidity issues, the fund had slightly under-performed but that although they were underweight in credit, the fund was over-performing in financials.

Overall, the fund was flat at the end of August, but – for obvious reasons – September performance was poor. The Committee was advised that whilst RLAM had had a £0.5m exposure to Northern Rock, this had been disposed of (the nett cost to the fund being 7 basis points).

The portfolio was over weight in corporate bonds whilst the financials were supported by the Bank of England. Gilts were weighted and the yield curve was beginning to normalise. Unrated bonds have acted as a buffer during the recent weeks and were continuing to deliver on performance. There was concern about falls in the RPI and the effect this was likely to have on the gilts holdings and speculation on an imminent "credit crunch" - though unlikely to lead to defaulting – was certainly giving rise to liquidity issues.

In summary, there were quite high swings in the gilts market, financials were still better value than corporate bonds.

Members questioned the fund managers about liquidity in unrated bonds and wondered whether this might become an issue, but were assured that they were usually backed by property and that AAA bonds were heavily subscribed and gave poor return in comparison to what could be earned by companies that were dynamic and more often than not, on the verge of emerging. In short, though there was uncertainty in the bonds market, there was still a real prospect to meet targets through the rest of the year.

Standard Life Investments (SLI)

Representatives from SLI made a presentation to the Committee outlining performance over the last quarter. The value of the fund at 31 March had been £125.78m and at 30 June this had grown to just under £131.84m.

Members were informed that in the UK Equity market: the FTSE 100 was out-performing Mid and Small Cap in the period and that markets remained focused on the US sub-prime issue. However, UK earnings expectations remained positive. UK Equities were evaluated in greater depth for the benefit of Members.

The principal performance indicators for the Fund were all positive and ahead of target and though certain sectors had fallen short of their target delivery (eg: BA and Royal Dutch Shell), other elements (such as Invensys and Rio Tinto) more than made up for any short-fall.

Members were shown the recent sales and purchases and were advised that the fall-out from the US sub-prime market was widening – though not appreciably deepening. There were, and would continue to be, casualties, but central bank activity – injecting liquidity – though late, was having a holding effect. It was currently too soon to say what the final outcome was likely to be as more and more sub-prime investment was emerging and investors were uncertain to what extent they were being exposed to risk, but on the world markets, there was more buoyancy than was anticipated and markets were, by and large cautious rather than contracting.

In summary, the Committee was advised that markets remained volatile, that there was a bias towards basic materials and industrials and that performance remained ahead of bench-mark.

Resolved

That:

1. Hymans performance monitoring report and presentation be accepted.

2. The presentations from the funds UK Equities Manager (Standard Life) and the Investment Grade Bond Manager (Royal London) be noted.
3. The summary of the performance of the Pension Fund within this report be noted.
4. The quarterly reports provided by each investment manager be accepted.
5. Corporate Governance issues arising from voting as detailed by each manager be noted.
6. Points raised by officers monitoring the meeting be noted.
7. The summary review from WM Performance Services (paragraph 3.4 of the Report), be noted.
8. The issues identified in preparation for the forthcoming Investment Strategy review (paragraph 3.5 of the Report), be noted.
9. The update from the funds Property Manager (UBS) regarding the implications of the Stamp Duty Land Tax Changes (paragraph 4.5c of the Report), be noted.

7 STATEMENT OF ACCOUNTS – YEAR ENDING 31 MARCH 2007

The Committee received the unaudited Statement of Accounts for the year to 31 March 2007. Members asked for clarification concerning the allocation of certain administration costs and were advised that there was a one-off cost of transferring the operation to Redbridge and that some other costs were shown as having a full year effect.

RESOLVED

That the Havering Pension Fund Accounts as at 31 March 2007, be noted.

8 ANY OTHER BUSINESS

The Group Director, Finance and Commercial, asked leave of the Chairman to bring an urgent matter before the Committee. This concerned a letter from the Parish of St Edward the Confessor asking whether the Council's Pension fund had any investments with BAE and whether the Pensions Committee felt any such investment (if it existed) to be appropriate.

RESOLVED

That the Group Director, Finance and Commercial, respond as appropriate on the Committee's behalf.



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15 th November 2007	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF THE PENSION FUND CUSTODIAN

SUMMARY

This report reviews the annual performance of the Custodian, State Street, for the period April 2006 to March 2007.

RECOMMENDATION

It is recommended that the Committee notes: -

1. The views of officers on the performance of the Custodian and makes any comment on the report which it considers appropriate.
2. That officers will carry out a further review of the service at the end of December quarter in order to determine whether the planned improvements have been achieved.

REPORT DETAIL

1. BACKGROUND

- 1.1 At its meeting of 8th September 2004, Members were informed that following a competitive tender process, State Street had been appointed via a Chairman's decision to provide an investment custodial service to the Havering Pension Fund. State Street was appointed for the period from 31st December 2004 until terminated by either party. The Council may terminate this agreement by giving at least 28 days notice. The Custodian may terminate the Agreement by giving at least 90 days notice.

- 1.2 This is the second formal assessment of the custodial service by this Committee.

2. REVIEW OF THE CUSTODIAN'S PERFORMANCE

- 2.1 The Global Custodian State Street operate a wide range of functions. This falls into two main categories:

- Safe Keeping and Custody
- Investment Accounting and Reporting.

- **Safe Keeping and Custody**

This refers to the maintenance of accurate records and certificates of the ownership of stock and ensuring that dividend income and other distributions are received appropriately. The Custodian also manages the tax position of the fund, claiming back any recoverable overseas withholding tax paid on dividends received and maintaining the tax records of the fund.

- **Investment Accounting and Reporting**

State Street produce accounting reports that are similar to those the investment managers produce for the fund. They keep a record of the book costs in the various asset classes and also provide a market valuation of the fund. This is done for each of the investment managers' portfolio as well as at the total fund level. State Street records are therefore considered to be master records.

The review shown below is set out in the same format as last year. The results of the review of performance are set out in the table below and have been discussed with State Street.

CRITERIA	ASSESSMENT
What is important to the Authority	<p>It is important that the Pensions Committee and officers have confidence that all assets are secure and have been properly accounted for. It is important that accurate accounting records are maintained and appropriate reconciliations are provided with the numerous fund managers, investment advisers and performance measurers.</p> <p><i>Officers have confidence that the assets are secure. There has however been difficulties in pricing and timing of valuations that have often meant a variance between the valuations provided by the fund managers and the performance measurers and that provided by State Street. State Street have agreed to formally provide analysis of any variance.</i></p>

CRITERIA	ASSESSMENT
The level of proactivity expected from the Custodian.	<i>As indicated last year, State Street has undertaken a restructure of their client service team and Officers have noted an improvement in recent times. It is hoped that this trend will continue and officers will continue to monitor this with interest.</i>
Safe keeping and custody	<p>This relates to the core functions of the custodian.</p> <p><i>Officers are appreciative of how this role is performed and believe that this is a high quality service.</i></p>
Prompt and responsive service	<i>In the past there have been issues with the late issue of invoices and slow responses to errors identified on invoices. Officers are pleased to report that the timeliness of invoices has improved and the backlog and the errors on the old invoices have been cleared. Officers are in the process of clearing the current year's invoices.</i>
Good communication	<p><i>Monthly reports are produced on time. These reports are comprehensive but the data requires reformatting and supplementing by additional reports in order that LBH officers can produce the accounts in the format as recommended in the Statement of Recommended Practice (SORP). State Street did produce a year end statement that met some of the SORP requirements but again this still required considerable input from LBH officers to produce the accounts.</i></p> <p><i>State Street agreed to develop reports that follow the SORP format. These reports are not yet available and were not produced within the time frame previously agreed between officers and State Street during the 06/07 accounts process. Officers view this development as an important contribution in producing the accounts and essential in meeting the new SORP requirements for the 2007/08 accounts. Officers and State Street agreed that quarterly reconciliations will need to be produced by State Street to avoid the issues that arose during closure of accounts.</i></p>

CRITERIA	ASSESSMENT
	<i>To ensure that the quarterly statements for 07/08 are produced in the desired format State Street have reproduced the SORP reports for the 06/07 accounts to match LBH reporting requirements. Progress can now be made in producing the statements for the 07/08 accounts. Officers will continue to monitor this development and are hopeful that progress will be made for the December quarter.</i>
Provision of National Statistics Office Returns	<i>In the past there had been difficulties in meeting deadlines and maintaining accuracy. Officers are pleased to report an improvement to the timeliness of this data but still require more referencing in the supporting data to maintain accuracy, which State Street have agreed to provide.</i>
Overall Summary	<i>Officers are satisfied with the performance of State Street with regard to Safe Keeping and Custody functions but are dissatisfied with the Investment Accounting and Reporting functions. Whilst State Street is clearly seeking to improve their performance in these areas officers remain mindful of the importance of achieving a resolution to this important issue.</i>

3. CONCLUSION

- 3.1 Officers are satisfied with the safe keeping and custody functions provided by State Street.
- 3.2 Officers are dissatisfied with the investment accounting and reporting functions. State Street are currently seeking to make improvements in the quality of financial reporting in line with officer requests.
- 3.3 Officers will monitor State Streets performance against objectives at the end of December quarter and will advise the Committee of any matters at that time.

Financial Implications and risks:

The cost of custodian services for the year to 31st March 2007 was £107,078. These costs are paid directly from the Pension Fund and not the General Fund. The costs cover administration costs and custody fees based on a pre agreed unit price applied to the value of the individual fund's assets.

Legal Implications and risks:

None arising directly

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

There are no social inclusion implications in this report

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CHERYL COPPELL
Chief Executive

Background Papers List

Working papers held within Corporate Finance
Principles for Investment Decision Making in the Local Government Pension
Scheme in the UK” - Published by CIPFA
Best Value Report



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15th November 2007	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REPORT TO PENSIONERS AND CONTRIBUTORS OF THE PENSION FUND 2006-2007

SUMMARY

The Best Value Review of the Pension Fund recommended that an annual report on the Pension Fund be sent to all members of Havering's Local Government Pension Scheme. This report includes an attachment of the draft version of the annual report and seeks approval of its content and approval to send it to scheme members.

