

By: Director of Finance  
To: Superannuation Fund Committee – 7 March 2008  
Subject: **GOVERNANCE COMPLIANCE STATEMENT**  
Classification: Unrestricted

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Summary: To agree a Governance Compliance Statement.

## **FOR DECISION**

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### **INTRODUCTION**

1. Last year the Department for Communities and Local Government consulted on a Governance Compliance Statement and subsequently amended the Local Government Pension Scheme Regulations (LGPS) to make it a requirement.
2. The statement had to be published by 1 March 2008.

### **STATEMENT**

3. The draft statement is attached in the Appendix. Given the requirement to publish by 1 March, the statement has been agreed with the Chairman, Vice Chairman and Spokesman.
4. I did respond to last years consultation and overall felt that DCLG were being too prescriptive and the final guidance has reflected this to some extent.
5. I have two major issues with the document:
  - (1) The promotion of independent or “external” advisers – it has been clear to me that over a period a number of these advisers have been promoting their use and DCLG have picked up on this. From my contacts with advisers at other funds I have had a mixed experience. My personal view is that our arrangement of experienced and trained members supported by Hymans Robertson and KCC Officers leaves us with clarity on decision making and clear accountability. I believe the use of an independent adviser would reduce transparency and accountability for decision making. The Committee could decide to use an independent adviser.
  - (2) Meetings of a secondary committee or panel – the guidance states this should meet twice a year. Many funds still have a small committee or

panel, often drawn from only the administering authority or focussing on investment issues only. We have a main committee with a broad representation and remit, and the annual conference which all employers are invited to attend. I believe that given this structure one meeting a year for all employers is sufficient.

## **RECOMMENDATION**

6. Members are asked to agree the draft statement.

**Nick Vickers**  
**Head of Financial Services**  
**Ext: 4603**

## KENT PENSION FUND

### GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance
<b>A Structure</b>	<p><i>(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.</i></p> <p><i>(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</i></p> <p><i>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</i></p> <p><i>(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.</i></p>	<p>Yes</p> <p>See Statement of Investment Principles</p>
<b>B Representation</b>	<p><i>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</i></p> <ul style="list-style-type: none"> <li><i>(i) Employing authorities (including non-scheme employers, eg admitted bodies)</i></li> <li><i>(ii) Scheme members (including deferred and pensioner scheme members)</i></li> <li><i>(iii) Independent professional observers</i></li> <li><i>(iv) Expert advisers (on an ad hoc basis)</i></li> </ul>	<p>Partial</p>
<p>(1) The Superannuation Fund Committee includes 3 representatives nominated by the 12 District Councils, a Medway Council representative, 1 Unison representative, 1 KCC staff representative and 2 Kent Active Retirement Fellowship representatives.</p> <p>(2) The Fund's investment advisers, Hymans Robertson, attend the Committee meetings as required and facilitate workshops on any significant changes to investment strategy. It is not the Committee's policy to use independent advisers.</p>		

Principle		Full Compliance
<b>C Selection and Role of Lay Members</b>	<i>(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.</i>	Yes
<b>D Voting</b>	<i>(b) 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.</i>	Yes
<b>E Training / Facility Time / Expenses</b>	<i>(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.</i>	Yes
(1) All additional costs of attending training courses will be reimbursed from the Fund.		
<b>F Meetings - Frequency</b>	<i>(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.</i>	Partial
(1) The Superannuation Fund Committee meets quarterly. (2) The Chairman, Vice Chairman and Spokesman meet monthly when required to deal with urgent matters. (3) All employers are invited to attend a half-day conference which takes place annually. (4) The Pensions Forum meets twice a year for all employers focussing on administration issues.		

Principle		Full Compliance
<b>G Access</b>	<i>(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 fails to be considered at meetings of the main committee.</i>	Yes
<b>H Scope</b>	<i>(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</i>	Yes
<p>(1) The Committee has always included pensions administration issues in it's work whereas in many authorities the focus of the committee or panel are investment issues.</p> <p>(2) The Committee has developed a scrutiny type approach to its review of investment managers.</p>		
<b>I Publicity</b>	<i>(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.</i>	Statement of Investment Principles on the KCC website.
(1) Statement of Investment Principles on the KCC website.		