

# Governance Report

London Pensions Fund Authority



## Highlights

- Board meetings now held in public
- New Board members appointed
- Governance framework strengthened
- New investment management arrangements
- Organisational review in progress
- Successful Forums for members and employers
- Governance and Communications policies published
- Clean opinion on Financial Statements

2005-06

## Introduction

LPFA published its first Governance Report last year. It described how the Authority was led, directed and managed to ensure the agreed aims and objectives are achieved. LPFA's current corporate governance framework was modelled on guidance issued by the Chartered Institute of Public Finance and Accountancy for Non-Departmental Public Bodies but adjusted to reflect best local government practice

During 2005-06 LPFA conducted a corporate governance 'self assessment' following the principles of the 'Good Governance Standard for Public Services'. This assessment confirmed that LPFA:

- upholds and demonstrates the spirit and ethos of good governance that the Standard sets out to capture,
- has a process for regularly reviewing governance arrangements and practice against the Standard,
- has identified improvements that need to be made, and
- makes public the results of reviews and plans for future improvements and invites feedback from stakeholders and service users.

One major development during 2005-06 was that the Board determined, in December 2005, to hold future Board meeting in public. A summary of all the improvements that were identified are shown at Appendix 2.

### Statutory constitution

The LPFA was established as a Public Body on 31<sup>st</sup> October 1989 by 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI 1815]. The Order is the primary instrument for the LPFA's powers and duties, which in the context of the Fund administration are very similar to those of local government authorities. Subsequent to that Order, further powers and duties have been transferred to the Authority and these were reported in last years governance Report.

During 2005-06 legal powers relating to agency work were reviewed and legal powers in relation to possible joint working with Transport for London (TfL) were assessed.

### Sources of funding

The LPFA has three primary sources of funding for its activities: the Pension Fund, charges for Agency services, and a levy on London boroughs.

## The Board

has a fiduciary duty to:

- the members of the Fund to ensure monies are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly and prudently invested;
- employing authorities in the Fund for maintaining the agreed funding strategy; and
- to the council tax payers of London in respect of expenditure falling to be met from the levy.

and is accountable to:

- the Mayor and the Greater London Authority (GLA) for the proper management of the Authority's affairs;
- the employing authorities in the Fund and scheme members for the proper administration of the Scheme; and
- to agency clients for the operation of their administration contracts.

### Board appointments

are the responsibility of the Mayor and the process is operated by the GLA in consultation with the Association of London Government. It is by open advertisement and subject to independent scrutiny. There were two new appointments to the Board during 2005-06; Michael Deakin and Icki Iqbal were both appointed from January 2006, for a three year period, replacing Ray Ambrose and Dr Ann Robinson whose contracts expired on 31<sup>st</sup> December 2005.

Board member biographies are show on Page 7 and 8. Details of attendance and training are shown at Appendix 1

### Board and Committee responsibilities

#### Board

- ~ the governance of the LPFA
- ~ the submission of a Strategy Statement and a Budget Statement to the Mayor each year
- ~ the issue of a levy each year
- ~ directing and monitoring the Executive

The Board met five times during the year and held its first public meeting in March 2006. They considered a total of 51 reports from the Executive and the Committees. The reports included the Strategy Statement and Budget, developments in the Local Government Pension Scheme, Fund valuation, funding strategy and investment,

governance, communications, business continuity, equalities and an organisational review.

The Board also held an away-day in March 2005 where they undertook a review of investment strategy, risk and management. Significant changes in investment strategy were decided and more detail on this can be found in the Investment Report 2005-06.

Much of the substantive work of the Board is conducted through four standing committees detailed below.

#### **Investment Strategy Committee**

- ~ the determination of investment strategy
- ~ the monitoring of the investment management arrangements
- ~ monitoring compliance of investment processes

The committee met six times during the year and considered 61 reports covering investment strategy, management and monitoring, a review of Responsible Investment Policy, Statement of Investment Principles, and compliance reports covering treasury management, corporate governance, securities lending, transaction cost disclosure, custody, the performance measurement service, the investment website and Freedom of Information.

The Committee also held two special meetings to consider tenders for the new investment mandates and the appointment of a transition manager.