RECOMMENDATION

1. That the Committee approve the 2006-2007 Report to Pensioners and Contributors.
2. That the Committee agree that the 2006-2007 Report to Pensioners and Contributors be sent to scheme members with the Annual Benefit Statements.

REPORT DETAIL

1. At the then called Investment panel meeting, held on the 3rd April 2002, Members agreed the Best Value Review Action Plan. Under the heading 'monitoring' it was agreed that 'information should be provided on the pension fund to scheme members of the fund. Production of the booklet also complies with 'The Myner's Report', recommended principle of best practice (on regular reporting) in managing Pension Fund investments.

2. The attached report will take the form of a short booklet to be included with the Annual Benefit Statements. It was produced by Corporate Finance (Pensions) in consultation with the Pensions Administration section.

Financial Implications and risks:

The estimated cost of the production of the booklets is approximately £1,100.00. This cost will be met from the Pension Fund.

Legal Implications and risks:

None arise from this report

Human Resources Implications and risks:

None arise from this report

Equalities and Social Inclusion Implications and risks:

None arise from this report

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CHERYL COPPELL
Chief Executive

Background Papers List

2006/2007 Statement of accounts

Your Pension

*Report to Pensioners and
Contributors 2006 - 2007*



Introduction

The Council operates a Pension Fund on behalf of its employees and pensioners under the provisions of the Local Government Pension Acts and Regulations, for the purpose of providing pension benefits to, largely, the employees of the Council. The Fund provides retirement pensions and lump sum retirement grants, death grants and spouse's or civil partners' pensions. The Fund is financed by contributions from the Council, Council employees, other employers and members of the Fund, and by interest, dividends and other gains from investments.

Membership of the Fund

The membership of the Fund reported on the balance sheet as at 31 March 2007 was as follows:

31st March	2006	2007
Contributing employees	5,613	5,664
Pensioners	4,391	4,468
Deferred pensioners	2,580	2,762

All Council employees who are permanent or on a temporary contract (except teachers, who are members of the Teachers Pension Scheme), automatically join the Fund from the first day of employment. Casual employees are eligible to join **but must complete a form to elect to join the scheme**. Any member of the scheme can opt out by completing the necessary form.

Contributions to the Fund

Employees who were eligible to be members of the scheme prior to 31st March 1998 are required to make contributions by deductions from earnings at the rate of 6% for officer staff and 5% for manual workers. As from 1st April

1998, all new entrants to the Fund are required to pay 6% of earnings. The contributions enjoy full tax relief and, in addition, result in reduced National Insurance Contributions for the contributor. The Council is required to make balancing contributions determined by the Fund's actuary (Hewitt Bacon and Woodrow) to maintain the solvency of the Fund. The employers' contributions were 20.3% of salary in 2006/2007. The Council's annual contribution is reviewed every three years. The results of the current review based on data as at 31st March 2007 are due to be published in December 2007.

Management of the Fund

The overall direction of the Fund's Investment Strategy is delegated to the Council's Pensions Committee as detailed in the Governance Policy Statement. The Pensions Committee also oversees the Fund's investment arrangements in line with regulations as detailed in the Statement of Investment Principles (SIP) and the Funding Strategy Statement (FSS).

The Group Director Finance and Commercial supports the Pensions Committee and is responsible for the internal administration arrangements regarding monitoring of the external investment managers' transactions and is also responsible for pensions administration.

Following a major restructure of the investment management of the fund during 2004/05 the fund's assets were split into five separate mandates and the responsibility for the day to day investment of the assets was delegated to five managers. The five managers appointed from February 2005 were Standard Life Investments, Alliance Bernstein, UBS Global Asset Management, Western Asset Management (previously Citigroup) and Royal London Asset Management.

Governance Policy statement

The Local Government Pension Scheme regulations require the administering authority to prepare and publish a written statement covering governance policy. This statement sets out the principles in respect of the management of the pension fund and is available on the Council's website at www.havering.gov.uk. (Within 'Council and Democracy', 'About council tax and our finances', 'Havering Pension Fund')

Investment Strategy

The Council has in place an Investment Strategy, which consists of two documents – The Statement of Investment Principles and the Funding Strategy Statement.

1. Statement of Investment Principles

The Local Government Pension Scheme regulations require the administering authority to prepare and publish a Statement of Investment Principles. This Statement sets out the Council's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated.

A report commissioned by the Government, 'The Myner's Report', recommended ten principles of best practice in managing Pension Fund investments. The Council's SIP outlines the Pension Fund's compliance with these principles.

2. Funding Strategy Statement

The Council also produces a Funding Strategy Statement which encompasses the aims and purposes of the fund, and the overall investment strategy.

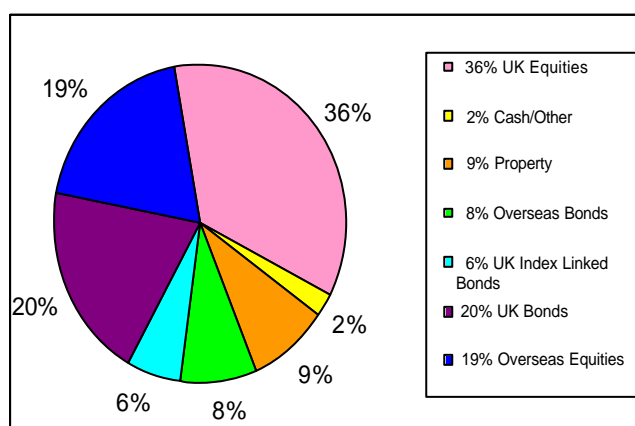
Both of these statements have been published on the Council's website at www.havering.gov.uk. (Within 'Council and Democracy', 'About council tax and our finances', 'Havering Pension Fund')

The Council undertakes regular reviews of the above policy statements and will consider any comments you may have for future reviews. Please forward comments to the contact point designated at the back of the booklet.

Investments

The market value of the investments as at 31st March 2007 rose by 6.6% to £363.6 million compared to 2005/06.

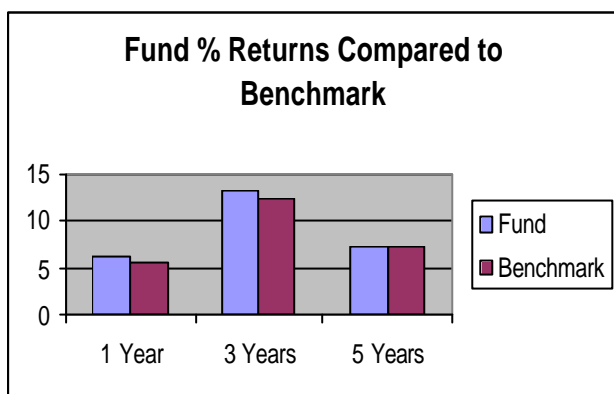
The pie chart below shows the breakdown of the Pension Fund in terms of asset class.



Investment Performance

The Council uses The WM Company to monitor the investment performance of the Fund and the Fund Managers. Each fund

manager is given a performance target to achieve, compared to a benchmark. The table that follows shows the fund's performance against the Tactical Benchmark, which is the combination of each manager's individual benchmark. The performance over one, three and five years against the tactical benchmark is shown below.



The total fund return for the year to 31st March 2007 at 6.3% outperformed the Tactical Benchmark of 5.5% by 0.8%.

As the Fund has only been under its new arrangements since February 2005, historical performance greater than one year is no reflection of the new strategy.

The fund has continued to outperform the benchmark and mainly been supported by the growth in UK Equities.

The performance of the Pension Fund Investments will not affect pension benefits to scheme members as benefits are guaranteed by Statutory Regulations irrespective of performance.

Extract of Accounts

An extract from the Pension fund Accounts is shown below:

Net Asset Statement

	31/03/06	31/03/07
	£'000	£'000
Market value of investments	340,946	363,544
Current assets less liabilities	(110)	(2,604)
Net assets	340,836	366,148

Income and Expenditure Statement

	2005/2006	2006/2007
	£'000	£'000
Income		
Employee contributions	4,932	5,284
Employer contributions	16,848	18,382
Transfer values received	3,504	3,574
Income from investments	9,624	10,479
Total	34,908	37,719
Expenditure		
Pensions and benefits	(19,235)	(21,028)
Transfer values paid	(4,496)	(2,246)
Administration expenses	(463)	(534)
Investment management Expenses	(1,181)	(1,195)
Total	(25,375)	(25,003)
Surplus available for investment	9,533	12,716
Change in market value of investments	55,336	12,596
Net increase/(decrease) in Fund	64,869	25,312

Note: Transfer values are received or paid when a contributor joins the Fund from another pension scheme or leaves it, and opts to transfer their pension in or out.

The Audit Commission carried out an audit of the Pension Fund Accounts and the audited

accounts are available on the Council's web site at www.havering.gov.uk. (Within 'Council and Democracy', 'About council tax and our finances', 'Havering Pension Fund')

Communication Policy Statement

The Local Government Pension Scheme regulations require the administration authority to prepare and publish a written statement covering communications with scheme members and employing authorities. This

Statement has been published on the Council's website at www.havering.gov.uk. (Within 'Council and Democracy', 'About council tax and our finances', 'Havering Pension Fund')

Whistle blowing

The Pensions committee continue with the arrangements of complying with the Whistle Blowing Requirements of the Pensions Act as agreed on 7th June 2005. It urges anyone to inform the correct authorities of any known wrong doings. The process for reporting breaches of the law to the pension's regulator is available on the Council's website at: www.havering.gov.uk (Within 'Council and Democracy', 'About council tax and our finances', 'Havering Pension Fund')

Pension administration

The Council's pension administration section is responsible for all aspects of scheme membership including payment of benefits, processing joiners and leavers, administering scheme member and employer contribution records and administration of the Council's Additional Voluntary Contributions (AVC) scheme.

Further scheme details

The current Local Government Pension Scheme (LGPS) is a final salary scheme with pension's payable being based on the best of the last three year's pensionable pay and the number of years of reckonable service. Pensions are increased annually in line with the Retail Price Index unless retirement occurred on the grounds of Redundancy or Efficiency before age 55, in which case, any increase is payable from age 55. The scheme also pays a death benefit in the form of a lump sum and a widow(er)'s pension to the spouse or civil partner of a member who dies in service. A dependant's pension is generally also paid to the spouse or civil partner of a member who dies after retirement, or with a deferred pension.

