

Report To:	PENSION FUND MANAGEMENT PANEL
Date:	20 July 2018
Reporting Officer:	Sandra Stewart - Director of Pensions
Subject :	REVIEW TO SCHEME GOVERNANCE & WORKING GROUPS
Report Summary:	<p>The Report sets out the need to review the Fund's governance which has incrementally increased to reflect a changing legislative landscape without undertaking a full review as to whether fit for purpose. The inordinate number of formal governance meetings is now impacting on the ability to undertake and implement decisions or to ensure appropriate oversight and accountability. The Funds success has routed in its simplicity and good and effective governance. We need to review to ensure fit for purpose and to do that we need to revise in the interim to address pooling and the need to comply with best practice re governance as we go for PASA accreditation. The interim proposal allows us to ensure:</p> <ul style="list-style-type: none"> • Focus on risks and improve accountability • Ensure in short term retain focus on property • Enable appropriate time to work with advisors on way forward that is long term and in line with the best global funds and academic research.
Recommendation(s):	<ol style="list-style-type: none"> 1. Acknowledge the need for a complete review of the Fund's governance to ensure fit for purpose taking into account the revised regulatory framework and authorise the Director of Pensions to undertake a review of the governance of the Fund working with Hymans to bring back a report for further consideration. 2. Agree the interim proposals with effect from today to reduce the number of working groups and reflect the governance depicted in Appendix A together with the revised terms of reference set out in Appendix B. 3. Note and approve the revised Working Group membership at Appendix C subject to any minor changes to be agreed with the Deputy Vice Chair of the Fund. 4. Note and approve the revised calendar of meetings at Appendix D for the next two year cycle.
Financial Implications: (Authorised by the Section 151 Officer)	To ensure that the Fund remains efficient and effective.
Legal Implications: (Authorised by the Solicitor to the Fund)	Set out in the report.
Risk Management:	The purpose of the changes is to ensure that Trustees have good

oversight and effectively manage risks.

ACCESS TO INFORMATION:


NON-CONFIDENTIAL

This report does not contain information that warrants its consideration in the absence of the Press or members of the public.

Background Papers:

Appendix A:	Schematic of LGPS Governance Roles and proposed revised structure for GMPF
Appendix B:	TORs for revised working groups
Appendix C:	Working Group Membership
Appendix D:	Pension meeting Calendar dates

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1. INTRODUCTION

- 1.1 An organisation's guiding principles—its mission, objectives, investment beliefs and investment processes—provide both the glue that binds and the compass that directs everybody along the same path. Good governance is the means to ensure that objectives are met whilst keeping to our core beliefs and guiding principles.
- 1.2 At its launch of 18 September 2017, to raise the standards of governance of pension arrangements, the Pensions Regulator identified that Good Governance can be described thus:

“Good governance is about having motivated, knowledgeable and skilled Trustees in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives. It helps you to effectively oversee:

- *administration and record-keeping*
- *funding (where the scheme has defined benefits) and investment*
- *communications with members*

As a Trustee, it's your responsibility to make sure your scheme is well run. You should spend time and resources getting your scheme governance right. This will help you to minimise risk and maximise opportunities for your scheme and your members. Investing in good governance is likely to save you in the long run, delivering good value for members and sponsoring employers, and improving member outcomes.”

- 1.3 There are a number of academic studies of “what makes a good pension fund”. Consistent themes that appear include clarity of objectives, well defined beliefs and a focus on investment strategy whilst ensuring of course that we are complying with our statutory requirements to pay pensions liabilities accurately and on time.
- 1.4 The Fund has been and is evolving steadily over time, in response to the ongoing regulatory changes and external challenges and increasing frequent changes to the administrative framework that have impacted upon the governance causing incremental changes such as the introduction of Pension Boards in April 2015 under the provisions of the Public Service Pensions Act 2013 and pooling as proposed under the 2016 regulations
- 1.5 Given all this, it is fundamental that the Fund's governance evolves accordingly.
- 1.6 The Governance has not been reviewed for a long time although we have been adding to it in order to meet the regulatory changes for example pooling, which has resulted in a joint committee being created together with Investment Committee where the Director's delegated decisions made and formally recorded together with the Northern Pool Private Equity Board as well as an increasing number of other board such as GLIL that the Fund is involved and part of. This is adding huge volume and complexity to the governance in a piece meal way and it is important that we review to ensure we have clear oversight and accountability.