#### **Audit Committee**

- ~ annual statement of accounts
- ~ the monitoring of financial performance
- ~ internal control systems
- ~ internal and external audit

The Committee met three times during the year considering 22 reports covering the statement of accounts, external and internal audit reports, risk management, the new accounting system, financial monitoring and Codes of Practice. The Committee formally reviews registers of interests and hospitality at each meeting

#### **Performance Committee**

- ~ the preparation and monitoring of the performance plan
- ~ the development of new business initiatives

The Committee met four times during the year, and considered 27 reports covering agency contracts monitoring, new business initiatives, performance monitoring, staffing and corporate equalities.

#### **Remuneration Committee**

- ~ reviewing executive performance and pay
- ~ ensuring that the operation of the performance appraisal process accords with best practice

There were 3 meetings of the Remuneration Committee during the year and they considered the pay and performance of senior management.

The terms of reference of each Committee are being reviewed by the Board in June 2006 in the light of a new governance and organisational structure agreed by the Board in February 2006.

#### **Advisers to the Board**

The Board appointed two independent external investment advisers (see page 8) in March 2003 to attend meetings of the Investment Strategy Committee and report annually on LPFA's investment actions. The Fund actuary is from Hymans Robertson and attends meetings of the Committee to advise on funding and liabilities as they impact on investment strategy.

### **Executive Management**

The Executive is responsible for implementing the Board's decisions as authorised and for the day-to-day management of the Authority's affairs. A list of officers and their responsibilities are shown at page 8.

During the year the Board considered the organisational structure of the Authority in the light of recent changes to investment strategy and the emerging need for a dedicated Human Resources function. The Board determined that this presented an opportunity to concentrate the wider spectrum of support functions into one Directorate and to re-focus on the twin pillars of the organisation, i.e. pensions administration and investment. The main changes are summarised overleaf.

- **Pensions Administration** will continue to deliver the core functions of pension administration for LPFA and agency services, including central processing, pensions and staff payroll, technical training and business services/client liaison.

Following the sad loss of the Director of Pensions Operations, who died in February after a short period of illness, the Directorate is currently being led by two Assistant Directors who report directly to the Chief Executive.

- **Corporate Resources** will provide all the support services of human resources, facilities management, IT support, Board secretariat, performance planning, communications, financial and investment accounting, management accounting and budgetary control, audit management and internal controls.

Amanda Walker, formerly Director of Finance and Investment leads the new Corporate Resources Directorate which was formed in January 2006.

- **Investment strategy, management arrangements and monitoring** are now the responsibility of the Chief Executive who continues to oversee the organisation.

The incumbent Chief Executive has decided to retire, with Board approval, at the end of 2006. This will not only aid the re-focusing of the organisation but also offer the opportunity to bring in additional investment skills. Recruitment is currently underway for a new Chief Executive and a new post of Investment Director.

## Reporting and controls

### External Review

LPFA is subject to external audit by the District Auditor, appointed by the Audit Commission. They ensure that public funds are properly safeguarded and accounted for, and provide value for money in accordance with the statutory and regulatory requirements.

The New Code of Audit Practice took effect during 2005-06 and the audit programme, outside of the annual audit of financial statements, focussed on whether the

Authority had proper arrangements in place to secure value for money with regard to the use of resources. The key work areas included compliance with the Freedom of Information Act, pension fund governance, risk management and a review of participating employers' financial stability.

During the audit of the financial statements there were no significant issues arising. The Audit Opinion appears in the Financial report 2005-06.

LPFA's activities are also reviewed by the Mayor and copies of the quarterly monitoring reports considered by LPFA's Performance Committee are provided to GLA officers.

### Internal Control

PricewaterhouseCoopers provide internal audit arrangements within the LPFA, both as a tool of management and with direct reporting to LPFA's Audit Committee.

Internal audit work during the financial year again included contributions, benefits, investments, membership records, third party agency agreements, accounting systems and budgetary control, cash, cashiers and treasury, and LPFA staff payroll. In addition, during 2006 the Auditors are due to make an IT control assessment and audit risk management and corporate governance arrangements.

The key points from the Auditors annual report are that LPFA has an adequate system of internal control and that there has been a further decrease in the number of recommendations compared to the previous years.