Information for contributing Members

New Look Pension Scheme

From 1st April 2008, a new look pension scheme comes into force for all members and potential members of the Local Government Pension Scheme.

The council will be issuing newsletters and new scheme guides to those who are contributing to the scheme. The council will also be holding road shows informing members about the new scheme. Members will automatically be transferred to the new scheme.

Annual Benefit Statements

Annual benefit statements are produced by the Pensions Office for members of the scheme with more than 3 months membership, which provide details of the member's own pension benefit entitlements.

Ways to increase your retirement benefit

- **Additional Voluntary Contributions (AVCs)**

Your pension benefits can be improved by paying AVCs into a Group AVC plan in order to build up an AVC Fund. Your AVC will be used to buy you a pension at the time of your retirement, or can in some cases be taken as additional tax free cash.

The Council has arrangements with both the Prudential and Standard Life who provide a range of AVC fund options. AVC contributions attract tax relief.

- **Purchasing Additional Membership**

Members of the scheme can currently pay additional contributions to increase their total membership in the scheme in order to improve their retirement benefits. Extra contributions commence from your next birthday and finish at age 65. This option will not be available in the new pension scheme, although contracts already in place, or elections made to pay such contributions before 31 March 2008 will continue to be honoured.

Additional Life Cover

As a member of the LGPS, should you die in service, a payment called a death grant is payable to your nominated beneficiary or beneficiaries. This is currently equal to two years pensionable pay.

You are able to nominate the recipient of any death grant that becomes payable, and nomination forms are available from the Pension Group.

For further information on any of the above information for contributing members please contact the Pensions Office (contact details can be found at the back of this booklet).

Information for Pensioners

Re- employed Pensioners

If you are receiving a pension from Havering, then take up further employment in an organisation that operates the LGPS, you

must notify the Pensions office immediately (contact details can be found at the back of this booklet).

National Fraud Initiative

The Council actively participates in the Audit Commission National Fraud Initiative which identifies potential fraud via data matching information on the systems of various organisations including all local authorities.

Information for both Contributing Members and Pensioners

Pensions Sharing on Divorce

Changes to the Welfare Reform Act now include Pension Benefits as an asset to be taken into account for Divorce purposes. Therefore, any cases lodged into Court will require certain information regarding your benefits. You will need to put your request for information in writing to the Pensions Office (contact details can be found at the back of this booklet).

Contact points for further information:

Pensions' Administration

Pensions Office
Mercury House
4th Floor
Romford
RM1 3DS

Telephone 01708 432978 / 2981 /
2192

Email:

pensions@havering.gov.uk

Pension Fund Investment

Debbie Ford
Pension Fund Accountant
Town Hall
Main Road
Romford
RM1 3BB
Telephone 01708 432569

Email:

debbie.ford@havering.gov.uk

Other useful addresses:

Local Government Pension
Scheme website -
www.lgps.org.uk

The Pension Service website –
www.thepensionservice.gov.uk



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15 November 2007	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF THE INVESTMENT ADVISER

SUMMARY

This report reviews the performance of the Investment Adviser, Hymans, since commencement of their appointment from 1st April 2007.

RECOMMENDATION

It is recommended that the Committee notes: -

1. The views of officers on the performance of the Investment Adviser and makes any comment on the report which it considers appropriate.
2. That a full assessment of the Investment Advisor will be undertaken and presented to members at the November 2008 committee.

REPORT DETAIL

1 BACKGROUND

- 1.1 At its meeting of 19th December 2006, the Pension Committee appointed Hymans Robertson to provide investment advisory services to the Havering Pension Fund following a competitive tender process. Hymans was appointed for the period commencing on the 1st April 2007. The contract is to run from 1st April 2007 until 31st March 2010 unless terminated or extended by the Council in accordance with the terms of the contract.
- 1.2 Members have adopted the procedure to undertake an annual assessment of the Investment Adviser which is in line with Myner's Principle number 8 on performance measurement.
- 1.3 The pension committee agreed to introduce an additional fifth meeting during the 2007/08 committee cycle to pull together the annual reviews, leaving the other four

meetings to primarily focus on the quarterly monitoring reports on performance of the pension fund. The consequence of this decision has meant that this period of appraisal covers only six months and seeks member's decision to carry out a full assessment at the November 08 meeting.

2. REVIEW OF THE INVESTMENT ADVISER'S PERFORMANCE

2.1 The advice services provided by Hymans over the past 6 months were generally in relation to the core service covering quarterly monitoring and reporting and training.

2.2 Since their appointment, the Investment Adviser has:

- Attended two Pension Committee meetings and provided advice for two officer level meetings with fund managers.
- Provided two training sessions prior to each of the Pension Committee meetings covering 'Interpretation of the investment advisor reports', and in preparation of the strategy review, 'Strategy Training'.
- Carried out a review of the current fee arrangements, which will be considered as part of the investment strategy review.

2.3. Conclusion

Officers are very satisfied with the service provided by Hymans and have confidence in the advice being given. Informal feedback from members of the committee has also been positive.

2.4 Cost of the Service

The cost of Investment Adviser services for 1st April to 31 August 07 is £14,700.

Financial Implications and risks

There are no financial implications or risks arising directly from this report. The costs of the Investment Advisor are met from the Pension Fund.

Legal Implications and risks

None

Human Resource Implications and risks

None

Equalities Implications

None

Staff Contact:	Debbie Ford
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CHERYL COPPELL
Chief Executive

Background Papers

Working papers held within Corporate Finance
Items 12 and E1 Pension Committee meeting 19th December 2006 -
Appointment of Investment Adviser.



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15 NOVEMBER 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF THE ACTUARY

SUMMARY

This report reviews the performance of the Actuary in the last calendar year.

RECOMMENDATION

It is recommended that the Committee: -

- Notes the views of officers on the performance of the Actuary and makes any comment on the report which it considers appropriate.

REPORT DETAIL

1 BACKGROUND

- 1.1 At its meeting of 3rd February 2004, the Investment Committee appointed Hewitt Bacon and Woodrow to provide actuarial services to Havering in respect of the Pension Fund following a competitive tender process. HBW were appointed for the period from 1st April 2004 to 31st March 2010.

2 REVIEW OF THE PERFORMANCE OF THE ACTUARY

- 2.1 The production of the triannual valuation is the key deliverable from the Actuary along with regular funding updates and annual calculations required for the Council's statement of accounts under the Local Authority Statement of Recommended Practices. The Actuary is also required to provide advice regarding changes in legislation within the Pension Fund arena.

The following criteria used at the evaluation are relevant to continue to use in evaluating performance:

- Expertise and skills
- Specific LGPS experience
- Service delivery
- Quality of management and information
- Approach to partnership working

2.2 Since their appointment, the Actuary has attended Investment committee and officer level meetings. They have undertaken the 2004 triannual valuation and are in the process of completing the 2007 triannual valuation and have also been on hand to assist with other issues as they have arisen e.g. Pension Fund revocation. Members received a report at 19th December 2006, which advised there were no issues to raise.

2.3 A review of performance for 2007 on the specific points above is set out below:

CRITERIA	ASSESSMENT
Expertise & Skills	There have been no issues or concerns with regard to this.
Specific LGPS experience	Excellent
Service Delivery	Response times are excellent as is the service.
Quality of management and information	Excellent
Approach to partnership working	Work closely with Havering supporting and advising

2.4 **Cost of the Service**

The cost of the actuarial services for the year to March 2007 was £65k. Fees are charged for the time spent on services, taking into consideration the complexity of the service provided, and the level of staff skill and expertise required. As at 31st October 2007, payments for services during 2007/08 totalled £20k, which includes the work and advice on proposed changes to the LGPS. Some costs are recharged and, hence, this is not all borne by the Pension Fund.

2.5 **Conclusion**

Officers are very satisfied with the service that HBW are providing, they have confidence in the advice being given and have developed a good working relationship with HBW.

Financial Implications

None arising directly from this report

Legal Implications

None arising directly from this report

Human Resource Implications

None arising directly from this report

Reasons for the Decision:

Regular review by client is best practice and expected under the Procurement Framework.

Alternative Options Considered:

None.

Staff Contact: Rita Greenwood

Title: Group Director
Finance and Commercial

Telephone: 01708 432218

CHERYL COPPELL
Chief Executive

Background Papers

None.



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15 th November 2007	9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF THE PENSION FUND'S COMMUNICATION STRATEGY AND GOVERNANCE POLICY

SUMMARY

In line with the 1997 Local Government Pension Scheme (LGPS) regulations and the Local Government Pension Scheme (Amendment) (No 3) Regulations 2007, the London Borough of Havering as an administering authority has a duty to undertake a review of the Pension Fund's Communication Strategy and Governance Policy.

This report also includes the draft Governance Compliance: Statutory Guidance as issued by the Department of Communities and Local Government (DCLG). This lists the compliance standards against which LGPS committees are to measure themselves and explains the requirements to give reasons where compliance does not meet the published standards.

This report sets out a draft compliance statement and highlights where changes may be required.

RECOMMENDATION

That the Committee:

1. Note that no changes are required to the current version of the Pension Fund's Communication Strategy (See Appendix A).
2. Note the authority's response to the consultation for the Governance Compliance Statement: Statutory Guidance (See Appendix D).

3. Agree the Governance compliance statement as the current position (See appendix E).
4. Consider and agree the key issues identified as needing to be included and/or amended in the Governance Policy (Section 2 refers).
5. Agree the revised version of the Pension Fund's Governance Policy as amended by the committee for any issues arising from recommendation 4 (see Appendix B).
6. Delegate to the Group Director Finance and Commercial any actions necessary to ensure compliance with the legal requirements of the governance compliance statement.
7. Note the Governance Compliance statement will be appended to the Governance policy statement.
8. Note the approach to the Administration Strategy.
9. Consider any further ways to engage with the other employers of the fund.

