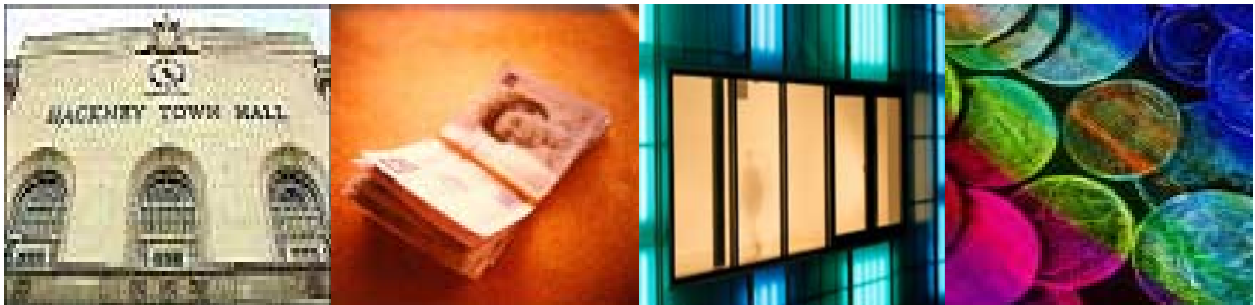




LONDON BOROUGH OF HACKNEY

PENSION FUND

**GOVERNANCE POLICY AND
COMPLIANCE STATEMENT**



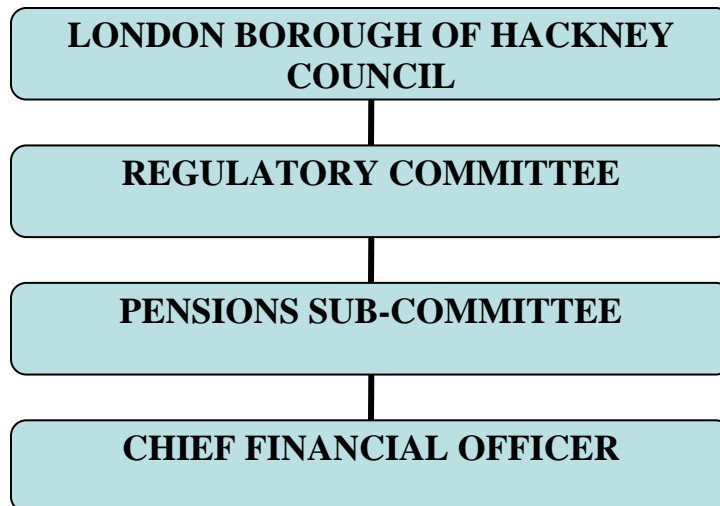
GOVERNANCE STATEMENT – ADMINISTERING AUTHORITY

The London Borough of Hackney Council is the Administering Authority of the London Borough of Hackney Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

The Local Government Pension scheme (Administration) Regulations 2008 – Regulation 31 and its predecessor, Regulation 73A of the LGPS Regulations 1997 (as amended), requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Compliance Statements. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Structure

The Constitution of the Council published on 5th September 2007 sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered as shown in the diagram below.



The Constitution allows for the appointment of a Regulatory Committee which has responsibility for the discharge of all non-executive functions assigned to it. The Regulatory Committee may appoint other Sub-Committees as it considers appropriate to discharge any of its functions. The terms of reference for the Regulatory Committee delegated to the Committee in relation to the Pension Fund are set out below:

Responsibility for the appointment of a Pensions Sub-Committee, including approval of its terms of reference and membership

To receive performance monitoring information on matters within the remit of the Pensions Sub-Committee

To develop, review, monitor and maintain a strategic overview of the Council's regulatory function

Terms of Reference for the Pensions Sub-Committee

The following are the terms of reference for the Pensions Sub-Committee, last reviewed and updated in September 2007:

1. To act as Trustees of the Council's Pension Fund within the terms of the Superannuation Act 1972, the Local Government Pension Scheme Regulations 1997 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended).
2. To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and to periodically review those arrangements.
3. To formulate and publish a Statement of Investment Principles.
4. To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and develop a medium term plan to deliver the objectives.
5. To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
6. To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
7. To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
8. To receive and approve an Annual Report on the activities of the Fund prior to publication.
9. To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
10. To keep the terms of reference under review.
11. To make recommendations to Cabinet in respect of employer discretions.
12. To determine all matters relating to admission body issues.

Membership of the Pensions Sub-Committee

The membership of the Pensions Sub-Committee is seven elected Members on a politically proportionate basis who will elect a Chairman and Vice Chairman. All elected Members have voting rights on the Committee and two voting members of the Committee are required to be able to deem the meeting quorate. In addition there are two co-opted non-voting members representing employer and Scheme member interests. Co-opted members are appointed annually and a small allowance will be paid for attending meetings. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee papers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process. Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pensions Sub-Committee are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Training

Members of the Pensions Sub-Committee will receive training in aspects of the management of the Pension Fund, with training schedules drawn up and reviewed on at least an annual basis. Training sessions will be held in advance of Committee meetings to allow as many members to attend as possible, with training provided by both external and internal advisors. Additional training for both individual members and as a Committee can be arranged on an ad hoc basis. Costs of training will be met by the Pension Fund budget.

The objective of training is to ensure that both existing and new members of the Committee have access to information, training and advice in order to discharge their role as trustees of the Pension Fund.

Meetings

The Pensions Sub-Committee shall meet at least four times a year in the ordinary course of business and additional meetings as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the independent investment advisor.

The Council will give at least five clear working days notice of any meeting by posting details of the meeting at the Hackney Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website.

