

# Governance Statement 2018/19

This statement has been prepared in accordance with Regulation 73A of the Local Government Pension Scheme Regulations 2014 (the LGPS Regulations).

The statement describes the governance structures and arrangements that the London Borough of Newham has put in place in its capacity as administrating authority for the Newham Pension Fund.

The statement will be subject to review and revised versions will be published following any material changes in the Council's policy that influences this statement.

The London Borough of Newham delegates the function of maintaining the Pension Fund to the Committee.

The terms of reference for the Committee within the Council's Constitution (8.06) are:

## **1. Composition & Quorum**

1.1 The Committee shall comprise of 8 elected Members.

1.2 The Committee shall be subject to the rules on political balance.

1.3 The quorum of the Committee shall be three.

1.4 Members of the Committee may be required to attend appropriate training from time to time. The Director of the Exchequer and Transactional Services shall inform the relevant whips of attendance by Members at such training.

## **2. Terms of Reference**

2.1 To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Director of the Exchequer and Transactional Services to determine as set out in the officers' scheme of delegation.

2.2 Consideration and approval of the authority statement of accounts in accordance with the relevant Accounts & Audit Regulations made from time to time.

2.3 Consideration of the findings of the Council review of the system of internal control.

2.4 Approving the Statement of Internal Control.

2.5 Consideration of the external auditors annual audit letter before it is published.

2.6 The Committee shall be a member of the Local Authority Pension Fund Forum.

## **3. Delegations**

3.1 The Committee shall be entitled to set up sub-committees and delegate any of their functions to such sub-committees or officers of the Council.

## **4. Procedure**

4.1 The business of the Committee shall be carried out in accordance with the Constitution.

4.2 The Committee shall be entitled to determine whether certain training is desirable or compulsory for all Members or certain positions. Where the Committee deems training compulsory, Members shall not be entitled to sit on the Committee until they have attended such training.

4.3 A copy of the Council's constitution is available on the Council's web-site at [www.newham.gov.uk](http://www.newham.gov.uk) alternatively by writing to the Chief Executive at Newham Dockside, 1000 Dockside Road, London E16 2QU.

## 5. Committee Meetings

5.1 The Committee meets on a quarterly basis with support provided by the Executive Director of Financial Sustainability and independent Advisors. At these meetings Members are provided with a quarterly report on the performance of the Newham Pension Fund (the Fund), along with a Business Plan Update. Presentations are received from Fund Managers (on an exceptions basis only) and Advisors.

5.2 Representatives from the Trade Unions are invited to participate in the meeting; however they are not permitted to vote. Representatives of the other employing authorities are permitted to attend but they are not permitted to participate without prior approval of the Chair. Members of the public are also permitted to attend but are not permitted to participate without prior approval of the Chair.

The Committee has responsibility for:

- determining an overall investment strategy and strategic asset allocation, with regards to diversification and the suitability of asset classes;
- appointing the investment managers, an independent custodian, the actuary and any external consultants considered necessary;
- reviewing on a regular basis (quarterly) the investment managers' performance against benchmarks, and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls;
- reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights;
- agreeing the Communications Policy, Governance Statement and the Annual Business plan;
- monitoring compliance with legislation and best practice;
- determining the admission policy and agreements, including the deficit recovery period of Admitted and Scheduled Bodies;
- setting principles and statements in relation to the Fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS), monitoring compliance and reviewing them;
- ensuring that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.

5.3 The Committee has delegated the responsibility to the Executive Director of Financial Sustainability:

- The Committee has delegated responsibility to the Executive Director of Financial Sustainability for all decisions relating to the administration of the Superannuation Fund, crediting contributions, dividends and interest, realising and making investments to manage the Fund's cash flow up to a limit of £5 million, providing notices to members, arranging for periodical valuations and keeping audited accounts.
- to exercise all powers and duties of the Council as an employer in respect of contracted-out persons under the Pensions Schemes Act 1993;
- for approval of early and ill-health retirements;
- to exercise and perform any powers and duties under this Act which fall to be exercised or performed by the Council by virtue of its being an employer (powers and duties relating to stakeholder pensions) under The Welfare Reform and Pensions Act 1999.