REPORT DETAIL

1. Background

- 1.1 The London Borough of Havering as the administering authority for the London Borough of Havering Pension scheme fund has:
 - a) A Communications Strategy - which sets out its communication strategy for communicating with scheme members, including active, deferred and pensioner members, members' representatives, prospective members and employing authorities. The current version is attached as **Appendix A**.
 - b) A Governance Policy Statement - This covers the whole approach towards governance of Local Government Pension Scheme funds. The revised version is attached as **Appendix B**.
- 1.2 A full review of the Communication strategy and the Governance policy Statement was last undertaken, reported and agreed by this committee on 13th March 2007. Therefore a full review has not been undertaken at this stage but the policies were revisited to ensure compliance with the latest regulations.
- 1.3 At the 13th March 2007 committee meeting it was reported to members that as part of the then Draft LGPS Administration Regulations 2007 there will be a requirement to publish a governance compliance statement. This should set out the extent to which delegation of its function to maintain a pension fund complies with guidance issued by the Secretary of State, or where it does not, give reasons for non compliance.

- 1.4 The DCLG on the 8 October 2007 issued consultation on the guidance for the Governance compliance statement; this together with their covering letter is attached as **Appendix C**. The first compliance statement must be published by 1st March 2008 and the closing date for the consultation is the 9th November 2007. The authority has responded to the consultation and this is attached as **Appendix D**.
- 1.5 Following the suggestion from the DCLG that publication of the compliance statement should initially be produced on the basis of the guidance included in this report; this is attached for members to consider at **Appendix E**. The issues identified as requiring amendment or inclusion in the governance policy and compliance statement follows in this report.

2. Key points for the committee to consider:

2.1 Governance Policy (Appendix B)

- a) Section headed 'Current Membership of the pension committee':
- Reflected current membership
 - Added a sentence to state that professional advisors attend the meeting to offer advice on relevant issues. (Covers Principle B Representation, Item (a) (iv) of the governance compliance statement).

2.2 Governance Compliance Statement (Appendix E)

This sets out the position on compliance based on the current arrangements. There are some areas of partial compliance and the committee will need to consider whether to make changes in the light of assessment and in anticipation of the proposed arrangements for a compliance statement being a requirement. It should be noted this does not require full compliance just a statement of compliance.

- a) Principle A - Structure. Item (b) - members to consider whether or not membership of the pensions committee should be extended to include an additional position for a member to represent all the scheduled/ admitted bodies. Consideration should also be given as to whether this position is with or without voting rights. If without voting rights see item (b) below.
- b) Principle D - Voting - To meet the required standards a declaration should be included in the governance policy statement on the justification for not extending voting rights to each body or group represented on the committee. Members will need to consider including a justification statement bearing in mind the following factors:
- Other employers in the pension fund currently stands at 3 scheduled bodies and 6 Admitted bodies.
 - Currently 12% of active scheme members are from admitted & scheduled bodies.

- c) Principle B - Representation. Item (a) (iii) - members to consider whether or not to employ the services of an independent professional observer to participate in the governance arrangements. The advantage could be that they carry out independent assessments and ensure all views are considered. The disadvantages are the additional costs charged to the pension fund and the conflict which may arise. On the current arrangements value added versus cost is difficult to justify. This could be considered at a later date when more information is known from other schemes.
- d) Principle B – Representation. Item (b) – members to consider reviewing training opportunities for lay members.

The compliance statement and policy will be amended as necessary after the committee and should it become a requirement the compliance statement will be appended to the governance policy.

2.3 Administration Strategy

- a) At the 13th March 2007 meeting it was reported to members that as part of the then Draft LGPS Administration Regulations 2007 a proposal was included to allow administering authorities to have a discretion as to whether or not to prepare and publish a Pension Administration Strategy, and if it does prepare one it should be produced by 31 December 2007.
- b) Following consultation, changes have been made to the draft regulations by the DCLG as follows:
- There is no longer any reference to the date by which the first plan has to be published. The provision now enables a local plan to be introduced at any time in the future.
 - The first plan will still need to be copied to the Secretary of State and relevant employing authorities but revised plans are not required to be submitted. Relevant parties only need be notified of any changes.
- c) Our approach -

The authority, after consulting with the employers of the fund for comments (to which none were received), has no plans to publish an administration strategy at the moment, mainly due to the many changes to the regulations already taking place. However the authority will reconsider the option to adopt an administration strategy during 2008.

2.4 Communications Strategy (Appendix A)

No changes were made to the draft regulations since they were last reported to members. Therefore no changes were made to the current version of the communications strategy previously agreed by members on the 13 March 2007.

2.5 Employers lack of engagement

Members to consider any concerns regarding the other employers lack of engagement with the Pensions Committee. i.e. lack of attendance and lack of responses to consultations and correspondence.

Financial Implications and risks:

There are no financial implications or risks arising directly from this report. The review of the Communications and Governance documents will however ensure that the London Borough of Havering as the administrating authority is compliant with regulations.

Legal Implications and risks:

.None arise from this report

Human Resources Implications and risks:

None arise from this report

Equalities and Social Inclusion Implications and risks:

None arise from this report

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CHERYL COPPELL
Chief Executive

Background Papers List

March 2007 version of Governance Policy Statement
March 2007 version of Communication Strategy
DCLG's covering letter dated 8 October 2007
DCLG's Governance compliance Statement: Statutory Guidance 2007



PENSION FUND

COMMUNICATION STRATEGY

**(FULLY REVISED MARCH 07 AND
COMPLIANCE CHECKED OCT 07)**

London Borough of Havering

COMMUNICATION STRATEGY

INTRODUCTION

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to its customers.

There are six distinct groups with whom the Fund needs to communicate:

- COMMITTEE MEMBERS
- SCHEME MEMBERS
- PROSPECTIVE SCHEME MEMBERS
- SCHEME EMPLOYERS
- INVESTMENT FUND MANAGERS
- OTHER BODIES

Set out in this document are the mechanisms which are used to meet those communication needs.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

PENSION COMMITTEE MEMBERS

The Fund management and administration decisions have been delegated under the Council's constitution to the Pensions Committee.

Knowledge building and training is provided via the Fund's Officers, advisors and external experts with regards to investment and administration matters

Admitted and Scheduled Bodies who have members in the Fund are invited to the Pensions Committee meetings, as are the Trade Unions who attend all meetings on an observer basis, but whose views are given equal weighting. The Trade Union representatives are also Scheme members.

The work of the Trade Union members is supported by Trade Union representatives.

SCHEME MEMBERS

Internet

The Fund will establish an extensive internet area containing Scheme details, Scheme leaflets etc. There will also be links to other organisations relevant to Scheme members, e.g. employers, AVC providers, employers' organisations etc.

Abridged Report and Accounts

An abridged copy of the Fund's Report and Accounts is circulated to all Scheme members on an annual basis via a pension fund leaflet/booklet.

Annual Newsletter

Newsletters are issued to members of the Fund, at least annually, the contents of which cover current pension topics within

the LGPS, specific issues for Havering and the pensions industry in general.

Benefits Statements

An Annual Benefit Statement is sent direct to the home address of all members who are contributing to the Fund at the previous financial year end.

Benefit Statements are also sent direct to the home address of deferred members where a current address is known.

Scheme Literature

An extensive range of Scheme literature is produced by the Administering Authority and is supplied to employing bodies and Scheme members directly.

Pay Advices

The Fund only issues a pay advice to Scheme pensioners if their net pay varies by more than £1.00. This is utilised as a communication mechanism as well, e.g. Pensions Increase and P60 information is communicated using this medium on an annual basis.

Correspondence

The fund utilises both surface mail and e-mail to receive and send correspondence.

Existence Validation – Pensioners

The Fund undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners.

Telephone Help Line

It is intended to provide a dedicated help line for Scheme members and this will be widely publicised in Scheme literature.

Our Aspirations

A password security system which allows Scheme members to transact a significant proportion of their pensions business without having to enter into formal correspondence.

Pension Roadshow

The Fund stages Pensions Roadshows as and when required to communicate with scheme members on changes to the scheme or promote the scheme or specific aspects of it.

Additionally, Pensions Administration Staff attend Pre-retirement courses run by the Council to provide information to staff nearing retirement.

PROSPECTIVE SCHEME MEMBERS

Scheme Booklet

All new prospective Scheme members will be provided with a Scheme booklet at the time of their appointment to the London Borough of Havering.

Intranet

The Fund's Intranet area will contain specific information for non-joiners. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to "opt out" of the Scheme.

Non Joiner Campaigns

The Fund will request formal notification of non-members from Scheme employers. The information will be used to market the Scheme to specific groups, with dedicated literature and campaigns being formulated in conjunction with Scheme employers from time to time.

Trade Unions

We will work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related

issues are communicated effectively with the Trade Unions.

Pensions Roadshows

As well as being a valuable aid for pensioners and current scheme members, roadshows will be used to target specific non-members with support being enlisted from the DWP and in-house AVC providers. This will ensure members receive the information required to make an informed choice with regards to their pension provision.

Corporate Induction Courses

Fund Officers will attend corporate induction events in order to present to prospective Scheme members the benefits of joining the LGPS. A "one-on-one" surgery will also be offered to take account of individual queries that may be raised at such meetings.

SCHEME EMPLOYERS

Regular Updates

These are issued periodically to all employers. This medium is also used to communicate any issues that are currently under debate. Changes to the Regulations which impact upon the employer's function or their employees are also covered.

Employers' Guide

An Employers Guide is issued to assist the employers in discharging their pension's administration responsibilities. Officers are also available for advice.

This is supplemented by the allocation of a Senior Pensions Officer to non-Havering employers who is available by telephone or personal visit to assist whenever necessary.

Ill-health Retirements

“A Guidance Manual for Approved Doctors” will be circulated to appropriate employers within the Fund. This will be supplemented by organising one to one sessions as appropriate.

Internet

A microsite for employers will be established. All manuals and Scheme literature will be available on this site.

Site Meetings

Meetings with non-Havering Employers take place at their premises. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation changes and triennial valuation matters.

PENSIONS FUND AND ADMINISTRATION STAFF

Service Management Teams

The Fund is managed by Financial Services and administered by Exchequer Services whose Senior Officers report to the relevant Heads of Service

Team Meetings

Office and/or Team Meetings are held on a regular basis.

Group Management Team Meetings – Finance and Commercial.

The Heads of Service are members of the Group’s Management Team and attend the regular meetings convened by the Group Director. The Heads of Service are able to bring any matters of concern/importance to the attention of the Group Director through this mechanism.

