

GOVERNANCE ISSUES including an update to the Statement of Investment Principles

Contact Officers

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Papers with this report

Revised Statement of Investment Principles

SUMMARY

This report is to provide an update on Pension Fund Governance issues; to recommend an update to the Statement of Investment Principles (SolP); and to report on progress on the election of Member Representatives to Committee.

RECOMMENDATIONS

1. That Committee approve the revised Statement of Investment Principles
2. That Committee note the contents of the report

INFORMATION

Governance of Local Authority pension funds is increasingly coming under intense public interest and scrutiny. The recent CIPFA publication and endorsement of the revised Myners' principles '*Investment Decision Making and Disclosure*', the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework 2007*, and recent amendments to the Local Government Pension Scheme Regulations – both Administration and Management and Investment of Funds – have all emphasised the need for greater focus on pension fund governance. It is, therefore timely to consider a review of the arrangements in place in London Borough of Hillingdon.

This report considers a few of the key governance issues on which the Pension Committee should be focussed. Two additional key Governance issues are being brought to this committee under separate reports - Risk Management and the Pension Fund Budget for 2010/11.

Knowledge & Skills Framework

On 27 January 2010, CIPFA held a Pensions Network Governance Summit to introduce both the six revised Myners principles and to launch the 'Knowledge and Skills Framework', which explains what is expected of both members and Officers and how they can address key areas of concern. Cllr Markham and Nancy Leroux attended this summit on behalf of the Hillingdon Fund.

In recent years the level of skills, knowledge and experience expected of those responsible for decision making in public sector pensions has increased significantly. The knowledge and skills framework builds on the work that has already been done to improve the skills and knowledge base of those who serve on decision-making bodies and it recognises the importance of high quality advice to support them. It explains exactly what is expected of both the decision making body and the officers who support it and identifies the level of skills and knowledge they need to be effective in their work.

Guidance on this framework has been published in two formats – one for Members and one for Officers. The guidance contains a knowledge and skills checklist, which is expected to be produced in an online tool in the near future. Officers will use the checklist to develop a training needs analysis for all involved with the pension fund, which will be presented to Committee at a future meeting.

Revision to the Statement of Investment Principles

In June 2009 a report was presented to Committee to explain the changes to the Myners principles and the SoIP was updated to mention that these principles would be adopted at some point. The original 10 principles have now been removed from the SoIP and the new 6 included. The SoIP must also include details of the Fund's compliance with these principles. At this stage this has been done against the headline principles only.

However, the 6 new principles have been subdivided into a further 92 issues, covering the broad range of investment decision making and disclosure. Whilst we can claim broad compliance with the overall aim of the main principles, we will need to undertake a detailed review of the sub issues to provide a detailed compliance report. This review will be undertaken during the next financial year and regular update reports will be brought to committee.

Therefore at this stage, the updated SoIP only details compliance against the headline principles. This is attached as an appendix.

Officer Support to the Pension Fund

It was clear from the discussions at the Pensions Network Governance Summit that there are many governance issues which will have to be addressed over the coming months. The set up of the new Investment Strategy Group and the work of that group will better evidence the principle of effective decision making. Additionally we will be able to develop improved investment performance processes within the current Investments Team. However, there is insufficient capacity within the whole pensions team to undertake many of the other requirements particularly in relation to the development of policies and strategies; development and maintenance of a business plan; communications; reporting; and monitoring. As a result, the Director of Finance & Resources has agreed to the creation of a new role within the officer support to the Pensions Fund and work to develop that role has already commenced.

Election of Member Representatives to Committee

The election of both an active member representative and a deferred/retired member representative are nearing an end with both polls closing on 31 March. We had a very good response this time with 6 active members standing for election and 4 deferred/retired members standing, which confirms the heightened interest in pension fund activity. The count of the ballot papers has been arranged for early April and the results will be published immediately after the conclusion of that count.

Future Member Training and Development Events

DATE	EVENT	LOCATION	RSVP By
19 May	Adams Street Client Conference	Dorchester, London	09.04.10
17-19 May	NAPF Local Authority Conference	Belfry, Warwickshire	TBC
8 10 September	LGC Local Authority Pensions Summit	Celtic Manor, Newport, South Wales	TBC

FINANCIAL IMPLICATIONS

Direct Financial implications arising from the report on the SolP are the ongoing cost of member training. This cost will vary annually depending on the level of training required.

LEGAL IMPLICATIONS

The SolP report complies with regulations 9 A (3A) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended by S.I. 2002/1852 which came into force on 9th August 2002.