## 6. Members and Officers Knowledge and Skills

6.1 Member and officer knowledge and skills are recognised as important, and a range of measures are in place to equip members to undertake their role. This is a major factor in the governance arrangements of the Fund in ensuring Committee members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective.

6.2 Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds:

- pensions legislation and governance context;

- pension accounting and auditing standards;
- financial services procurement and relationship management;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practices.

6.3 It is not the intention that Committee members should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.

6.4 Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties . Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

6.5 Each year a questionnaire is sent out to Members to identify key areas that training can be arranged to address. From the questionnaire a bespoke training schedule is established and agreed by the Committee.

6.6 The Fund includes in its annual report and accounts details of the knowledge and skills development undertaken by its Committee members. It is being proposed that it will become a regulatory requirement for funds to explain their compliance with the CI PFA framework and in particular cover:

- how the framework has been applied;
- what assessment of training needs has been undertaken; and
- what training has been delivered against the identified training needs.

# Compliance with guidelines issued by DCLG

## **1. Structure**

1.1 The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.

The Fund is fully compliant with this principle.

The Council, as Administering Authority, delegates its function in maintaining the Fund to the Committee. At the annual meeting, the Council agrees to the appointment of the members to the committee.

The Committee have delegated the day to day administration of the Fund to the Director of the Exchequer and Transactional Services.

The Fund's administration is outsourced to the Local Pensions Partnership (LPP). The Committee receives regular reports on their scheme administration to ensure that best practice standards are met and targeted; although, this is an area where the committee intends to further develop its compliance with this principle.

The Committee will periodically review the committee's governance arrangements and the effective use of its advisers to ensure sound decision making.

1.2 That representatives of participating Local Government Pension Scheme (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.

The Fund is partially compliant with this principle

The Committee meetings are open meetings and therefore the other LGPS employers are able to attend and can participate in the discussions with permission of the Chair.

Invitations to attend the annual general meeting were sent to the employers within the Fund.

Invitations to attend the committee meetings are sent to the various unions that represent 'active' members of the fund.

1.3 That, where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

The Council has not established a secondary committee or panel. The monitoring and review activities performed by the officers and the Investment Advisor, combined with meetings of the Committee make the establishment of a separate group unnecessary.

1.4 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.

The Council has not established a secondary committee or panel.

## **2. Representation**

2.1 That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

- employing authorities (including non-scheme employers, e.g. admitted bodies)
- scheme members (including deferred and pensioner scheme members)
- independent professional observers

- expert advisers (on an ad-hoc basis).

The Fund is partially compliant with this principle.

The committee meetings are open and therefore the other employers are able to attend, although specific invitations are not sent to these employers. All unions are invited to attend the committee meetings to represent the scheme members (including pensioners and deferred members).

The Fund maintains a risk register that identifies all the main risks and actions taken to mitigate them in accordance with sound risk management principles. The Council also operates a comprehensive statement of internal controls for all its operations, including the fund as well as a service continuity plan.

The Committee seeks to obtain advice from Fund's economic advisor, Fathom, as well as a range of other professional advisors.

2.2 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.

The Fund is partially compliant with this principle.

All lay members on the committee are sent committee papers with dates of the meetings. These papers and dates are also published on the Council's web-site. Training events has been offered to elected councillors and trade union representatives only. Other employers are informed of forthcoming training events and consideration would be given if a request to attend an event were received.

### **3. Selection and role of lay members**

3.1 That the 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

The Fund is fully compliant with this principle.

All committee members are fully aware of their status, role and function. Each new member is provided with an induction pack covering their responsibilities as well as opportunities for training. Where technical pension matters are discussed at committee meetings, proper explanation is given in the report and by the external Investment advisors when introducing their reports.

3.2 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.

The Fund is fully compliant with this principle.

This is captured in the meeting minutes.

### **4. Voting**

4.1 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 Fund is fully compliant with this principle.

There are eight councillors who sit on the investment committee, all from the majority party and

all of who have equal voting rights. Unison representative are invited to participate in the discussions but have no voting rights. Committee members have decided that, as legal responsibility is vested with Newham Council as administering authority, voting rights should remain with councillors. However, councillors are empowered to co-opt non-councillors with full voting rights.

## 5. Training/Facility Time/Expenses

5.1 That in relating 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.

The Fund is fully compliant with this principle.