Any necessary information arising from the Group’s Management Team Meeting is disseminated within the Services, via Management Team and Team Briefing. Due to the nature of the investment work

and delegation the Pensions Accountant meets with the Group Director, Finance and Commercial frequently.

Issues Meetings

Monthly Issues Meetings take place between the Executive Director for Finance and Commercial and the Pensions Accountant. These meetings review progress being made against annual Service Plans.

Monthly Issues Meetings take place between the Pensions Officer and Account Managers on a one-to-one basis.

Intranet

Service intranets give all staff access and contain such information as procedure manuals, core briefings, LGPC circulars etc. This is an effective mechanism for ensuring that information is available to all staff at their work location in a timely manner.

Induction

All new members of staff undergo an induction procedure and an induction/personnel manual is available to all staff.

The Council has introduced a performance appraisal scheme for staff which includes a process for discussing and reviewing personal development. This is supplemented by regular one to one meetings with all staff.

Internet

Appropriate staff have been enabled to use the corporate network in order to access the internet.

E-mails

All staff have been given access to the e-mail facility.

Pensions Manager

The Pensions Manager maintains an open-door policy and, within reason, make themselves available to all staff on request.

Pension Fund Accountant

On a similar basis responds to staff and other enquiries.

INVESTMENT FUND MANAGERS

Day to day contact between the pension fund accountant and the fund managers is maintained. Each fund manager is required at the end of each quarter to alternatively present their performance to the Pensions Committee or to officers including the Group Director Finance and Commercial, with the exception of the property fund manager who alternatively presents their information on a six monthly cycle.

OTHER BODIES

Trade Unions

Trade Unions in the London Borough of Havering are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pensions Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Seminars

Fund Officers regularly participate at seminars and conferences.

Data Protection

To protect any personal information held on computer, London Borough of Havering is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the London Borough of Havering's Council's Data Protection Officer on 01708-432130.

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Further Information

If you need more information about the Scheme you should contact the Pensions Administration Service at the following address:

Write to us at:

**Pensions Service
4th Floor, Mercury House**

**Romford
RM4 3DS**

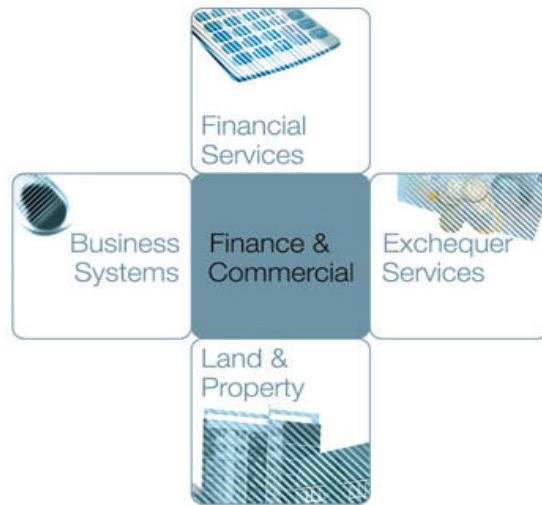
Tel: 01708 432192/432981

Fax: 01708 432078

E-Mail: pensions@haverling.gov.uk

Web: www.haverling.gov.uk

There is also a number which you can dial direct and get through to the person dealing with individual cases. You will find this on any letter issued by the Fund.



PENSION FUND

GOVERNANCE POLICY STATEMENT

**(FULLY REVISED MARCH 07 AND
COMPLIANCE CHECKED NOV 07)**

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE POLICY STATEMENT

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

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.
- Where appropriate and above staff delegation levels to recommend staff to invite tenders and award contracts for actuaries, advisers and fund managers or other related investment matters.
- To appoint and review the performance of advisers and investment managers for Council and pension fund investments.
- To take decisions on those matters not to be the responsibility of the Cabinet set out in Sections 7, 12 or 24 of the Superannuation Act 1972.

Current Membership of the Pension Committee

The Pension Committee currently consists of six councillors listed below:

Conservative Group	Residents' Group
Melvin Wallace (Chairman)	Clarence Barrett
Roger Ramsey (V.Chairman)	Linda Van den Hende
Robert Benham	
Robby Misir	

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.

Scheduled and Admitted bodies are invited to attend meetings, though they have no voting, or vocal rights.

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

Item 9

APPENDIX B

Long 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.

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

The Committee is supported by the Group Director of Finance and Commercial, Assistant Chief Executive Human Resources and the Assistant Chief Executive Legal and Democratic Services. The Head of the Exchequer Services has the responsibility to administer the Council's pension fund.

Training

Committee Members receive in depth training on a wide range of investment 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.

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.

Diary

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

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 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.

Item 9

APPENDIX B

- 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.

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 notified in writing after each meeting and are informed of any major issues, and directed to the Agenda and minutes published on the Council's web-site.

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. Extracts of the annual report are reported in a booklet sent to all scheme members.

Reviewing and Updating

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



www.communities.gov.uk
community, opportunity, prosperity

8 October 2007

Addressees as attached

Our Ref:
Your Ref:

Dear Colleague,

**LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997
GOVERNANCE COMPLIANCE STATEMENT : STATUTORY GUIDANCE**

1. Further to my letter of 6 June regarding the Local Government Pension Scheme (Amendment)(No 3) Regulations 2007 (SI 2007 No 1561), I enclose a draft of the statutory guidance about completing a Governance Compliance Statement that the Secretary of State is required to issue under Regulation 73A(1)(c) of the 1997 regulations.
2. The draft has been prepared with the assistance of the CLG chaired working group on Governance and is now being circulated widely to all LGPS interested parties for further comment.
3. In making comments, consultees are asked to bear in mind that the scope of the guidance is restricted to the way in which an appointing council delegates its statutory functions under the scheme. Issues like investment and scheme administration performance and investment and communication policy, for example, are already dealt with separately under the 1997 regulations which require administering authorities to prepare, publish and maintain Statements of Investment Principles, Funding Strategy Statements and Communication Policy Statements. In addition, Regulation 76C of the 1997 Regulations, enables an administering authority to establish a local Pension Administration Strategy which includes the power to introduce local performance targets and to measure performance against them. In this respect, the Governance Compliance Statement is to be seen as just one of a number of similar measures that are designed to make the administration and stewardship of the scheme more transparent and accountable to its stakeholders.

Department for Communities and Local Government
Zone 2/F6
Ashdown House
123 Victoria Street
London
SW1E 6DE

Tel 020 7944 5998
Fax 020 7944 6019
Email E-Mail :
robert.holloway@communities.gsi.gov.uk

Web Site : www.xoq83.dial.pipex.com

4. Comments are invited on the format, structure and content of the draft guidance. In this respect, it should be noted that references to the provisions on governance compliance statements in the final version will include references to both the 1997 and 2007 (Administration) Regulations. The first such statement must be published by 1st March 2008. Although comments received in response to this letter will be fully considered in preparing the final version, it is suggested that administering authorities and other interested parties should start preparing for the initial publication on the basis of the attached draft guidance.

5. The draft includes at Annex A, an example of a compliance statement template (Principle A on Structure) which administering authorities may wish to adopt when submitting a copy of their statement to the Secretary of State as required by Regulation 73A(5). This arrangement would not, however, fetter the way that an administering authority chooses to publish their statement, either as a stand alone document or as part of their Pension Fund Annual Report (see Regulation 76B(e) of the 1997 Regulations).

6. The closing date for comments is 9 November **2007**. For enquiries on the content of this letter and the attached draft guidance, please e-mail me (Robert.holloway@communities.gsi.gov.uk) or telephone 0207 944 5998. Alternatively, contact Margaret.dunleavy@communities.gsi.gov.uk. Or telephone 0207 944 6012. A copy of this letter and the draft guidance is available in the "What's New" section of our web site at www.xoq83.dial.pipex.com.

Yours sincerely,

Bob Holloway

Addressed to :

The Chief Executive of
County Councils (England)
District Councils (England)
Metropolitan Borough Councils (England)
Unitary Councils (England)
County and County Borough Councils in Wales
London Borough Councils
South Yorkshire Pension Authority
Tameside Metropolitan Borough Council
Wirral Metropolitan Borough Council
Wolverhampton Metropolitan Borough Council
Bradford Metropolitan Borough Council

South Tyneside Metropolitan Borough Council
London Pensions Fund Authority
Environment Agency

Town Clerk, City of London Corporation
Clerk, South Yorkshire PTA
Clerk, West Midlands PTA

Local Government Association/Local Government Employers

CIPFA
LAPFF
NAPF
Society of County Treasurers
Society of Metropolitan Treasurers
Society of London Treasurers
Society of Welsh Treasurers
Association of District Treasurers
PPMA
Audit Commission
Association of Consulting Actuaries

Trades Union Congress
UNISON
TGWU
UCATT
NAPO
UNITE

Members of CLG Governance Working Group

Other Government Departments with public service pension interests
GAD
DoE (NI)
SPPA

DRAFT GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

PART I

INTRODUCTION

1. This guidance is issued to all administering authorities in England and Wales with statutory responsibilities under the Local Government Pension Scheme Regulations 1997 (as amended) and other interested parties listed at Annex B and deals with the compliance standards against which Local Government Pension Scheme (“LGPS”) committees are to measure themselves.
2. The guidance includes a combination of descriptive text explaining the rationale of each compliance principle and a description of the relevant statutory provision of the 1997 Regulations (Regulation 73A(1)(c) refers) that requires LGPS administering authorities to measure their governance arrangements against the standards set out in this statutory guidance. Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in their governance compliance statement, the reasons for not complying.
3. The Secretary of State will keep the content of the guidance under review in the light of administering authorities and other interested parties’ experience of applying the best practice standards. The guidance will be updated as necessary to reflect this and subsequent legislative changes.

BACKGROUND

4. The LGPS is a common scheme throughout England and Wales, administered by 89 individual pension funds, which includes the Environment Agency. In the context of the UK public pensions sector, it is atypical in being funded with assets in excess of £100bn. Viewed in aggregate, the LGPS is the largest funded occupational pension scheme in the UK.
5. As a statutory public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management. The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the accrued benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are ultimately to be paid by the local authority revenue and not from the pension funds themselves. The pension funds exist to defray the costs. On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme.