### External Reporting

The consolidated budget was reported to the Board for approval prior to submission to the Mayor by 31<sup>st</sup> December 2005. The submission was also circulated to London boroughs for information and comment on the levy implications. The comments received from the Mayor were considered by the Board in February 2006 and the final budget was published along with the levy notices to each borough.

### Strategic Performance Plan

The Authority submitted a strategy statement to the Mayor by the 31<sup>st</sup> December setting out LPFA's aims, objectives and plans over the three year

period from April 2006 to March 2009. The plan is spearheaded by five key projects which identify the most important areas for LPFA over the period of Plan; equality and diversity; efficiency, quality and effectiveness; a new Local Government Pension Scheme; business development; communication and consultation.

A Performance Plan, an internal working document, reflects the strategic plan and contains details of lead officers and target dates. The Plan, in addition, contains key tasks for core work and corporate events as well as Key Performance Indicators covering pensions administration, investment and corporate activity.

#### **Annual Report and Accounts**

The Annual Report and Accounts for 2005-06 was approved by Board at the end of June 2006 and consists of a set of five reports; Annual Fund Member, Performance, Investment, Governance and Financial. These are issued to all Administering Authorities, Fund Employers and are placed in London's libraries. The Annual Report is issued to all Fund members via their home address.

#### **System of Internal Control**

The Accounts and Audit Regulations 2003 set out the formal requirement to publish a Statement on Internal Control with the financial statements. The Authority is required to conduct a review at least once a year of the effectiveness of its system of internal control and this is conducted separately from the accounts by LPFA's Audit Committee.

In June 2006 the Committee considered the sources of assurance including Internal Audit, External Audit, Risk Management, Manager reports and the Performance Management process; the Committee confirmed that the LPFA had a sound system of internal control.

The Statement on Internal Control is included in the Financial Report and was approved by the Board in June 2006.

#### **Risk Management**

LPFA's conducted a risk assessment in June 2005 in line with the principles set out in the Risk Management Policy. Officers and Board Members met with District Audit to identify high level risks and recommend control

measures. The output from the assessment was a 'Corporate Risk Register' classifying risks under five headings i.e. Strategic/ Reputation, Operational, Staff & Culture, Financial and Compliance.

A total of 43 risk areas were identified, along with relevant control measures, and dates for implementation. Of the 43 risk areas, 25 contained tasks which needed to be completed before the risk could be deemed to have an adequate control measure in place. These tasks were assigned to officers and given specific implementation dates. The Corporate Risk Register is now a standing item on the Audit Committee's agenda and, as at June 2006, 12 of the 25 tasks now have formal control measures in place and the remaining tasks are due to be completed by September 2006.

#### **Fraud and irregularity**

There were no incidences reported during the year. Fraud awareness training was delivered to all managers and all staff have been made aware of the counter fraud requirements through a revised 'whistle blowing' policy.

#### **Representation**

The Fund Member Panel's membership grew considerably during the year and is now made up of 40 people representing all segments of the membership. The panel met twice in 2005-06 and discussed the Annual Report, the Fund Member Forum, newsletters, Board meetings, the Communications and Governance Policy Statements, and future strategy. The next meeting of the Panel is in October 2006 and they will be looking at ways to strengthen links between the Panel and the Board.

Two employer forums were held. The first, in July, discussed funding strategy, current developments in the LGPS, the review of investment strategy and governance and representation. The second meeting, in November, covered inter-valuation monitoring, representation, electronic data interfaces and communications.

In addition, a special review meeting was held for the university and higher education sector to address issues about communication, the impact of past investment performance, the changes in investment strategy, inter-valuation monitoring arrangements and employer representation.

Another successful Fund member forum was held in September 2005. Delegates received formal presentations from LPFA's Chairman and Chief Executive and Anthony Mayer, Chief Executive of the Greater London Authority. These formal presentations were followed by a question and answer session.

## Public Policy statements

**Statement of Investment Principles (SIP)** the SIP was amended in February 2006 to reflect the change in investment strategy and the new management arrangements. The revised SIP was approved by Board on 2<sup>nd</sup> February 2006 and was published via the Corporate website.

