

APPENDIX A

MEETING	PENSIONS COMMITTEE
DATE	23 SEPTEMBER 2008
TITLE	REVIEW OF THE GOVERNANCE COMPLIANCE STATEMENT
RECCOMENDATION	TO REVIEW THE COMMITTEE'S MEMBERSHIP IN THE LIGHT OF BEST PRACTICE PRINCIPLES
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1. Background

- 1.1 Back in April 2006 the Pensions Committee reviewed their Governance Policy Statement (GPS), and after a consultation period they agreed to extend the Committee's membership to allow one member from Anglesey Council and one from Conwy Council without voting rights to attend. A copy of the Statement can be seen in Appendix A.
- 1.2 New regulations were published in May 2007 that required administering authorities to publish in their Governance Compliance Statement (GCS) the extent to which they comply with the nine best practice principles published by the DCLG in draft form on the 8 October 2007. If we do not comply with the principles we are required to state our reasons for not doing so. In preparing the statement the administering authority consulted with scheme employers and any other persons they considered appropriate.
- 1.3 In formulating the original response, the Committee were not minded to increase the membership of the Pensions Committee but did accept that there needed to be wider access to information in relation to the governance of the Fund.
- 1.4 The only way in which this could be achieved **and** comply with best practice would be to establish a second committee comprising other stakeholders which would shadow and obtain all information which the main committee received.
- 1.5 The previous committee considered this to be an over duplication of effort and instead suggested that we convene periodic informal meetings of stakeholders in order to give them an opportunity to receive information and voice issues. I do not think that this would comply with best practice however as it would not be giving a wider group of stakeholders the opportunity to take part in the decision making process.

2. Present Situation regarding Compliance

- 2.1 The extent to which we currently comply with best practice is shown in Appendix B.
- 2.2 The key area therefore in relation to which the Gwynedd Pension Fund does not comply with the principles is.
 - a) Structure and Representation on the Committee(s) – The guidance states that all key stakeholders should be offered the opportunity to be represented within the main or secondary committee structure, either with or without voting rights. Key stakeholders include:
 - employing authorities (including admitted bodies);
 - scheme members (including deferred and pensioner scheme members);

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- independent professional observers; and
- expert advisors (on an ad-hoc basis).

Whilst the Pension Committee includes 1 representative from Conwy County Borough Council and 1 representative from Isle of Anglesey County Council, admitted bodies, scheme members and pensioners are not represented. The Pension Committee does not have an independent professional observer either.

- b) The Selection and Role of Lay Members within the Committee(s) – A lay member is defined as “someone who is not an elected member”. There are no lay members sitting on the Pensions Committee.

2.3 At its last meeting the committee expressed the view that we should re-visit the issue.

3. Options

3.1 The Committee does have the right to determine that it will not comply with best practice but I would suggest that it would have to have a good reason for doing so. The previous Committee’s decision was based on the premise that as the legal responsibility for administering the fund was a Gwynedd Council function it had to retain overall control of final decisions. It did not consider that duplicating the Committee’s considerations by establishing another formal committee, with its consequent administrative requirements, would be an appropriate use of resources. However it did recognise the need to extend understanding of issues surrounding the Gwynedd Pension Fund amongst other employers and stakeholders and suggested therefore that an informal arrangement of meetings with other stakeholders be established.

3.2 This decision does not comply with best practice to the extent that it does not allow other stakeholders the opportunity to be part of the decision making process.

3.3 The only way in which this could be rectified would be to establish a secondary committee to shadow the current committee or increase the membership of the current committee.

3.4 Membership of the committee could be increased either with or without voting powers. The practical considerations and consequences of increasing the membership and allowing voting powers will be explained at the committee meeting.

3.5 If it was decided to increase the membership of the Committee, the arrangements for monitoring Fund Managers would also have to be reviewed, possibly by establishing a sub-committee.

3.6 Even if the committee’s membership was to be increased, in the interests of wider understanding I would suggest that the principle of convening informal sessions at which officers or members of all stakeholders were invited to attend should continue.

4. Recommendation

4.1 The Committee is asked to consider the way forward.

4.2 The Committee is also asked to note that since the previous Committee approved the final Governance Compliance Statement two new clauses have been introduced. The Committee will have to formally approve these. They can be seen in Appendix B Part C, clause b) and Part E, clause c).

GWYNEDD PENSION FUND

GOVERNANCE POLICY STATEMENT

Governance Policy Statement

This statement sets out the delegation of matters in relation to the Gwynedd Pension Fund, along with the terms of reference, structure and operational procedures of these delegations.