6. The word “trustee” is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people (“trustees”) hold property on behalf of other people (called beneficiaries). Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions. Although those entrusted to make statutory decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. But they are not trustees in the strict legal sense of that word.

7. Trustees are needed in the private sector to ensure better scheme security, prevent employer-led actions which could undermine a scheme’s solvency and to ensure that investment decisions are not in any way imprudent. But in a statutory scheme like the LGPS, benefits are guaranteed by statute, independent of investment performance. As such, scheme members in the LGPS bear none of the investment risk. The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 simply extends that status.

8. Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

9. It is also relevant to note that under The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No 2853) and The Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001 (Welsh SI 2001 No 2291), statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the Executive arrangements introduced by the Local Government Act 2000. This means, for example, that the executive cannot make decisions in relation to discretions to be exercised under the LGPS, or make decisions relating to the investment of the Pension Fund and related matters. These functions have continued to be subject to the same legislative framework as they were before the passing of the Local Government Act 2000, including delegations under section 101 of the Local Government Act 1972. Such delegations vary from local authority to local authority depending on local circumstances. However, the Secretary of State has advised that where such decisions were delegated to committees or to officers, then those

delegations should continue. (see paragraphs 5.10 and 5.11 of the Statutory Guidance to English Local Authorities – New Council Constitutions : Guidance Pack Volume 1)

10. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

STATUTORY BACKGROUND

11. In response to proposals issued by the former Office of the Deputy Prime Minister, the Local Government Pension Scheme Regulations 1997 were amended to require LGPS administering authorities to publish details of their governance and stewardship arrangements by 1 April 2006. The purpose of this first step was to gauge progress made in the democratisation of LGPS committees and governance arrangements in general and to assess what action, if any, should be taken to ensure that all committees operate consistently at best practice standards. On 30 June 2007, the 1997 regulations were further amended to require administering authorities to report the extent of compliance against a set of best practice principles to be published by CLG, and where an authority has chosen not to comply, to state the reasons why. The first such statement must be published by 1st March 2008.

12. The relevant provision, shown below, is regulation 73A of the Local Government Pension Scheme Regulations 1997 :-

“Governance compliance statement

73A.—(1) An administering authority must prepare a written statement setting out—

- (a) whether they delegate their function, or part of their function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- (b) if they do so—
 - (i) the terms, structure and operational procedures of the delegation;
 - (ii) the frequency of any committee or sub-committee meetings;
 - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

(2) An administering authority must publish the first such statement on or before 1st March 2008.

(3) An administering authority must—

- (a) revise their statement following a material change in respect of any of the matters mentioned in paragraph (1); and
 - (b) publish the statement as revised.
- (4) In preparing or revising their statement an administering authority must consult such persons as they consider appropriate.
- (5) When they publish their statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State.””

This regulation will cease to have effect from 1 April 2008 when the 1997 regulations are revoked. After that date, the relevant provision will be regulation xxx of the Local Government Pension Scheme (Administration) Regulations 2007.

PURPOSE

13. The purpose of this guidance is two fold. Firstly, Part II of the guidance provides a detailed description of each of the best practice principles against which compliance is to be measured (with each of the principles being set out in **bold** type) and secondly, it includes guidance on how the compliance statement in Part II should be completed.

TERMINOLGY

14. Throughout this paper, the distinction is made between those committees or sub-committees that have been formally constituted under 101 of the Local Government Act 1972 (“main committees”) and other committees or panels that have been established outside of that provision (“secondary committees”). Unless reference is made to “elected members”, the word “member” where it appears in the text is used to denote any member of a main or secondary committee, whether elected or not.

POSITION OF NON-LOCAL AUTHORITY ADMINISTERING AUTHORITIES

15. Regulation 73A of the Local Government Pension Scheme Regulations 1997 and this guidance made under powers granted by Regulation 73A(1)(c) of those regulations apply equally to all LGPS administering authorities in England and Wales. It is recognised, however, that a small number of administering authorities are not constituted as local authorities and are not therefore subject to the legal framework imposed on local authorities and their committees by local government legislation. In these cases, the authorities concerned are still required to measure the extent to which they comply with the principles set out in Part II of this guidance and where they are unable to comply, for example, because of their special position, to explain this when giving reasons for being unable to comply.

SUGGESTED READING

16. Although not a formal part of this guidance, it is recommended that administering authorities and other stakeholders should be aware of the contents of the following documents :-

- a) Good Governance Standards for Public Services (Office for Public Management (Alan Langlands – January 2005)
- b) Code of Corporate Governance in Local Government (CIPFA/SOLACE – 2007)
- c) Institutional Investment in the UK – A Review (HM Treasury – March 2001)
- d) Local Government Pension Scheme : Pension Fund Decision Making – Guidance Note (CIPFA Pensions Panel – 2006)
- e) Guidance for Chief Finance Officers : Principles for Investment Decision Making in the Local Government Pension Scheme in the UK (CIPFA Pensions Panel – 2001)

PART II - THE PRINCIPLES

Part II/A - Structure

17. Elected members have legal responsibilities for the prudent and effective stewardship of LGPS pension funds and, in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their statutory functions to the Council, committees, sub-committees or officers, but there are a small number of fund authorities which are not local authorities and therefore have their own, distinct arrangements (see para xx above).

18. The formal committee structures operated by individual pension fund authorities reflect local circumstances and priorities and it is not the remit of this guidance to prescribe a “one size fits all” approach. The evidence collected by Communities and Local Government in 2006 indicated that the overwhelming majority of these committees operate efficiently and effectively despite the variations in their constitution, composition and working practices. The intention is not therefore to level out these differences but instead to ensure that these different structures reflect the best practice principles described below :-

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

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.

Part II/B - Representation

19. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights (see Part II/C) by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme member and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989)

20. The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual committee structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations. The following principles are therefore intended to ensure that the composition of committees, both formal and secondary, offers all key stakeholders the opportunity to be represented. For example, deferred and pensioner scheme members clearly have an interest in the performance of pension committees but it would be impractical in many cases to expect them to have direct representation on a committee. Instead, there is no reason why a representative of active scheme members couldn't also act on behalf of deferred and pensioner scheme members. Similarly, a single seat in the committee structure could be offered to somebody to represent the education sector as a whole, rather than having individual representatives for FE Colleges, Universities, academies, etc.

21. An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate.

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).**

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.

Part II/C - Selection and role of lay members

22. It is important to emphasise that it is no part of the fund authority's remit to administer the selection process for lay members sitting on main or secondary committees or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS committees or panels and to make places available. Effective representation is a two way process involving the fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of the fund authority.

23. Members of a main decision-making LGPS committee are in the same position as trustees in the private sector. Trustees owe a duty of care to their beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest. On a main committee, the interests of the scheme and its beneficiaries must always be put before the interests of individual groups or sectors represented on the committee whereas on secondary committees or panels that are not subject to the requirements of the Local Government Act 1972, private interests can be reflected in proceedings.

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.

Part II/D – Voting

24. Although the 2006 survey conducted by Communities and Local Government revealed that formal votes taken by LGPS committees were rare, it is important to set out the legal basis on which voting rights are, or may be prescribed to elected and lay members.

Elected members of the administering authority

a) All elected members sitting on LGPS committees have voting rights as a matter of course. Regulation 5(1)(d) of the Local Government (Committee and Political Groups) Regulations 1990 (SI No 1553/1990) provides that voting rights will be given to a person appointed to a sub committee of a committee established under the Superannuation Act 1972 who is a member of the authority which appointed the committee.

Elected members of authorities other than the administering authority and lay members

b) Under sections (13)(1)(a) and (2)(a) of the Local Government and Housing Act 1989, a person who is a member of a committee appointed by an authority under the Superannuation Act 1972 but who is not a member of that authority, shall be treated as a non-voting member of that committee. However, the provisions of section 13(3) and (4) of the 1989 Act allow an administering authority discretion as to whether or not a member of a committee is treated as a voting or non-voting member.

Lay members of advisory panels, etc

c) Because they are not formally constituted committees, secondary committees or panels on which lay members sit are not subject to the restrictions imposed by the Local Government Act 1972 on voting rights. In these circumstances, there is nothing to prevent voting rights being conferred by the administering authority on all lay members sitting on panels or informal committees outside the main decision making committee.

25. The way in which an administering authority decides to exercise its discretion and confer voting rights on lay members is not a matter for which the Secretary of State, under his regulations making powers under the Superannuation Act 1972, has any remit. The issue of whether voting rights should be conferred on district council or scheme member representatives, for example, is a matter for individual administering authorities to consider and determine in the light of the appointing council's constitution. Regulation 73A(1)(b)(iii) of the 1997 Regulations already requires an administering authority to include in their statement details of the extent to which voting rights have been conferred on certain representatives, but does not extend to the need to give reasons where this is not the case.

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.

Part II/E – Training/Facility time/Expenses

26. In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, "Institutional Investment in the UK". The first of those principles, Effective Decision Making", called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where trustees - or in the case of the LGPS, members of formal committees - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

27. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) already requires administering authorities to report the extent of compliance with this principle. But on the wider issue of governance, it is equally important that they report on the extent to which training facilities, etc, are extended to lay members sitting on either main or secondary LGPS committees.

28. If all stakeholders represented on LGPS committees or panels are to satisfy the high standards set out in the Myners' set of investment principles, it follows that equal opportunity for training, and hence facility time, should be afforded to all lay members. They too should have access to the resources that would enable them to evaluate the expert advice commissioned by the main investment committee and to comment accordingly. But the way that is achieved at local level is not a matter for national prescription, in particular, the policy adopted by individual administering authority or local authority on the reimbursement of expenses incurred by committee or panel members. On this basis, the best practice standard which administering authorities are required to measure themselves focuses on the extent to which they have a clear and transparent policy on training, facility time and reimbursement of expenses and whether this policy differs according to the type of member, for example, elected member or scheme member representative.

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.

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.

Part II/F – Meetings (frequency/quorum)

29. From the evidence collected in 2006 by Communities and Local Government, it is clear that the majority of administering authorities who have introduced a multi-level committee structure operate different reporting/meeting cycles for each committee or panel. In the case of main, formal committees, these tend to meet, on average, at least quarterly, though there are a few examples where meetings are held less often. As a general rule, it is expected that main committees should meet no less than quarterly. Although it is important that any secondary committees or panels should also meet on a regular and consistent basis, it is accepted that there should be no compulsion or expectation that there should be an equal number of main and secondary committee meetings. But as a matter of best practice, it is expected that secondary meetings should be held at least bi-annually.

