

PENSION FUND COMMITTEE – 25 JUNE 2010

THE GOVERNANCE COMPLIANCE STATEMENT

Report by the Assistant Chief Executive and Chief Finance Officer

Introduction

1. Since 2006, all Administering Authorities for the LGPS have been required to publish Governance Policy Statements setting out the detailed arrangements for governance and stewardship for the Pension Fund. The Oxfordshire Policy is attached as Annex 1.
2. Initially under Regulation 73 of the 1997 LGPS Regulations, and subsequently under Regulation 31 of the LGPS (Administration) Regulations 2008, each Administering Authority is also required to publish and keep under review a Governance Compliance Statement which sets out the extent to which their Governance Policy reflects best practice, and reasons for any areas of non-compliance.
3. This Committee last reviewed its Governance Compliance Statement at its meeting in May 2008. A copy of that statement with minor drafting improvements is included at Annex 2. In light of the two year gap since the last review, it is felt appropriate to bring the Statement back to this Committee for a review at this time.

Areas of Non or Partial Compliance

4. Following the decisions of the May 2008 meeting, there are no areas where the Oxfordshire Governance Policy is not compliant with the best practice statutory guidance published by the Department for Communities and Local Government. There are though three areas where our policy is deemed to be only partially compliant with the guidance.
5. The first area of partial compliance is in the issue of representation, where the Committee has previously resolved not to extend membership rights to the Pension Fund Committee to all key stakeholder groups. Groups which are currently unrepresented include Oxford Brookes University and others in the Education sector, the Housing Associations, the Parish Councils, and the smaller admitted bodies. The Committee has previously agreed that inclusion of these key stakeholder groups would make the Committee unworkable. Other opportunities for engagement have been offered to these employers. It is not proposed to make any change at this time, and to accept the partial compliance finding.
6. The second area of partial compliance is in respect of the selection and role of members. Best Practice guidance states that decision-making members of the Pension Fund Committee are fully aware of their roles and responsibilities

as members of the Committee. Whilst a full briefing is provided to new Members of the Committee, not all Members have availed themselves of this briefing, and the briefing is not provided for substitute members. The Committee has previously considered and rejected proposals to limit membership of the Committee, including substitute membership, to those who have completed the briefing.

7. The third area of partial compliance is in respect of Training, where the Committee does not adopt a specific training programme as part of its governance planning. Members are recommended elsewhere on this Agenda to agree to the prioritisation of the knowledge and skills framework and the development of an improved training plan addressing members' needs. If the maintenance of such a framework, and its use to determining any annual training programme was established, it would mean that the Committee would become complaint against this governance principle.

RECOMMENDATION

8. **The Committee is RECOMMENDED to note the report, and endorse the Governance Compliance Statement as contained in Annex 2.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Developing Good Governance in Local Government
Pension Funds (CIPFA)

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June 2010

Oxfordshire Pension Fund

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, published under the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005.
2. As required by the Regulations, the Statement covers:
 - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
 - The frequency of any committee/sub-committee meetings;
 - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
 - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.
4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:
 - (a) The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
 - (b) The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

6. A more detailed interpretation of these terms of reference includes the following:
- (a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
 - (b) regularly review and approve the asset allocation for the pension fund's investment
 - (c) approve and maintain the fund's Statement of Investment Principles
 - (d) approve and maintain the fund's Funding Strategy Statement
 - (e) approve and maintain the fund's Governance Policy Statement
 - (f) approve and maintain the fund's Communications Policy Statement
 - (g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
 - (h) review the performance of the fund, and its fund managers
 - (i) appoint an actuary, independent financial advisor(s), and custodians for the fund
 - (j) approve an annual report and statement of accounts for the fund
 - (k) approve an annual budget and business plan for the investment and administration of the fund
 - (l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
 - (m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise
- (a) 7 County Councillors appointed with political parties represented in proportion to their representation on the Council as a whole
 - (b) 2 Representatives of the City and District Councils of Oxfordshire.