**Funding Strategy Statement (FSS)** The FSS is a summary of the Fund's approach to funding liabilities and was first published on 31<sup>st</sup> March 2005. It is available on the LPFA web site and key elements of the statement were published in the Annual Report to members in August 2005.

**Governance Policy Statement** In accordance with legislation, and following consultation with employers and approval by Board, a Governance Policy Statement was published on 31<sup>st</sup> March 2006. It confirms that LPFA does not delegate the function of maintaining the Pension Fund to a committee or an officer and sets out how the administration of the Fund is governed.

**Communications Policy Statement** This was published on 31<sup>st</sup> March 2006 following consultation. It describes how the LPFA provides information and publicity relating to the Scheme, and the frequency, format and method of distribution, to members, representatives, employers and potential members of the scheme.

**Corporate Equality Plan (CEP)** The CEP is currently being restructured into two separate documents, i.e. LPFA's Equalities Framework and an Equalities Annual Report which will focus on past achievements and future plans. This will be published during 2006-07.

**Environmental Plan** Key performance indicators have now been set covering paper purchases, printing costs per customer, waste disposal, waste per member of staff and the recycle rate of waste. An 'approved supplier' policy

was implemented during the year and LPFA seeks to do business only with suppliers and contractors who have environmental (and Health & Safety and Equality) policies compatible with LPFA's. Progress against the Environmental plan is reported to the Board.

### **Exercise of Discretions under LGPS**

The current policy on discretions was reviewed by the Board in March 2005 in the light of equalities legislation and the Board confirmed the existing policies held good and no amendments were recommended.

### **Health & Safety**

Officer's monitor performance with regard to Health and Safety and report annually to the Board. The report covers accidents, general fire safety, electrical equipment, display screen equipment, housekeeping and premises, training, and emergency procedures.

### **Freedom of Information (FOI) Scheme**

During 2005-06 a total of 12 requests for information were received. Seven of these were connected to investment matters and the others related to Board members, funding levels, the Local Government Pension Scheme and the LPFA's Annual Report and Accounts.

The Chairman reviews all requests and is formally made aware of cases of non-disclosure. All of the 12 requests were satisfied within the statutory timescales but three cases involved only partial disclosure due to matters of commercial confidentiality.

### **Internal Disputes Resolution Procedure**

During the year 6 cases were dealt with under the LPFA's statutory Internal Disputes Resolution Procedure; 1 was a potential administration failing. All cases were dismissed at Stage 1 of the procedure. 4 cases were referred to Stage 2, of which 3 were dismissed and 1 is ongoing. 2 cases were referred to the Pensions Ombudsman, both of which are ongoing.

### **Complaints Handling**

The LPFA's formal complaints procedure continues to be published in all Scheme literature and other publications. During the year a total of 29 complaints were dealt with under the procedure covering quality of service, staff and lack of response. 6 people responded to a post-event survey and 3 stated they were content with the way in which their complaint had been dealt with.

## Standards of behaviour

### **Code of best practice for members**

The code of best practice for Board members was reviewed following the corporate governance self assessment. The amendments removed historical references and the Code of Practice on Access to Government Information was replaced by the Freedom of Information Scheme. Board approval was given to the revised Code in December 2005.

### **Irregular conduct in the workplace**

No cases have been reported during the year. The Code of Practice is being reviewed, along with other HR related policies, to take into account equalities legislation.

### **Staff code of conduct**

The code of conduct is currently being reviewed in the light of equality and diversity requirements.

### **Disciplinary and grievance procedures**

During the year 1 disciplinary case and 1 grievance were reported to the Board.

## Board Members and advisers

**Neil Newton**, Chairman, retired as the Managing Director of the London Borough of Hammersmith and Fulham in March 1999, after a mainly public sector career in finance, but with a four year period working for a large money broking firm as Director of Project Finance. He is a CIPFA member, a director of Greater London Enterprise and is currently working as a consultant, mainly with the government on the local authority intervention programme.

**Niaz Alam** is Head of Social Issues at the Ethical Investment Research Service (EIRIS). A solicitor by background, he has worked with leading organisations in the field of socially responsible investment since 1992 and is founding editor of Corporate Ethics Overview. An active charity trustee, Niaz is elected vice-chair of the international development NGO War on Want, honorary treasurer of the London 21 Sustainability Network and a member of the BBC Appeals Advisory Committee.