30. Although the overwhelming majority of administering authorities operate effective representation policies, the evidence collected in 2006 by Communities and Local Government revealed a small handful of authorities who restrict membership of their committee's to elected members only. In legal terms, this is permissible, but in terms of best practice, it falls well short of the Government's aims of improving the democratisation of LGPS committees. In those cases where stakeholders, in particular, scheme members, are not represented, it is expected that administering authorities will provide alternative means for scheme employers, scheme members, pensioner members, for example, to be involved in the decision-making process. This may take the form of employer road-shows or AGMs where access is open to all and where questions can be addressed to members of the main committee.

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

Part II/G - Access

31. The people to whom the appointing council entrust with taking investment, and other statutory decisions, is a matter for that council to consider and determine. However, it is important that others, outside that formal decision-making process but involved in some capacity in the general governance arrangement, have equal access to committee papers and other documents relied on by the main committee in taking its decisions.

32. The fact that voting rights are not conferred on individual lay members should not put them on any less footing than those members who serve on the main committee with full voting rights. Secondary panels or committees have a clear role to underpin and influence the work of the main committee and can only do so where there is equal 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.**

Part II/H – Scope

33. Traditionally, LGPS committees have focussed on the management and investment of the funds under their supervision, with questions arising from the main scheme dealt with by officers with delegated authority under the council's constitution. In recent times, however, and reflecting the trend towards de-centralisation, administering authorities have become responsible for formulating a significant number of policy decisions on issues like abatement, compensation and the exercise of discretions under the scheme's regulations. These are key decisions which should be subject to the rigorous supervision and oversight of the main committee. And with the prospect of some form of cost sharing arrangement to be in place by March 2009, it is clear that there are other key scheme issues, outside the investment field, that main committees may need to address in the future. Given the not insignificant costs involved in running funds, LGPS committees and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the fund is being run on an effective basis. This would involve reviewing the committee's governance arrangements and the effective use of its advisers to ensure sound decision making. Here, the use of an independent

professional observer, free of conflicts of interest, would enable a wholly objective approach to be taken to the stewardship of the fund.

34. All this points to LGPS committees perhaps becoming more multi-disciplined than they have been in the past, with a consequential impact on, for example, membership and training. For example, if decisions are to be taken by LGPS committees that could impact on the cost-sharing mechanism, it is reasonable to expect scheme member representatives to be present on those decision making committees, given that those decisions could have a direct impact on the position of scheme members under the scheme.

35. Although the future may see LGPS committees having a broader role than at present, individual administering authorities may adopt different strategies to meet these new demands. The more traditional approach might be to extend the scope of existing investment committees to include general scheme and other administrative issues. But already, there is evidence to suggest that some administering authorities have opted instead to establish new sub committees to deal solely with non-investment, scheme issues. The purpose of this guidance is not to prescribe the way in which administering authorities develop and adapt to scheme developments. Instead, the intention is to increase the awareness that administering authorities and their committees must be flexible and willing to change to reflect scheme changes and wider pensions issues.

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

Part II/I – Publicity

36. A key component in improving the democratisation of LGPS governance arrangements is to increase the awareness that opportunities exist for scheme member representatives and LGPS employers, for example, to become part of these arrangements. But the onus for increasing awareness should not rest entirely with the administering authority. It is just as much the role of scheme member representatives and scheme employers to keep abreast of developments in this field and to play an active part in the selection and appointment of committee or panel members. This is best left to local choice and discretion. However, administering authorities are reminded that under Regulation 76B(1)(e) of the 1997 Regulations, the latest version of their Governance Compliance Statement must be included in their Pension Fund Annual Report.

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.

Annexe A : Compliance Statement

Principle A – Structure

	Not Compliant*			Fully Compliant	
a)					
b)					
c)					
d)					

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

**LOCAL GOVERNMENT PENSION SCHEME
GOVERNANCE SURVEY - A SUMMARY**

On 31 March 2006, LGPS administering authorities in England and Wales were required to publish details of their governance arrangements. This paper summarises the results of the survey. For the purposes of the paper, “representation” is taken to mean either attendance of scheme members (or their representatives) on formal investment/pension committees; attendance on secondary, formal committees; attendance on informal, advisory panels or the opportunity to attend annual general meetings, employer/scheme road shows, etc. A list of LGPS funds showing the extent of representation across these four areas is attached.

1. Main findings

- a). Percentage of fund authorities with representation on main committee = 84%
- b) Percentage of fund authorities with representation on second committees = 11%
- c) Percentage of fund authorities with representation on advisory panels = 15%
- d) Percentage of fund authorities with representation at AGMs, etc = 18%
- e) Percentage of fund authorities with none of the above = 15% (11 authorities)

- (English shire counties = 4 authorities)
- (London Boroughs = 6 authorities)
- (Mets + others = 0 authorities)
- (Welsh Unitaries = 1 authority)

2. Membership of Committees

- a) Average Number of members on all main committees= 10 (range = 3 to 20)
- b)) English shire counties = 11 (range = 5 to 20)
- c) London Boroughs = 8 (range = 4 to 15)
- d) Mets + others = 15 (range = 10 to 20)
- e) Welsh Unitaries = 8 (range = 3 to 16)

3. Frequency of Committee Meetings

- a) 86% of committees meet at least Quarterly
- b) 2 committees meet twice per annum
- c) 3 committees meet five times per annum

d) 5 committees meet six times per annum

4. Voting Rights

a) 4 authorities have conferred voting rights on lay members :-

- English shire counties = 2
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 0

b) 5 authorities have conferred voting rights to lay members on advisory panels :-

- English shire counties = 1
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 2

5. Number of “trustees”

a) Total number of members on main committees = 900

b) Total number of elected members on main committees = 650 (72%)

c) Number of lay members on main committees = 250 (28%)

6. Correlation between Governance and Funding levels

a) No representation - Average funding level = 73% (range = 62% to 79%)

b) 1 item of representation - Average funding level = 72.3% (range = 61% to 88%)

c) 2 items of representation - Average funding level = 76.5% (range = 64% to 94%)

d) 3 items of representation - Average funding level = 83.5% (range = 74% to 93%)

e) 4 items of representation - Average funding level = 79.5% (range = 77% to 82%)

(Average funding level of all funds in England and Wales = 73.4%)

7. Correlation between Governance and Investment Returns

a) No representation (11 funds) 03/04 Average = 25.7% (range = 22% to 30%)
04/05 Average = 13% (range = 10% to 17%)

b) 1 item of representation (47 funds) 03/04 Average = 25.4% (range = 20% to 30%)
04/05 Average = 13.1% (range = 9% to 20%)

- c) 2 items of representation (19 funds) 03/04 Average = 23.5% (range = 20% to 29%)
04/05 Average = 11.7% (range = 7% to 15%)
- d) 3 items of representation (2 funds) 03/04 Average = 24.5% (range = 24% to 25%)
04/05 Average = 12.5% (range = 12% to 13%)
- e) 4 items of representation (2 funds) 03/04 Average = 23% (range = 22% to 24%)
04/05 Average = 13.5% (range = 13% to 14%)

REPRESENTATION LEVELS IN THE LGPS (ENGLAND & WALES)

LGPS Funds with no form of representation :-

Buckinghamshire County Council
Cambridgeshire County Council
West Sussex County Council
Worcestershire County Council
Hackney London Borough
Hounslow London Borough
Kensington & Chelsea London Borough
Corporation of London
Redbridge London Borough
Wandsworth London Borough
City & County of Swansea

LGPS Funds with 1 form of representation :-

Berkshire Pension Fund
Cheshire County Council
Cornwall County Council
Devon County Council
Durham County Council
East Riding County Council
Essex County Council
Gloucestershire County Council
Hampshire County Council
Hertfordshire County Council
Kent County Council
Lincolnshire County Council
Teesside Pension Fund
Norfolk County Council
Northumberland County Council
Oxfordshire County Council
Somerset County Council
Suffolk County Council
Surrey County Council
Warwickshire County Council
Wiltshire County Council

Barking London Borough
Barnet London Borough
Bexley London Borough
Bromley London Borough
Camden London Borough
Croydon London Borough
Ealing London Borough
Enfield London Borough
Hammersmith & Fulham London Borough
Haringey London Borough
Harrow London Borough
Havering London Borough
Hillingdon London Borough
Lambeth London Borough
Lewisham London Borough
Merton London Borough
Newham London Borough
Richmond-Upon-Thames London Borough
Southwark London Borough
Sutton London Borough
Tower Hamlets London Borough
Waltham Forest London Borough
City & County of Cardiff Council
Rhondda, Cynon & Taff CBC
Gwynedd Pension Fund
Dyfed Pension Fund
Torfean County Borough Council

LGPS Funds with 2 forms of representation :-

Bath & NE Somerset Council (Avon Pension Fund)
Bedfordshire County Council
Cumbria County Council
Derbyshire County Council
Dorset County Council
East Sussex County Council
Isle of Wight County Council
Lancashire County Council
Leicestershire County Council
Nottinghamshire County Council
Staffordshire County Council
Shropshire County Council
Brent London Borough
Islington London Borough
Merseyside Pension Fund
Tyne & Wear Pension Fund
London Pensions Fund Authority
Environment Agency
Clwyd Pension Fund
South Yorkshire PTA

LGPS Funds with 3 forms of representation:-

West Midlands Pension Fund
Tameside Pension Fund

LGPS Funds with 4 forms of representation :-

West Yorkshire Pension Fund
South Yorkshire Pension Fund

Note 1

Information relating to the following LGPS funds was not available at the time the survey was conducted :-

Northamptonshire County Council
North Yorkshire County Council
Greenwich London Borough
Royal Borough of Kingston Upon Thames
City of Westminster
Powys County Council

Note 2

The four forms of representation referred to above include :-

- membership of scheme members (or their representatives) on formal investment/pension committees;
- membership of scheme members (or their representatives) on secondary, formal committees;
- membership of scheme members (or their representatives) on informal, advisory panels, or
- the opportunity to attend annual general meetings, fund roadshows, etc.

