

APPENDIX 4

GOVERNANCE POLICY STATEMENT APPROVED 26 FEBRUARY 2008

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE POLICY STATEMENT

The Local Government Pension Scheme Regulations 1997 were amended on the 30 June 2007 (Regulation 73A(1)(c)) to require Administering Authorities to report the extent of their compliance against a set of best practice governance principles to be published by Communities and Local Government CLG.

This current version of the Governance Policy Statement was presented to the Pensions Committee for approval at the Pensions Committee held on 26 February 2008.

FREQUENCY OF MEETINGS

The Pensions Committee will meet four times a year to consider the investment activities of the appointed fund managers and other matters relating to the management of the local government pension scheme. An annual Performance Review meeting will also be held to review the annual and longer-term investment performance of the scheme.

The Cumbria Pensions Forum meets at least annually to inform and consult with the wider representation of employing organisations, and employee and pensioner representatives.

TERMS OF REFERENCE OF THE PENSIONS COMMITTEE

National guidance from the Local Authorities (Functions and Responsibilities) Regulations 2000 make it clear that “functions relating to local government pensions etc.” are not executive functions. The Cumbria Pensions Committee acts as the County Council (rather than as part of the Executive) and is, therefore, not subject to scrutiny and call in of its individual decisions.

The committee has 10 members (8 County Councillors, 1 District Councillor and one non-voting employee representative). Advice is given by the Council’s own finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Fund.

The formal Terms of Reference of the Pensions Committee are as follows:-

- (a) To exercise the Council’s responsibility as administering authority for the management of Cumbria Local Government Pension Scheme (the “Pension Fund”).
- (b) To appoint the Investment Manager(s) for the Pension Fund.

- (c) To approve advice to the Investment Managers on future policy for the investment of the Pension Fund.
- (d) To submit the Annual Report and Accounts to the Council on the state of the Fund and on investment activities during the preceding year.
- (e) To communicate with the other employers of the Scheme.
- (f) To submit update reports to the Council on the state of the Fund and investment activities following meetings of the Committee.
- (g) To invite appropriate professional representation as required, affecting the general management of the scheme.

All meetings have proper agendas, records and minutes. Each quarter the Pensions Committee reports to full County Council on the activities and decisions of the last quarter (including any meetings of the Pensions Forum). Training in current pension topics is given internally and externally. Training is also provided for the Pension Forum members on an annual basis.

TERMS OF REFERENCE OF THE PENSIONS FORUM

The Pensions Forum has been set up to seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions.

The Constitution of the Cumbria Pensions Forum is:

Employers:

- (a) County Council: Nine Members (9)
- (b) District Councils: One member nominated by each Council (including member of the Pensions Committee) (6)
- (c) Statutory Bodies: Two member representatives (2)
- (d) Admitted Bodies: Three representatives (3)

Employees:

- (a) County Council Eight employee representatives appointed by UNISON, of whom two shall be current pensioners (8)
- (b) District Councils: Two employees representatives for each District appointed by UNISON, together with two current pensioners (14)
- (c) Statutory Bodies: Two employee representatives (2)

- (d) Admitted Bodies: Three employee representatives (3)

The terms of reference of the Cumbria Pensions Forum are:

To seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions including: -

- (a) Administration of pensions and information to employees and pensioners in Cumbria;
- (b) Discretionary benefits under the Scheme;
- (c) The state of the Fund (The Annual Report and Accounts shall be submitted to the Forum);
- (d) Investment policy;
- (e) Developments in public sector pension matters and to make appropriate recommendations to the County Council;
- (f) The Chairman of the Pension Forum shall be a Member of the County Council;
- (g) The Forum shall meet at least once per year.
- (h) A special meeting of the Forum may be called by the Chairman, and he/she shall call a meeting within 21 days if requested in writing by three District Councils or by five employee representatives.
- (i) The Forum members will have access to public Pension Committee papers.

DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR – FINANCE AND CENTRAL SERVICES

The Deputy Chief Executive/Corporate Director Finance and Central Services has:

- To make safe and efficient arrangements for the receipt and collection of monies paid or due to the Council, and the issue of monies payable by the Council.
- To secure the satisfactory provision of services through the contract with Capita Business Services.

CAPITA BUSINESS SERVICES

The Administering Authority has externalised the administrative pensions function to Capita Business Services. The details are contained in a contract drawn up between the administering authority and Capita Business Services.

- An annual administration report will be presented by Capita to the Pensions Committee at least annually.
- This report will include:
 - Actual performance against key performance indicators.
 - Details of over and under payments.
 - Communications activity including copies of newsletters to members.
 - Details of current staffing levels and changes implemented or planned.
 - Details of estimates provided, hits on the pensions website and developments to the website.

