

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	24 JUNE 2016	AGENDA ITEM NUMBER
TITLE:	ROLES & RESPONSIBILITIES OF MEMBERS, ADVISORS AND OFFICERS and GOVERNANCE FRAMEWORK	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Terms of Reference for Committee and Investment Panel Appendix 2 – Governance Compliance Statement		

1 THE ISSUE

- 1.1 This report is to remind members of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.
- 1.2 The Terms of Reference for the Committee and Investment Panel are set out in Appendix 1. The Terms of Reference was approved by the Council at its meeting on 12 May 2016.
- 1.3 Although the Governance Compliance Statement is unchanged since June 2015 committee meeting, the Committee is asked to approve in line with best practice.
- 1.4 The report invites members to nominate themselves to the Investment Panel. The term of appointment to the Panel is for one year; however, given the nature of the Panel's work, it is not expected that the membership will alter from year to year.
- 1.5 Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.
- 1.6 It should be noted that the Fund's governance arrangements will be reviewed in 2017 once the arrangements for the pooling of investment assets have been agreed and the governance implications known.

2 RECOMMENDATION

The Committee:

- 2.1 Notes the:
 - a) Roles and responsibilities of the members, advisors and officers
 - b) Terms of Reference of the Committee and Investment Panel
- 2.2 Approves the Governance Compliance Statement
- 2.3 Agrees the membership of the Investment Panel
- 2.4 Agrees the member(s) to represent the fund on the Local Authority Pension Fund Forum.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial considerations as this report is for information only.

4 ROLES & RESPONSIBILITIES

4.1 The members, advisors and officers all have definitive roles and responsibilities within the pension fund's governance structure.

The Committee and Investment Panel:

4.2 The Terms of Reference for the Committee, including the Investment Panel, as agreed by Council can be found in Appendix 1. There are no revisions to the version agreed in 2015 which was updated for the creation of the Pension Board.

4.3 The Committee's role is strategic in nature, setting the policy framework and monitoring compliance within that framework. Due to the wide scope of the Committee's remit, investment issues are delegated to the Investment Panel, (a sub-committee of the Committee) which explores the issues in greater detail before making decisions and/or recommendations to the Committee. The implementation of strategic decisions is delegated to Officers.

4.4 Membership of the Investment Panel is drawn from the voting members of the committee.

4.5 The ToR for the Committee and Panel will be reviewed once the arrangements for pooling the investment assets have been agreed. The Chair of the Committee is the Fund's representative on the Shadow Oversight Board of the Brunel Pension Partnership (the pooling project).

4.6 Committee and Investment Panel meetings are held in open session and, where required, papers are taken in exempt session. Committee workshops are held to discuss strategic issues in greater depth as necessary.

4.7 Non-voting members are given full access to papers, meetings and workshops including internal training sessions.

4.8 Members are encouraged to undertake training to ensure they can discharge their responsibilities. The Pensions Regulator's (TPR) Code of Practice for public sector pension funds will require greater disclosure of member training and will require all members to attain a satisfactory level of knowledge in order to discharge their duties. As a result all committee members will be required to undergo the TPR Knowledge & Skills Toolkit for the public sector funds within the first year they are appointed to the committee.

4.9 The Committee Training plan for 2016-18 will be updated at the September meeting. It will include training sessions and workshops to support the committee agenda as well as wider knowledge and skills and is in addition to TPR Knowledge & Skills Toolkit.

Fund Advisors:

4.10 The LGPS (Management and Investment of Funds) Regulations 2009, regulation 11(5) states "the (administering) authority must obtain proper advice at reasonable intervals about its investments" and regulation (6) states "the authority must consider such advice in taking any steps in relation to its investments."

4.11 The Myners' report on effective decision-making for pension funds supports these regulations by setting out best practice standards for decision-making bodies (guidance for LGPS funds provided by CIPFA/CLG).

Myners' Principle 1: Effective decision-making - requires that "administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively... and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive...".