2. REASON FOR CHANGE

- 2.1 A schematic of the current governance is set out at **Appendix 1**. The current formal meetings cycle is as follows:

Formal Governance Meeting	No of meetings a year (cycle)
Management and Advisory Panel	4
Pensions Board	4
Policy & Development Working Group	4
Investment Monitoring and ESG	4
Alternative Investments	4
Pension Administration Working Group	4
Employer Funding and Viability Working Group	4
Property Working Group	4
Northern Pool	12
Investment Committee	12
Northern Pool Private Equity Partnership	12
Total	68

- 2.2 Therefore the Fund is operating a minimum of 68 formally constituted meetings together with the briefing meetings that support those and in addition to a number of extraordinary special focus meetings that we have undertaken to address arising changes such as review of Fundmanager Mandate, Pooling meetings and review of Property. It should be noted that in the main we are calling upon virtually the same capacity and resources (leadership team and advisors) to undertake those meetings impacting significantly on the ability to make progress and implement decision making. This has been reflected by the fact that having more than one formal oversight meeting a week has proved almost impossible to diary to enable appropriate attendance - let alone leave appropriate time to address arising issues.
- 2.3 On the 12 July 2018, the Pensions Administration Standards Association (PASA), the independent body dedicated to driving up standards in pensions' administration, announces the publication of its Administration Governance Trustee Checklist. This has been developed in response to The Pensions Regulator's (TPR) drive to improve the Governance of Pension Schemes, under its 21st Century Trusteeship initiative.
- 2.4 The Pensions Regulator has identified that trustees should focus on the key areas which are vital for good member outcomes, including administration and recordkeeping. The checklist is an additional tool to help trustees to evidence and action appropriate levels of governance over their administration provider.
- 2.5 It is often thought that investment governance is best where information flow and related portfolio needs are constantly monitored so as not to miss any opportunities and ensure best-positioning. However, evidence shows that the constant flow of stimulus merely invites action and can divert attention away from matters that are slow-moving but important. Further, the best long-term opportunities typically evolve over time, rather than arriving with a bang for a fleeting moment. A long-term investor probably has more to gain than lose by slowing down the information flow and decision cycle.
- 2.6 Accordingly, with so much change now is an ideal time to review the current governance of the fund and ensure it is fit for purpose. As an interim measure, it is proposed that we reduce down the number of oversight working groups to ensure we have the necessary oversight and focus and that we ensure that we focus on our objectives.
- 2.7 It will also be necessary to ensure that the business plan and objectives to be considered at the next meeting are clearly aligned with the revised governance arrangements.

3. INTERIM PROPOSAL

- 3.1 In the interim it is therefore proposed that the working groups are condensed so we don't lose any of the oversight but we ensure that time and resources are used more

effectively to ensure the necessary and appropriate focus whilst an expedient review is undertaken with our advisors Hymans. Additionally and important this will ensure that Trustees have a wider oversight and clarity as to how all the moving parts works as the working groups are becoming too focused and there is a danger that we believe we have good and effective governance just by the number of meetings and weight of paperwork.