**Councillor Pamela Batty** (Conservative), is Chairman of the Transport & Infrastructure Overview & Scrutiny Committee at Westminster City Council.

**Councillor Danny Connellan** (Labour), formerly Deputy Leader and Cabinet Member for Strategic Resources and Performance at the LB of Merton, leading on the budget, resourcing and administrative issues and with responsibility for finance, IT, legal, land, transport services and member support and the performance of the Council in meeting excellence targets. He retired from a career in engineering.

**Andrew Cornwell**, spent ten years as a financial journalist and Editor and is now a political consultant. He is a former Chairman of the Green Party of England and Wales and was elected as a Liberal Democratic Councillor to Islington Council in May 2006.

**Michael Deakin** is currently a Non Executive Director of the Pension Protection Fund. He is a Director and founder of Michael Deakin Consultancy Ltd since October 2003 and is also Chairman of Manifest Information Services Ltd. Prior to this Michael was Chief Investment Officer and an Executive Director of Insight Investment, the asset management business of Halifax and the Bank of Scotland, where he controlled over £65 billion of assets and managed and built a team of 150 investment professionals covering equity, fixed income and property fund management. He has recently been appointed a trustee of the HBOS Final Salary Pension Scheme. Michael was educated at Bristol University and is a qualified actuary.

**Icki Iqbal** recently retired as a Director after 8 years at Deloitte & Touche, formerly Bacon & Woodrow actuaries. Prior to this he was Assistant Managing Director of Royal Life Holdings and Group Marketing Actuary of Sun Life. He is an actuary with extensive experience in all aspects of retail financial services businesses and an author of several published reports on actuarial and marketing themes.

**Councillor Serge Lourie** (Lib Dem) has been a member of LB Richmond upon Thames since 1982. He is currently Leader of the Council. He is also a board member of Kingston Hospital and the Local Authorities Mutual Investment Trust. He was formerly a member of Westminster City Council and the GLC. A chartered accountant by profession, he has had a long involvement with charities and housing associations. He advises a number of local authorities through the Improvement & Development Agency

**Bill Roots** was Chief Executive and Director of Finance of Westminster City Council 1994-2000. He was previously Director of Finance and Deputy Managing Director from 1990 to 1994. Prior to that he was Director of Finance of the LB of Bexley for eight years and prior to that he worked for Southwark and the GLC. Bill is a CIPFA member, a former examiner and has sat on numerous national working parties representing the local authority associations. He was Chairman of the London Financial Advisory Committee for ten years until 2000, a former President of the Society of London Treasurers and was President of the Association of Local Authority Treasurers Societies in 1999-2000. He is now an independent consultant operating in central government, local government and the wider public sector. He was a member of the Gershon Efficiency Review team and has undertaken a number of roles for the Office of the Deputy Prime Minister (ODPM) in recent times. He is also the Chairman of a small company providing revenue and benefit services.

**Jenny Rosser MBE** was Interim Director General for the National Association of Pension Funds from 1 January 2002 to 30 June 2002, Managing Director of the British Airways Pension Schemes and Secretary to the Trustees of those Schemes until June 2001. The Schemes had a combined value of £11.2 billion. She is Chairman of the Board of Trustees of the Royal College of Nursing Pension Scheme and was a member of the Board of the National Health Service Pension Agency until March 2002. Jenny was awarded an MBE in the New Years Honours List in 2001 for services to Pensions.

**Michael Ward** is Chief Executive of the Kent Thameside Delivery Board, working to deliver the regeneration of a key area in the Thames Gateway. He was previously Chief Executive of the London Development Agency. He was a member of the Greater London Council, and was Deputy Leader of the Council in 1985-86. He served as a member of the GLC Superannuation Fund panel, and worked on ethical investment issues.

#### **Investment Advisers**

**Peter Moon** Peter Moon (Chief Investment Officer, USS Ltd) has been Chief Investment Officer at the Universities Superannuation Scheme (Fund Value £27.5 billion) since

1992. He was a member of the NAPF Investment Committee (1990-1995) and Chairman of the NAPF Stock Exchange Sub-Committee (1991-1995). He is also investment adviser to Middlesborough Council, he is director to MBNA Europe and The Scottish American Investment Company.