- 4.12 All advisory appointments are appointed under a separate procurement process which will follow the Council's procurement policy.
- 4.13 The Fund appoints an Investment Consultant (Mercer) to provide investment advice to the fund to ensure that the Committee and/or Panel have all the relevant information before making a decision. The Committee's agenda determines the advice provided by the consultant in addition to the ongoing monitoring of the Fund's investment strategy and the managers' performance.
- 4.14 In addition the Fund has an Independent Investment Advisor. The advisor is independent of the officers and investment consultant, their role being to ensure the members get all the appropriate advice and that the advice is adequately challenged.
- 4.15 The Fund appoints an Actuary (Mercer) to advise on all actuarial issues and to undertake valuations as required by the regulations.

Fund Officers:

- 4.16 The officers' role within the governance structure is to ensure that all decision-making complies with the regulations, that the Fund fulfils its statutory requirements, and that all information regarding investment, financial and administrative issues is provided to the Committee/Panel. In addition, the officers are responsible for implementing Fund policy. The Council's Section 151 Officer is responsible for ensuring that the Fund complies with the financial regulations and that an adequate inspection framework, provided by internal and external audit, is in place. The Council's Monitoring officer is responsible for the legal aspects of the Fund and the Committee.
- 4.17 The Section 151 Officer has delegated powers regarding urgent actions, and these would be exercised having consulted with the Chair of the Committee where possible. For investment policy issues the Section 151 Officer will also consult with the Chair of the Investment Panel where possible.

5 GOVERNANCE COMPLIANCE STATEMENT

- 5.1 The LGPS regulations require the Fund to publish a Governance Compliance Statement when there is a material change. There have been no amendments to the statement since June 2015.
- 5.2 The LGPS regulations require the Fund to publish a Governance Compliance Statement when there is a material change. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require all LGPS funds to establish a Pension Board. As a result this statement has been updated to reflect the creation of the Avon Pension Fund Pension Board (the "Board"). *(Note: The guidance for the Governance Compliance Statement has not yet been revised to incorporate Pension Boards; the statement may need to be revised once this guidance is issued in the future).*
- 5.3 The Governance Compliance Statement will need to be reviewed once the arrangements for pooling investment assets have been agreed.

5.4 The Committee are asked to approve the Statement in Appendix 2 in line with guidance from Internal Audit.

6 NOMINATIONS TO INVESTMENT PANEL

6.1 Committee co-opted members with voting rights are requested to nominate themselves to the Investment Panel. The term of appointment to the Panel is for one year; however, it is not envisaged that the Panel membership should change each year.

6.2 The Panel shall comprise a maximum of 6 voting Members of the Committee, 3 of whom shall be B&NES Councillors. Membership shall include the Chairman of the APFC and /or the Vice- Chair. The appointment of B&NES Councillors to the Panel is subject to the rules of political proportionality of the Council which does not apply to the non-B&NES members of the Panel. Political proportionality for the B&NES members of 2 Conservative Members, 1 Liberal Democrat Member (with a Conservative Group nominee chairing the Panel) on the Panel was agreed by B&NES Council at its meeting on 12 May 2016.

6.3 It is the responsibility of the Investment Panel members to nominate the Vice-Chair of the Panel if they wish to have one; either per meeting, or for the ensuing Council year. This will be done at the first Panel meeting.

6.4 Members are invited to nominate themselves to the Panel.

7 NOMINATIONS TO REPRESENT THE FUND AT THE LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) MEETINGS

7.1 The Fund is a member of LAPFF, a collaborative organisation acting on behalf of LGPS funds to promote their long term investment interests and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest. LAPFF undertakes significant engagement with companies on governance, environmental and social issues that could materially affect the financial performance of a company. It also advises its members on contentious voting issues and sponsors or supports shareholder resolutions where it believes it is the most effective way to implement change.

7.2 The Forum holds 4 meetings a year. Committee members supported by officers are encouraged to attend these meetings. Councillor Mike Drew and Richard Orton have represented the fund at these meetings during the past year. Members are invited to nominate themselves to represent the fund at these meetings (there can be up to two member representatives from the Fund).

8 RISK MANAGEMENT

8.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

9 EQUALITIES

9.1 For information only.

10 CONSULTATION

10.1 No relevant.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 The relevant information is set out in the report.

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	