Delegation of Powers

The Pensions Sub-Committee act as trustees and oversee the management of the Pension Fund. As trustees the Committee has a clear fiduciary duty in the performance of their functions, they have to ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees.

Delegated powers have been given to the Director of Finance & Resources in addition to his role as Section 151 Officer and as such he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper administration of the Fund. As appropriate the Director of Finance will delegate aspects of the role to other officers of the Council including the

Assistant Director, Financial Management and the Head of Treasury & Pensions and to professional advisors within the scope of the LGPS Regulations.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can either be found on the Pension Fund Website www.yourpension.gov.uk/hackney or by emailing the Treasury & Pensions Department pensions@hackney.gov.uk or by writing to the address given at the end of this document.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1998 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension fund.

The areas covered in the statement of investment principles are as follows –

- Types of investments to be held.
- Balance between different types of investments.
- Risk.
- Expected return on investments.
- Realisation of investments.
- The extent to which social, ethical and environmental considerations are taken into account.
- The extent to which the Council complies with the 10 CIPFA principles of investment practice.

Governance Compliance Statement

This sets out the Pension Fund's compliance with the Governance Compliance Statement on best practice showing where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Finance Director to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Sub-Committee and the Regulatory Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the website. A briefing note prepared from the annual report and accounts of the pension fund is distributed to scheme members annually.

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties.

Discretions Policies

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power.

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing both administrative procedures for the Pension Fund has been distributed to employers within the Fund following consultation. This represents part of the process for ensuring the ongoing management of the Fund and forms part of the overall governance procedures for the Fund.

CONTACT INFORMATION

Further information on the London Borough of Hackney Pension Fund can be found as shown below:

London Borough of Hackney Pension Fund
Treasury & Pensions Department
Finance Directorate
Keltan House
89-115 Mare Street
London
E8 4RU

Telephone: 020 8356 2646

Fax: 020 8356 3035

Email: pensions@hackney.gov.uk

Website: www.yourpension.org.uk/hackney

Hackney Council Website: www.hackney.gov.uk (Minutes, Agendas, etc)

GOVERNANCE BEST PRACTICE – COMPLIANCE STATEMENT

The Local Government Pension scheme (Administration) Regulations 2008 – Regulation 31 and its predecessor, Regulation 73A of the LGPS Regulations 1997 (as amended), requires Local Government Pension Scheme (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the Communities and Local Government Department.

The following compliance statement has been approved by the Corporate Director of Finance Resources. This sets out where the Pension Fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

The Council's Constitution delegates the Council's functions relating to local government pensions to the Pensions Sub-Committee within its terms of reference: sections 3.2.9 and the Table at 3.2.14. The Terms of Reference for the Pensions Sub-Committee are broad and are set out in full in the Governance Policy above.

All other functions are delegated to the Corporate Director of Finance and Resources. The Chief Executive and all Corporate Directors may take decisions on the exercise of discretion in individual cases, provided that this is in consultation with the Corporate Director Legal and Democratic Services, the Corporate Director Finance and Resources and the Assistant Director Human Resources and Organisational Development.

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. *Fully compliant – Council Constitution delegates responsibility for the Pension Fund to the Pension Sub-Committee in respect of these matters.*
- 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. *Partially Compliant – Employer and Scheme member representatives are being appointed to the Pension Sub-Committee and will be in place by 31st December 2008.*
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. *Fully Compliant – no secondary committee.*

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. *Fully Compliant – no secondary committee.*

	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/regulation 31(3)(c)/2008 Regulations)

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

Partial Compliance as at 9th September 2008 for employer and scheme member representatives but measures in place to ensure compliance by 31st December 2008.

Decision taken by Committee not to hold a secondary committee, employer and scheme member representatives to participate at main Committee.

Representation

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) where appropriate, independent professional observers, and
- iv) expert advisors (on an ad-hoc basis).

Fully Compliant – (i) Employing authorities are represented by an employer representative with responsibility for representing the interests of all employers participating in the Fund. (ii) Scheme members are represented by an individual with responsibility for representing the interest of all Scheme members. (iii) At

this stage the Pensions Sub-Committee has been determined that there is no requirement for an independent professional observer. (iv) Expert advisers – investment consultant participates at all meetings of the Committee, where necessary other expert advisors are invited to attend as and when required.

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. *Fully Compliant – All members are sent Committee papers ahead of meetings, are invited to training and are able to fully contribute to the decision making process.*

	Not Compliant*			Fully Compliant	
a)				✓	
b)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

(i) & (ii) Co-opted members of the Pensions Sub-Committee have been charged with representing the interests of the groups that they have been co-opted onto the Committee for.

Selection and role of lay members

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. *Fully Compliant – see Governance Policy*

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. *Fully Compliant – Members of the Committee declare interests at the start of each meeting.*

	Not Compliant*				Fully Compliant
a)					✓
b)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

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. *Fully Compliant – See Governance Statement*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

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. *Fully 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. *Fully Compliant*

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

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

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. *Fully Compliant – only main Committee*

c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. *Partial compliance – representation by lay members has been agreed and representatives will be in place by 31st December 2008.*

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

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

Partial Compliance as at 9th September 2008 for employer and scheme member representatives but measures in place to ensure compliance by 31st December 2008.

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. *Fully Compliant – Committee papers are despatched 5 clear working days prior to a Committee meeting.*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. *Fully Compliant – The Committee reviews all aspects of Pension Fund management.*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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

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. *Fully Compliant – Governance Policy and Compliance Statement published in Report & Accounts and on website www.yourpension.gov.uk/hackney*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations/regulation 31(3)(c)/2008 Regulations)

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