These 9 members of the Committee shall have full voting rights

8. The beneficiaries of the Fund will also have the right to be represented by an observer to the Committee. As employees of the County Council are prohibited from having voting rights on Council Committees, and as active employees of the County Council are the single largest group of stakeholders within the Fund, providing voting rights to the Observer could prejudice the appointment against the largest stakeholder group. Therefore the Observer will not have any voting rights, but has the right to speak on any issue, subject to the approval of the Chairman of the Committee. The Beneficiaries Observer will be appointed through the appropriate trade union(s).

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all

County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.
11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.
12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.
13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.

Informal Governance Arrangements

14. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.
15. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

June 2008

Oxfordshire Pension Fund

Governance Compliance Statement

Principle A – Structure

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| 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. | Compliant |
| 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. | Not Applicable |
| c. | That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | Not Applicable |
| 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. | Not Applicable |

Please use this space to explain reasons for non-compliance

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

Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

Principle B – Representation

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| a. | <p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis) | Partly compliant |
| b. | <p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p> | Compliant |

Please use this space to explain reasons for non-compliance

The Pension Fund Committee contains representatives of the County Council (7 Members) and the 5 City and District Councils (2 Members). The Committee is also attended by a Beneficiaries Observer, appointed by the Unions to represent all scheme members (including deferred and pensioners). The Committee though does not include any representation from other key stakeholders, including Brookes University, the colleges, the Housing Associations, the small scheduled bodies and the small scheduled bodies. It has been determined that given the decision to manage all functions through a single Committee, increasing representation to cover these other key stakeholder groups would make the Committee unworkable. These stakeholders are afforded the opportunity to contribute to significant decisions through consultation exercises, and the annual Forum for all employers.

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

Principle C – Selection and Role of Lay Members

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| 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. | Partly Compliant |
| b. | That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. | Compliant |

Please use this space to explain reasons for non-compliance

A briefing is provided to all new members of the Committee members clearly setting out their role and responsibilities on the Pension Fund Committee. However this briefing is not given where substitute members attend the Committee.

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

Principle D – Voting

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| a. | The policy on individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Compliant |
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Please use this space to explain reasons for non-compliance

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

Voting rights have been extended to the two District Council representatives on the Pension Fund Committee. As current employees of the County Council cannot have voting rights on a Council Committee, and as this group forms the largest single stakeholder group within the Fund, it has been determined that the Beneficiaries Observer does not have voting rights, to avoid any perverse incentive to appointing a current employee of the County Council to the position. This decision is clearly stated in the Fund’s Governance Policy.

Principle E – Training/Facility Time/Expenses

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| 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. | Compliant |
| 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. | Compliant |
| c. | That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken. | Partly Compliant |

Please use this space to explain reasons for non-compliance

The Committee considers each year the allocation to be provided as part of the annual budget to be spent on Committee member training, but it does not adopt a specific training programme.

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

The Committee approve a training budget each year as a specific part of the business planning purpose. Training sessions are arranged to take place before all Committee meetings. External training courses are brought to the attention of Committee members. Training is provided free of charge, with all legitimate expenses reimbursed.

Principle F – Meetings (frequency/quorum)

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| a. | That an administering authority’s main committee or committee meet at least quarterly | Compliant |
| 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. | Non Applicable |
| 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. | Compliant |

Please use this space to explain reasons for non-compliance

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

In addition to the quarterly meetings of the main Pension Fund Committee, the Fund holds an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

Principle G – Access

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| a. | That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | Compliant |
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Please use this space to explain reasons for non-compliance

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

All information on which decisions at the main Committee are based is equally available to all Members. Under the Council’s Constitution, the Chairman, Deputy Chairman and Opposition Spokesperson are invited to a briefing meeting in advance of each Committee meeting, and as such receive a briefing not available to other members, including representatives of the third political party.

Principle H – Scope

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| a. | That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | Compliant |
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Please use this space to explain reasons for non-compliance

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

The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

Principle I – Publicity

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| 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. | Compliant |
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Please use this space to explain reasons for non-compliance

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