**David Rough** was Head of Investment with Legal and General group plc 1991 to 2001 and with Royal Insurance 1984 to 1988. He is currently on the boards' of Xstrata, BBA Group, Emap & Land Securities.

#### **Advising actuary**

**Ronnie Bowie** is Hymans Robertson's Senior Partner and a Vice President of the Faculty of Actuaries. He joined the firm in 1980 and qualified as an actuary the same year. Ronnie is Scheme Actuary to 10 pension schemes (some private sector and some public sector). The largest of these has assets over £8bn. He is also Investment Adviser to a small number of large schemes.

#### **Executive Management**

**Peter Scales**, Chief Executive, leads the strategic, long term development of the LPFA and ensures the Authority provides a high quality, cost effective service to clients and individual scheme members. He also ensures that LPFA achieves optimal investment of the pension fund's assets and develops investment strategies to maximise the pension fund performance.

**Amanda Walker** is Director Corporate Resources and manages the financial control processes of the Authority and the pension fund and sets and monitors frameworks and standards for regular reporting. She also manages all LPFA's support functions and is assisted by Jeff Houston, Assistant Director, who leads on business development.

The Pensions Operations Directorate is currently led by two Assistant Directors, Annemarie Allen (Specialist Services) and Mike Allen (Member Services). They lead the operations of the LPFA in administering the LGPS as administering authority and for its clients and provide the source of in-depth technical expertise to respond to the pressure of growth and change.

## Appendix 1 ~ Board Members

Board member and appointment	Skills	Meetings	Familiarisation	Committee membership at 31 <sup>st</sup> March 2006			
		(hours)	(hours)	AC	PC	ISC	RC
Neil Newton, Chairman 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> July 2007	Accountant, Public administration.	715	91			√c	
Michael Ward, Deputy Chairman 1 <sup>st</sup> Aug 2004 to 31 <sup>st</sup> July 2007 #	Management, economic development.	268	45	√	√c	√	
Niaz Alam 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> Dec 2008	Responsible investment, Human Rights.	236	32			√	√
Councillor Pamela Batty 1 <sup>st</sup> July 1998 to 31 <sup>st</sup> July 2006	Public administration.	187	3	√	√		
Councillor Danny Connellan 1 <sup>st</sup> Aug 2004 to 31 <sup>st</sup> July 2006	Public administration.	209	11			√	
Andrew Cornwell 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> July 2006	Financial journalist, environment, equalities.	208	4		√		
Councillor Serge Lourie 30 <sup>th</sup> Oct 1989 to 31 <sup>st</sup> July 2006	Accountant, Public administration.	208	3	√c			√c
Bill Roots 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> Dec 2008	Accountant, Public administration.	255	42	√	√	√	
Jenny Rosser MBE 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> Dec 2008	Pensions administration, investment.	219	25			√	√

**Left the Board during 2005-06**

Ray Ambrose 2 <sup>nd</sup> Jan 2002 to 31 <sup>st</sup> Dec 2005	Solicitor, Fund pensioner.	103	4	√	√		
Dr Ann Robinson 1 <sup>st</sup> July 2001 to 31 <sup>st</sup> Dec 2005	Lecturer, institutional investment.	119	14			√	√

**Joined the Board during 2005-06**

Michael Deakin 1 <sup>st</sup> Jan 2006 to 31 <sup>st</sup> Dec 2008	Actuary, investment management	51	14			√	
Icki Iqbal 1 <sup>st</sup> Jan 2006 to 31 <sup>st</sup> Dec 2008	Actuary, financial management	44	7		√		

# appointed Deputy Chairman from 1<sup>st</sup> August 2005

Board member biographies are shown on Pages 7 & 8.