**Department for Communities and Local Government
Local Government and Firefighters' Pension Schemes Division
May 2006**

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007

PRINCIPLE	HAVERING POSITION
A.	
<p><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</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>Partial compliance</p> <p>Admitted bodies representatives are not members of the main committee but are invited to attend meetings with no voting rights. In addition they are consulted for their views with regard to various policies and directed to papers and reports on the councils' website.</p> <p>Going forward – pension committee members will be asked if they wish to review membership of the committee to create an additional position for a member to represent all of the admitted/scheduled bodies.</p>
<p>c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p>	<p>Not applicable. 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>Not applicable. No secondary committee or panel has been established.</p>

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007

PRINCIPLE	HAVERING POSITION
<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) independent professional observers, and iv) expert advisors (on an ad-hoc basis) 	<p>i) Full Compliance – Whilst Admitted bodies representatives are not members of the main committee they are afforded the opportunity to attend meetings with no voting rights. In addition they are consulted for their views with regard to various policies and directed to papers and reports</p> <p>ii) Full compliance – via union representation</p> <p>iii) Non compliance – the administering authority currently does not employ individual professional observers.</p> <p>Going forward – pension committee members will be asked to consider whether the value of appointing independent professional observers.</p> <p>iv) Full compliance</p>
<p>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.</p>	<p>Full compliance - Lay members are treated equally in terms of access to papers and meeting and are given full opportunity to contribute to decisions without voting rights. Training has also been provided.</p> <p>Going forward – Training opportunities will be reviewed.</p>

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007

	PRINCIPLE	HAVING POSITION
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>	Full compliance
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>Partial compliance</p> <p>The governance policy on voting rights is clear but currently does not include justification for not extending voting rights to each body.</p> <p>Going forward – pension committee members will be consulted on the justification for not extending voting rights.</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>	Full compliance
	<p>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.</p>	Full compliance
F	<p><u>Meetings (frequency/quorum)</u></p> <p>a. That an administering authority's main committee or committees meet at least quarterly</p>	Full compliance
	<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>	Not applicable. No secondary committee or panel has been established.

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007

PRINCIPLE	HAVING POSITION
<p>c. That administration authorities who do 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>Partial compliance</p> <p>Going forward - Subject to a decision with regard to A (b) above, consideration will be given to setting an annual date for key stakeholders to attend a meeting.</p> <p>In the past the Council consulted with key stakeholders with regard to a forum, for which there was no interest.</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 (including the meeting to consider actuarial results), • Written correspondence – employers are invited for comments via letters and email as part of any consultation process on policy changes. • Views are also invited from scheme members, details of which are contained in an annual leaflet. This is distributed with the annual benefit statements and available on the council's website.
<p>G <u>Access</u></p> <p>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.</p>	<p>Full compliance</p>

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007

	PRINCIPLE	HAVING POSITION
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>	Full compliance
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>	Full compliance.

GOVERNANCE COMPLIANCE STATEMENT – NOVEMBER 2007



MEETING	DATE	ITEM
PENSIONS COMMITTEE	15th November 2007	10

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT

1. SUMMARY

On 6 April 2005 the new whistleblowing requirements of the Pensions Act 2004 came into force. This extended whistleblowing obligations to nearly everyone connected with running a pension scheme, in particular administering authorities and employers. The Pensions Regulator issued a Code of Practice (CP1) that set out guidance on how to comply.

The basic requirement of the new law was that nearly all persons who are involved with a pension scheme have a duty to report 'as soon as reasonably practicable' to the Pensions Regulator where they have 'reasonable cause to believe' that there has been a breach of law 'relevant to the administration of the scheme' which is 'likely to be of material significance to the Regulator'. The Code discusses each of these issues, in particular what the Regulator sees as materially significant.

For administering authorities and employers, an initial requirement was to establish procedures to identify any breaches, and then evaluate and if appropriate report them to the Regulator. These were put in place during 2005 and part of this was to undertake an annual review. An annual review was undertaken in March 2006 and this represents the annual review for 2006.

2. RECOMMENDATION

Members note the results of the annual review and that no breaches have been reported.

3. **REPORT DETAIL**

3.1 On 6 April 2005 the new whistleblowing requirements of the Pensions Act 2004 came into force. This extended whistleblowing obligations to nearly everyone connected with running a pension scheme, in particular trustees, administering authorities (for the Local Government Pension Scheme (LGPS)) and employers. The Pensions Regulator then issued a Code of Practice (CP1) that sets out guidance on how to comply.

The basic requirement of the new law was that nearly all persons who are involved with a pension scheme have a duty to report 'as soon as reasonably practicable' to the Pensions Regulator where they have 'reasonable cause to believe' that there has been a breach of law 'relevant to the administration of the scheme' which is 'likely to be of material significance to the Regulator'. The Code discusses each of these issues, in particular what the Regulator sees as materially significant.

For administering authorities and employers, an initial requirement was to establish procedures to identify any breaches, evaluate these breaches and, if appropriate, report them to the Regulator.

Since the requirement came into force on the 5th April 2005, no possible breaches have been reported to the Chief Finance Officer. Consequently no reports have been made to the Pensions Regulator.

3.2 The Code of Practice provided the following guidance:

(a) There is a requirement to report breaches

- Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.
- The decision whether to report requires two key judgements:
 - (i) is there reasonable cause to believe there has been a breach of the law;
 - (ii) if so, is the breach likely to be of material significance to the Pensions Regulator?
- Not every breach needs to be reported

(b) The requirement to report applies to:

- Trustees of trust based schemes
- Advisers and service providers (including those carrying out tasks such as administration or fund management)

- Managers of schemes not set up under Trust (including administering authorities for the LGPS), and
 - Employers sponsoring or participating in work-based pension schemes.
- (c) The requirement applies to occupational and personal pension schemes (including stakeholder schemes).
- (d) **The reporting arrangements are that:**
- All reporters should have effective arrangements in place to meet their duty to report breaches of the law.
 - Reliance cannot be placed on waiting for others to report.
 - Breaches should be reported as soon as reasonably practicable.

Failure to report when required to do so is a civil offence.

The Pensions Regulator's objectives are to protect the benefits of pension scheme members, to reduce the risk of calls on the Pension Protection Fund (PPF), and to promote the good administration of work-based pension schemes.

Havering, via Investment Committee (now Pensions Committee), agreed the following:

3.3 Actions to ensure compliance / reporting

3.3.1 The named officer for reporting issues to within Havering is the Chief Finance Officer (CFO). Should she be notified of a breach she will set out a plan to:

- Obtain clarification of the law where it is not clear to the reporter;
- Clarify the facts around the suspected breach where these are not known;
- Consider the material significance of the breach taking into account its cause, effect, the reaction to it, and its wider implications, including, where appropriate, dialogue with the trustees or managers;
- Establish an adequate timeframe for the procedure to take place that is appropriate to the breach and allows the full report to be made as soon as reasonably practicable;

The CFO or a nominated person will then review and assess if a report should be made to the Pensions Regulator. This will normally be within one month of receiving all the appropriate information.

3.3.2 The CFO or nominated person will maintain a system to record breaches even

if they are not reported to the Pensions Regulator (the principal reason for this is that the record of past breaches may be relevant in deciding whether to report future breaches); and

3.3.3 In order to ensure there is a process for identifying promptly any breaches including those that are so serious they must always be reported, it was agreed that an annual assessment against the following will be carried out and reported alongside the Pension Fund accounts. This assessment has been carried out and confirms the following is acceptable.

In relation to protecting members' benefits:

- Substantially the right money is paid into the scheme at the right time;
- Assets are appropriately safeguarded;
- Payments out of the scheme are legitimate and timely;
- The Fund is complying with any legal requirements on scheme funding which apply to the LGPS;
- The Administering Authority is properly considering the investment policy, and investing in accordance with it;
- Contributions in respect of money purchase AVCs are correctly allocated and invested.

In relation to promoting good administration:

- Schemes are administered properly and appropriate records maintained;
- Members receive accurate, clear and impartial information without delay.

3.3.4 In addition:

- a) A note has been included in the annual report provided to scheme Members along with where to raise concerns.
- b) Monitoring Reports from Managers include active confirmations they do not believe there is anything to report.
- c) Procedures are in place for staff within the Borough dealing with the pension fund (this would include Finance, Accounting, Payroll and HR staff as well as Pension Administration staff) covering what they should do if they become aware of a possible breach and also (in very broad terms) whether there are any areas of pensions law etc. they would be expected to know about in their particular role.
- d) All Fund employers of the whistleblowing requirements have been notified.

- e) There is a named officer to maintain record of all breaches, assessments and actions taken – the CFO.
- f) Staff have been reminded of the procedures.

There have been no reported breaches.

3.3.5 Should a breach occur the named officer will write to all Pensions Committee Members should any instances arise setting out action being taken and do a full report to the next available Committee.

Financial Implications and Risks:

There are no implications arising directly as the work will be managed within existing resources by, if necessary, re-prioritising work. There are, however, possible financial penalties on non compliance, hence the need to have procedures in place.

Legal Implications and Risks:

In determining whether the legal requirements of the Pension Act have been met, a court or tribunal may take into account any relevant Codes of Practice. Section 70 of the Pensions Act introduces specific requirements for whistleblowing on the persons specified in paragraph 3.2(b) above where the person has reasonable cause to believe that a duty which is relevant to the administration of the scheme in question and which is imposed by law has not or is not being complied with and the failure is likely to be of material significance to the pensions Regulator. Failure to notify can result in a penalty of £5,000 (max) being imposed on an individual and £50,000 on a corporation.

It is therefore necessary for the Council to have in place certain procedures which draw this to the attention of those persons covered by the legislation and enable any report to be considered and, where appropriate, brought before the Pensions Regulator.

Human Resource Implications and Risks:

The Council has a whistleblowing/confidential reporting policy which this procedure will complement. There is a need for staff to be informed of the requirements and what they should do if they become aware of a possible breach. The actions proposed should ensure that this is the case. The principles of whistleblowing will be adhered to in relation to anonymity.

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CHERYL COPPELL
Chief Executive

Background Papers

Pensions Regulator Code of Practice.