Training for councilors and board members is organised as and when required. As meetings take place in the evenings, councillors receive allowances in accordance with the Council's allowances' policy, board members receives. Training and development took place during 2017/18 to ensure that Members of the Committee and the Local Pension Board were fully briefed in the decisions they were taking at the time and a log of training and development is maintained

### The Investments and Accounts Committee Member Training and Development 2018/19

Date	Training Session	Attendees
21st – 23rd May 2018	PLSA LA Conference	Cllr John Gray
14th June 2018	Quarterly Strategy Review Meeting	Cllr John Gray Cllr Joshua Garfield Cllr Veronica Oakeshott Cllr John Whitworth
27th July 2018	Training on Admission of Employers to the LGPS Scheme	Cllr John Gray Cllr Veronica Oakeshott Cllr Nareser Osei Cllr Joshua Garfield Cllr James Asser Cllr John Whitworth
5th – 7th September 2018	Local Government Chronicle Investment Conference	Cllr John Gray
13th September 2018	Quarterly Strategy Review Meeting	Cllr John Gray Cllr Joshua Garfield Cllr Nareser Osei Cllr John Whitworth Cllr James Asser
26th September 2018	Introduction to the LGPS	Cllr Nareser Osei
31st October 2018	Professional Pensions Investment Conference	Cllr John Gray
13th November 2018	CIPFA training for IAC members	Cllr John Gray Cllr Nareser Osei Cllr Joshua Garfield Cllr James Asser Cllr John Whitworth

17th November 2018	Pension Chairs/ Local Infrastructure meeting	Cllr John Gray
19th November 2018	Quarterly Strategy Review Meeting	Cllr John Gray Cllr Joshua Garfield Cllr Nareser Osei Cllr John Whitworth
21st November 2018	LCIV Quarterly meeting	Cllr John Gray
22nd November 2018	Training for Member of the Investment and Accounts and Audit Board	Cllr John Gray Cllr James Asser Cllr Joshua Garfield Cllr Nareser Osei Cllr John Whitworth
7th December 2018	Fathom's Q4 Monetary Policy Forum	Cllr Joshua Garfield
29th January 2019	Actuarial training	Cllr John Gray Cllr Nareser Osei Cllr Joshua Garfield Cllr John Whitworth Cllr Charleene Lee-Phakoe
6th February 2019	Investment Manager Selection training	Cllr John Gray Cllr Nareser Osei Cllr Joshua Garfield
12th February 2019	LCIV Quarterly meeting	Cllr John Gray
15th February 2019	Fathom Brexit presentation	Cllr John Gray Cllr Joshua Garfield Cllr John Whitworth
19th February 2019	Quarterly Strategy Review Meeting	Cllr John Gray Cllr Nareser Osei Cllr Joshua Garfield Cllr Charleene Lee-Phakoe
21st March 2019	Newham AGM	Cllr John Gray Cllr Tonii Wilson Cllr Nareser Osei Cllr Joshua Garfield Cllr James Asser Cllr John Whitworth Cllr Charleene Lee-Phakoe

5.2 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 Fund is fully compliant with this principle.

The policy applies to all members of the committee.

5.3 That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

The Fund is fully compliant with this principle.

## **6. Meetings (frequency / quorum)**

6.1 That an administering authority's main committee or committees meet at least quarterly.  
The Fund is fully compliant with this principle.

The committee meets on a quarterly basis.

6.2 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.

The Fund has not established a secondary committee or panel.

6.3 That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.

The Fund is partially compliant with this principle.

The committee meetings are open and stakeholders are able to raise issues before a meeting that can be discussed by the committee during the meeting. Stakeholders are permitted to participate in discussions with the permission of the Chair.

## **7. Access**

7.1 That subject to any rules in the council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

The Fund is fully compliant with this principle.

All members on the committee have equal access to committee papers, documents and advice. Committee papers are also accessible on the council web-site.

## **8. Scope**

8.1 That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

The Fund is fully compliant with this principle

The committee considers and makes decisions on general scheme and other administrative issues as well as the management and investment of the funds under its supervision.

## **9. Publicity**

9.1 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 Fund is fully compliant with this principle.

This statement will be published on the Council's web-site and will be included in the Pension Fund Annual Report prepared under Regulation 55 (4) of the Local Government Pension Scheme Regulations 2014.