Familiarisation hours are an in house development by the LPFA and reflects formal training, attendance at conferences and seminars and presentations to Board and Committees.

c Chairs the committee

AC Audit Committee

PC Performance Committee

ISC Investment Strategy Committee

RC Remuneration committee

## Appendix 2 ~ Corporate governance self assessment

### Recommended actions

'Unit Cost' check to be added to Governance check 'Financial implications'	✓
Publish Corporate Risk Register on corporate website	✓
Set date for Board member away-day in 2006.	✓
Board meetings to be opened to public from March 2006	✓
Review procedure to increase contact with complainants.	✓
Strengthen reporting lines between Board / Panels / staff	ongoing
Include staff values in Staff code of conduct	✓
Publish commentary on Board decisions via website and newsletters	30.06.2006
Establish more formal reporting procedures to Mayor	ongoing
Quality of Service Surveys (QSS) to be more comprehensive.	01.04.2007
Establish new procedures for Board and Committee meetings i.e. earlier circulation of reports, updates between meetings, strengthen Board secretariat, pre meetings, action points	✓
Introduce regular employer newsletter	31.12.2006
Improve process for pre-meeting consultation with Chair and identify key areas for decisions	✓
Involve external advisers in pre-meeting review process	✓
Publish statement on Communications and Representation	✓
Participate in Audit Commission study.	✓
Report 'risk' progress in Statement of Internal Control in the Annual Report	✓
Maintain LB Havering joint working initiative and report findings	✓
Review and update Code of Practice for Board members, competency statements, declaration of interests and Standing Orders	✓
Undertake a review of each of the components of the governance framework annually and report to Board.	✓
Introduce schedule of training opportunities in Board member handbook	✓
Maintain the Performance Management framework	Ongoing
Inform Mayor's office of any changes in Board member skill requirements	Ongoing
Maintain and review quarterly reporting to Performance Committee	✓
Provide detail of complaints and QSS where response is less than 'satisfied' so as to assess the effect on service levels.	✓
Provide commentary on feedback quarterly and identify actions or changes required	ongoing
Ensure detailed analysis of costs provided quarterly and develop reporting	30.09.06

## Appendix 3 ~ Governance Policy Statement

The LPFA was established as a Public Body on 31<sup>st</sup> October 1989 by 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI 1815]. The Order is the primary instrument for the LPFA's powers and duties, which in the context of the Fund administration are very similar to those of local government authorities.

Appointments to the Board, and thereby the assignment of voting rights, are the responsibility of the Mayor in accordance with the provisions of SI No. 1815 which require there to be between seven and eleven members, of which one half, excluding the chairman, are to be appointed following consultation with representatives of local government in London.

The appointment process is operated by the Greater London Authority, and is by open advertisement and subject to independent scrutiny. The terms and conditions of appointment are set out in a formal letter which includes the length of appointment, remuneration, and details of the role and responsibilities of members.

The LPFA Board operates under a framework of corporate governance and undertakes its responsibilities with reference to Standing Orders, which are similar to those found in all local authorities and prescribe all activities relating to the conduct of Board business. These Standing Orders represent the fundamental underpin of corporate governance and may only be amended by formal approval of the Board.

While all responsibilities are retained at Board level, business is also conducted through the operation of two principal standing committees ~ Investment and Performance and Administration.

The Committees are advisory bodies with no executive powers, but are authorised to investigate any activity within their terms of reference. There are formal terms of reference and key responsibilities defined for these Committees, and these are shown in the Governance Report which forms part of the Authority's Annual Report and Accounts.

These documents can be accessed from the LPFA web site [www.lpfa.org.uk](http://www.lpfa.org.uk).

All meetings of the Board are open to the public. Currently the Board meets five times a year, the Investment Committee every six weeks, and the Performance and Administration Committee quarterly.

The principal officers of the LPFA have certain statutory and formal responsibilities. Executive powers are delegated to the principal officers under a statement of authorised action which sets the parameters within which the officers can implement Board decisions and operate the day-to-day business of LPFA.

While there are no employer or Fund members on the Board, representation is facilitated through the use of the Fund member panel, the employer panel and the Higher Education Sector Consultation Group covering universities and colleges.

The panels meet at least twice a year and a London based Trades Union representative is invited to attend meetings of the Fund member panel. Also, a representative of that panel is invited to attend Board meetings as an observer. The activities of the panels and the consultation group are reported to the Board.

This policy statement will be reviewed annually, and revised and re-published following any material change in the above arrangements.

Approved by Board      2<sup>nd</sup> February 2006



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