Gwynedd Council is the Administrating Authority for Gwynedd Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

Pensions Committee

The Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council (with voting rights), 1 member from Anglesey County Council (no voting right) and 1 member from Conwy County Borough Council (no voting right). There is no member (staff) representation on the Committee.

The Pensions Committee's responsibilities are to:

1. Decide on the strategy for investing the pension fund's assets;
2. Appoint and terminate the appointment of managers and consultants of the pension fund, and review their performance with regard to investment;
3. Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;
4. Making some decisions in the context of pension administration.

As a duly constituted Committee of Gwynedd Council, the operation of the matters delegated to the Committee are governed by Gwynedd Council's constitution, and in particular, Parts 4 and 5 which govern the rules of procedure and Codes and Protocols which are to be followed by members of the Pensions Committee and officers.

The Pensions Committee is also charged with ensuring that an annual report on Pensions matters is prepared and presented to an annual meeting of employers and employee representatives, at which any of the said parties can question the Committee, their officers, investment adviser or fund managers on issues relating to Fund performance, and administration and/or pensions matters in general.

In order to ensure an adequate review of investment performance, the Committee's investment adviser and each fund manager provides the Committee with a quarterly monitoring report. Informal meetings are also held with the investment adviser and fund managers in order to challenge performance and resolve any issues which arise.

Any issue requiring formal consideration is considered at a properly convened meeting of the Committee, in order to allow citizens to exercise their rights to attend any meeting of a Council Committee.

Strategic Director of Resources

Article 12 of the Council's constitution stipulates that the Strategic Director of Resources shall have responsibility for financial strategy, and as such he is responsible to the Pensions Committee for advising on the appropriate financial strategy for the Pension Fund, and for ensuring that appropriate specialist advice is provided.

Chief Finance Officer

Article 12 also stipulates that the Head of Finance (as the Council's Chief Finance Officer) will report to the Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

Under this Article, the Head of Finance also has responsibility for the proper administration of the Pension Fund's financial affairs.

Monitoring Officer

Article 12 also stipulates that the Head of Administration and Public Protection (as the Council's Monitoring Officer) will report to the Council if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

GWYNEDD PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

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.
	Gwynedd Council is fully compliant with this principle.
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.
	Gwynedd Council is partly compliant with this principle. Representatives from two participating LGPS employers are members of the main committee. Currently there is no representation from admitted bodies or scheme members in order to retain a relatively small committee which can review manager performance in an effective manner. As the pension promise is defined by legislation for scheme members, the actions of the Committee have not hitherto been considered to impinge upon their interests and thus no representation has been afforded.
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
	No secondary committee or panel exists.
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.
	No secondary committee or panel exists.

Principle B – Representation

<p>a)</p>	<p>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, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).</p>
	<p>Partly compliant. We do have LGPS employing authority representation on the main committee, and we also have an expert independent advisor (on an ad-hoc basis). However, no scheme members or independent professional observers are given membership.</p>
<p>b)</p>	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>
	<p>No lay members sit on the Committee (see Part A (b) above).</p>

Principle C – Selection and Role of Lay Members

<p>a)</p>	<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>
	<p>Fully compliant. All members are made clear of their responsibility as laid out in the Governance Policy Statement.</p>
<p>b)</p>	<p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>
	<p>Gwynedd Council is fully compliant with this principle.</p>

Principle D – Voting

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.
	The Pensions Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council (with voting rights), and 1 representative from each of the other two participating LGPS employers (with no voting rights). The Council has decided that 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 the 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, in order to ensure that the voting rights reside with the members of the Council which carries ultimate responsibility for the Committee's actions.

Principle E – Training/Facility Time/Expenses

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.
	Fully 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.
	The policy applies to all members of the Committee.
c)	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

	Gwynedd Council is partly compliant with this principle in that a log of all training undertaken is kept and consideration given periodically to members' training needs but no annual formal training plans are established.
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Principle F – Meetings (Frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.
	Fully 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.
	No secondary committee or panel exists.
c)	That an administering authorities who does 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.
	Every July, an Annual Meeting of the Pension Fund takes place. Employers and employee representatives are invited to the meeting, and they can question the Committee, the administering authorities officers, the investment advisers or the fund managers on issues relating to the Fund's performance, administration and/or pensions matters in general.

Principle G - 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.
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	Gwynedd Council is fully compliant with this principle.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements
	The Pensions Committee consider all issues relating to the Local Government Pension Scheme.

Principle I - Publicity

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.
	The Governance Policy Statement is available in the Pension Fund annual report.