COMMUNICATIONS POLICY STATEMENT

Capita Business Services are contractually bound to:

- Provide a full explanatory guide for the pensions scheme, on commencement of employment or subsequent request from an individual employee. Issue a supply of brief guides to each employer (as required) for distribution to new employees with the contract of employment.
- Ensure all employers are informed of changes to relevant pensions legislation and advise on best practice (eg via seminars if necessary, and by providing an Employers Guide).
- Issue explanatory booklets and material upon request of employer or individuals.
- Provide and issue explanatory booklets on Additional Voluntary Contributions (AVCs) ensuring that these are accurate and up to date.
- Each year distribute to all AVC contributors the statement provided by the AVC provider.
- Each financial year-end arrange for a P60 form to be dispatched to all pensioners.
- Pay advice notes are provided to members in receipt of pensions three times a year at the end of March, April and May.
- Each year provide to all current scheme members a statement of benefits, with accompanying explanatory notes (in plain English and reflecting latest statutory position) and provide a telephone help line for queries.
- Distribute to the employing bodies a copy of the actuary's report and notify to each their specific employers contribution rate.
- Upon written request provide details of any aspect of relevant pension schemes including copies of legislation and interpretation.

- Upon request from groups of scheme members provide appropriate attendance at seminars (eg. pre retirement or induction course) and provide sessions on pension scheme aspects if required.
- Provide and maintain an up to date Employers' Guide to assist employing bodies perform their role in relation to administration of pension scheme matters.
- Provide a full help line (telephone) service to all past, present and future members of pension schemes, and to their employing bodies, to advise on all aspects. Maintain the Cumbria Local Government Pension Scheme website and update the contents as required.
- Produce Pension Newsletters as and when required to explain to members any change in the scheme (and in full compliance with statutory requirements)

The Administering Authority will:

- Prepare an annual report and accounts. This will be distributed to all employers in the scheme and published on the County Council website: <http://www.cumbria.gov.uk/>
- Prepare a members report annually, which will contain summary accounting detail and other relevant information. This will be distributed where practicable to all members of the pension scheme.
- Maintain a Statement of Investment Principles, keep it under review and publish it. A Funding Strategy Statement will be produced every three years along with the Actuarial Valuation. Copies of the Actuarial Valuation and Funding Strategy Statement will be distributed to all employers who are members of the scheme.

RISK MANAGEMENT

The Pensions Committee considered investment risk management at special meetings held during 2006/7 and 2007/8 when the current investment strategy was developed approved and implemented. At a special meeting held on 15 January 2008 other risks to the fund were also considered. The major risks were agreed as:

- *That the fund deficit increases to such an extent that funding the scheme becomes difficult. (Risk rating 9 February 08, impact critical likelihood low)*
- *A major loss occurs due to fraud or financial irregularity damaging the financial standing and reputation of the scheme. (Risk rating 9 February 08, impact critical likelihood low)*
- *The New Scheme to be introduced in April 2008 experiences major problems. The new scheme is not explained to scheme members sufficiently. (Risk rating 4 February 08, impact marginal likelihood very low)*
- *The scheme is criticised by the Audit Commission due to an inadequate financial report and accounts. (Risk rating 9 February 08, impact critical likelihood low)*

APPENDIX 2 GOVERNANCE COMPLIANCE STATEMENT PROVISIONALLY APPROVED 26 FEBRUARY 2008

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

	Not Compliant		Fully Compliant		
a					YES
b					YES
c					YES
d					YES

PRINCIPLE B: 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) independent professional observers, and
 - iv) expert advisors (on an ad-hoc basis).
- 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.

	Not compliant		Fully Compliant		
a					YES
ai					YES
aii					YES
aiii					YES
aiv					YES
b					YES

PRINCIPLE C: 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.

	Not compliant		Fully Compliant		
a					YES

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.

	Not compliant		Fully Compliant		
a					YES

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.

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.

	Not compliant		Fully Compliant		
a					YES
b					YES

PRINCIPLE F: MEETING FREQUENCY FORUM

- 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

	Not compliant		Fully Compliant		
a					YES
b					YES
c					YES

PRINCIPLE G: ACCESS

- a) That subject to any rules in the council' 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.

	Not compliant		Fully Compliant		
a					YES

PRINCIPLE H: SCOPE

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

	Not compliant		Fully Compliant		
a					YES

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.

	Not compliant		Fully Compliant		
a					YES