

**LONDON BOROUGH OF HOUNSLOW  
ADMINISTERING AUTHORITY  
GOVERNANCE COMPLIANCE STATEMENT**

**PENSION FUND PANEL – 21<sup>st</sup> June 2023**

## **1. Background**

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) administering authorities to publish Governance Compliance Statements setting out information relating to how the administering authority delegates its functions under these regulations and whether it complies with guidance given by the Secretary of State for The Department for Levelling Up, Housing and Communities (DLUHC). It also requires the Authority to keep the Statement under review and to make revisions as appropriate.

Regulation 55 requires that the Governance Compliance Statement must include the following information:

- the delegation arrangements
- the frequency of meetings and terms of reference
- whether the Board/Committee includes representatives of employing bodies and members, and if so, whether those representatives have voting rights
- explain or comply approach to the guidance given by the Secretary of State for Communities and Local Government (Appendix 2)

## **2. Structure**

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. The Constitution sets out the framework under which the Pension Fund is administered. The Pension Fund Panel and the Pension Board have their functions delegated by the Borough Council.

### **2.1 Terms of Reference for the Pension Fund Panel (PFP)**

Part 1 (for decision by the Panel)

1. To consider, on the advice of the Director of Finance and Corporate Services and the Council's Fund Managers, the Council's general policy with regard to Pension Fund Investments.
2. To make arrangements for the management of the Fund in line with the Investment Strategy Statement.
3. To monitor the performance of the Fund and its Managers.
4. To exercise the Council's voting rights at AGM's and EGM's of companies in which the Fund has holdings, after considering the advice of the Director of Finance and Corporate Services and appropriate Manager(s).
5. To overview and agree pension fund administration matters e.g. approval of Administration Strategy and delivery of the benefits service.

Part 2 (for recommendation to the Borough Council)

Other Requirements

1. Size of Committee – 8 elected members;

2. Quorum – 4 of the elected members.

3. All members and representatives are required to undertake introductory mandatory 3 day training with LGE (Local Government Employers). This is over 3 separate days in the autumn in London – September, October, and November and is also available virtually for those who prefer to attend remotely.

The Council decides the composition and makes appointments to the Pension Fund Panel. Currently the membership of the Panel is eight elected Members from Hounslow Council on a politically proportionate basis. All Hounslow Council elected Members have voting rights on the Committee and three voting Members of the Panel are required to deem the meeting quorate.

In addition there are three co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Panel. They have access to all Panel Advisers, 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 of 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 Panel and hence their role as non-voting members.

Members of the Pension Fund Panel, including co-opted members, 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 PFP will meet at least four times a year, and additional meetings may be arranged to facilitate its work.

## **2.2 Other Delegations of Powers**

Under the Council's Constitution delegated powers have been given to the Director of Finance & Resources in his role as S151 Officer. As S151 officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Director of Finance & Resources will delegate aspects of the role to other officers of the Council.

## **2.3 Terms of Reference for Hounslow Pension Board**

In accordance with Section 5 of the Public Service Pensions Act 2013, the local Pension Board will assist Hounslow Council in the governance and administration of the London Borough of Hounslow Pension Fund. The Board's role, members, and working arrangements are contained in these Terms of Reference.

### **1. Introduction**

The Pension Board is established by Hounslow Council under the powers of clause 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2015. As such, the Constitution of Hounslow Council does not apply to this Pension Board unless expressly referred to within and permitted by these Terms of Reference.

## **2. Powers of the Pension Board**

The Pension Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

## **2. Role of the Pension Board**

The role of the Pension Board is defined by regulation 106 (1) of the LGPS Regulations. It will assist Hounslow Council as Scheme Manager of the London Borough of Hounslow Pension Fund to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and any requirements imposed in relation to the LGPS by the Pensions Regulator. The Regulations give more detail as to these matters. Regulation 106 specifies that the Pension Boards will assist the Administering Authority to secure compliance with:-

- the Regulations; and
- with other legislation relating to the governance and administration of the LGPS; and
- with any requirements imposed by the Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS.

Regulation 106 (8) also states that 'A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions'.

The Council considers para regulation 106 to mean that the Pension Board is providing oversight of pension matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. In relation to ensuring the effective and efficient governance and administration of the Pension Fund, this will be interpreted to mean having oversight of whether the aims and objectives outlined within the Pension Fund's Governance and Administration strategies are being achieved, having regard to any overriding requirements included within guidance from the DLUHC, the Scheme Advisory Board or the Pensions Regulator.

Membership comprises of two employer representatives, one of which should be the London Borough Hounslow, the largest employer and two scheme member representatives. Member representatives in this context refer to members of the Pension Scheme i.e. active members, deferred members, or pensioner members. Appointments to be made by an appointments panel rather than Council.

### **Quorum**

All Members of the Pension Board are expected to regularly attend meetings.

A meeting of the Pension Board will only be quorate when three of the four Employer and Scheme Member Representatives are present.

A meeting that becomes inquorate may continue but decisions will not be binding.

### **Voting**

All Pension Board members except the Independent Chair will have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

Any other person attending a meeting will not have the right to vote.

The results of any voting outcomes will be reported in the Board minutes.

### **Meetings**

The Pension Board meets four times a year. The Chair may call additional meetings in exceptional circumstances.

## **Appendix 2**

## **Compliance Statement with Statutory Principles**

### **1. Introduction**

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) administering authorities to measure their performance against the standards set out in the Statutory Guidance issued by Secretary of State for Communities and Local Government.

The following statement sets out where the Pension Fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

### **2. Structure**

#### **2.1 DLUHC principle: 'The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.'**

##### *Compliant*

London Borough of Hounslow (LBH) Pension Fund is compliant. The Terms of Reference of the Pension Fund Panel (PFP), agreed at Borough Council, are:-

1. To consider on the advice of the Director of Finance and Corporate Services Council's Fund managers, the Council's general policy with regard to Pension Fund Investments.
2. To make arrangements for the management of the Fund in line with the Investment Strategy Statement.
3. To monitor the performance of the Fund and its Managers.
4. To exercise the Council's voting rights at AGM's and EGM's of companies in which the Fund has holdings, after considering the advice of the Director of Finance and Corporate Services and appropriate Manager (s).
5. To overview and agree pensions fund administration matters e.g. approval of the Administration Strategy and delivery of the pension fund benefits service.

#### **2.2 DLUHC principle: '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.'**

##### *Compliant*

Representatives include Administering Authority councillors, an employer representative, a staff side representative and a pensioner representative.

#### **2.3 DLUHC principle: 'That where a secondary committee or panel has been established the structure ensures effective communication across both levels'.**

##### *Compliant*

Not applicable as there is no secondary committee. The Pension Fund Panel has considered that the additional resource and time allocated to such a permanent secondary committee could not be justified within the current management of the fund. However it

was considered that this could be reviewed if it was felt that there was significant demand from scheme members or employers for such a committee at some future time. The Pension Fund Panel periodically sets up Sub-Groups to deal with fund manager selection. Such sub groups report to the full Panel.

**2.4 DLUHC principle: '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'.**

*Compliant*

Not applicable as there is no secondary committee.

### **3. Representation**

**3.1 DLUHC principle: '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, e.g., admitted bodies);
- ii) scheme members (including deferred and pensioner scheme members);
- iii) independent professional observers; and
- iv) expert advisors (on an ad-hoc basis).'

*Compliant*

LBH Pension Fund has representation from the Administering Authority, a further scheme employer, a current scheme member and a pensioner representative. In addition an independent expert adviser attends all meetings. Specialist advisers attend the Panel as required, depending on the issues being considered e.g. the actuary attends to discuss actuarial valuation matters.

**3.2 DLUHC principle: '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.'**

*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.

**3.3 DLUHC principle: '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.'**

*Compliant*

Representatives are aware of their roles and responsibilities as members of the Pension Fund Panel.

**3.4 DLUHC principle: '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'.**

*Compliant*

Members of the committee declare their interests at the start of each meeting.

## 4. Voting

### 4.1 DLUHC principle: '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.'

#### *Compliant*

Although the co-opted representatives do not have voting rights they are treated as equal members of the Panel. They have access to all Panel Advisers, 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 of 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 Panel and hence their role as non-voting members.

## 5. Training/Facility time/Expenses

### 5.1 DLUHC principle: '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.'

#### *Compliant*

The Council has a clear policy regarding expenses. Training is provided to all members of the PFP to assist with the decision making process. All members are required to attend the 3 day training provided by the Local Government Employers' Association. Additional training events are provided and access is available to all Panel members. A Training Log is maintained for all activities.

### 5.2 DLUHC principle: '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.'

#### *Compliant.*

### 5.3 DLUHC principle: 'That the administering authority considers the adoption of annual training plans for committee members and maintain a log of all such training undertaken'

#### *Partially compliant*

PFP regularly consider the training needs of its members. To date the adoption of personal training plans are delegated to the representatives themselves. A Training Log is maintained.

## 6. Meetings (frequency/quorum)

### 6.1 DLUHC principle: 'That an administering authority's main committee or committees meet at least quarterly.'

#### *Compliant*

PFP meets at least once a quarter.

**6.2 DLUHC principle: '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. '**

*Compliant*

Not applicable as there is no secondary committee.

**6.3 DLUHC principle: '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.'**

*Compliant*

Lay members have representation on the PFP. In addition an Annual General Meeting is held for all scheme members and employers. An in-person annual Employers' Forum is also held.

## **7. Access**

**7.1 DLUHC principle: '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 falls to be considered at meetings of the main committee. '**

*Compliant*

## **8. Scope**

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

*Compliant*

PFP covers investment, liability, administration and governance matters.

## **9. Publicity**

**9.1 DLUHC principle: '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.'**

*Compliant*

This Governance Compliance Statement is a public document on Part 1 of the PFP Agenda of 21<sup>st</sup> of June 2023. It also appears as an Appendix to the Annual Report 2022/23 which is publicly available.