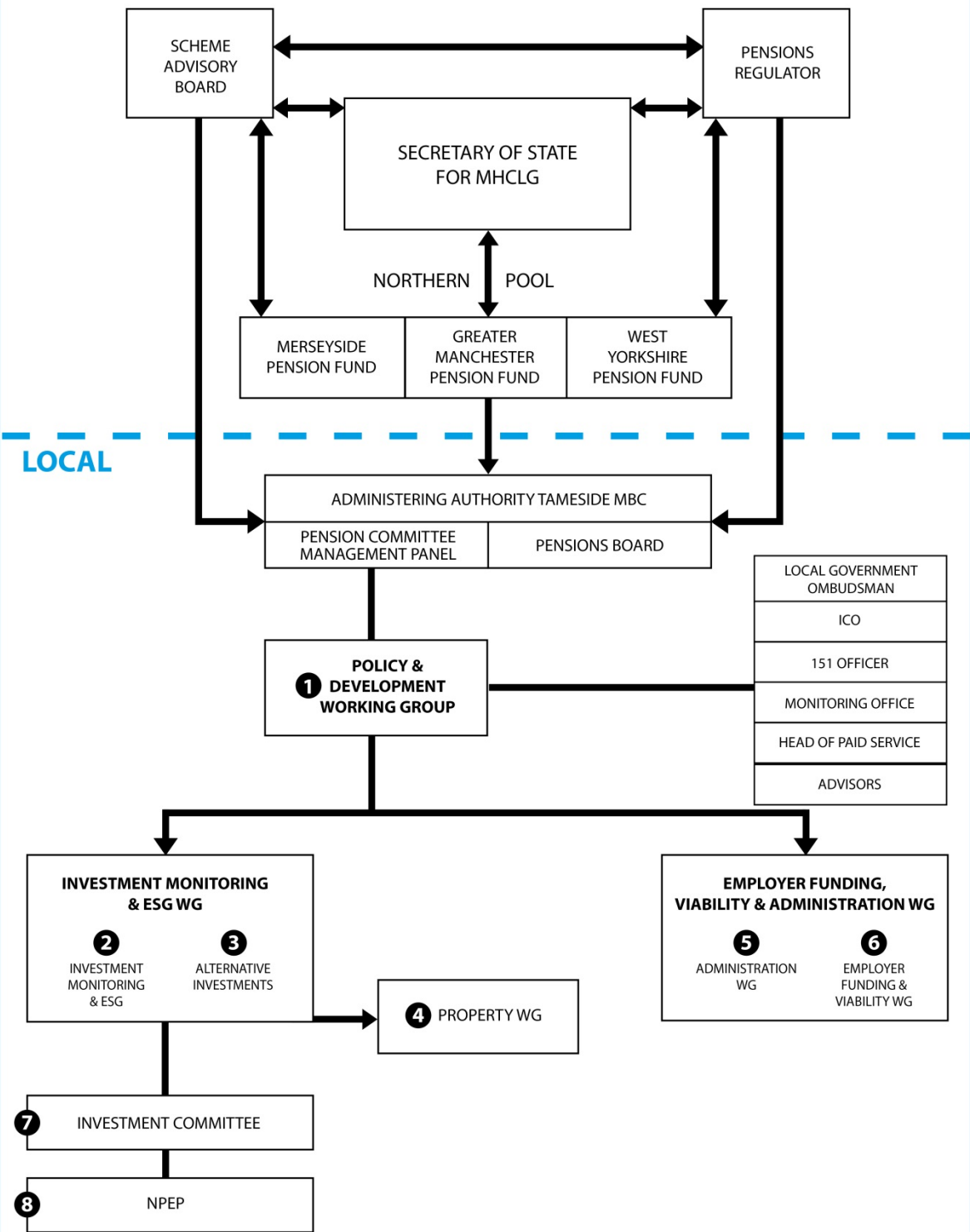
- 3.2 The approach being adopted was to pool all those with investment oversight into one working group and all those working groups considering administration, funding viability and risk into another with oversight being achieved through the Policy & Development Working group which the advisors generally attend. However, with the additional focus required currently in respect of property, it is proposed that this continues to be a focused working group in the short term.
- 3.3 The terms of reference therefore have not at this stage being reviewed just rationalized into the relevant working group with any duplication being removed.
- 3.4 The Funds's governance has served us well to date and the fact that we have not required a fundamental change for a long time is testament to our long term approach. However, we have been adding to it in an unstrategic way and the number of meetings and the resource that is impacting upon requires us to review and ensure fit for purpose and in line with the best global funds in order to achieve our long term aims.

4. RECOMENDATIONS

- 4.1 As set out at the front of the report.

APPENDIX A

LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE ROLES



APPENDIX B

TERMS OF REFERENCE FOR REVISED WORKING GROUPS

A.	TERMS OF REFERENCE FOR THE LOCAL BOARD
A1	The purpose of the Board is to assist Tameside MBC in its role as the administering authority of the Fund. Such assistance is to:
A2	(a) secure compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme and;
A3	(b) to ensure the effective and efficient governance and administration of the Fund.

B.	TERMS OF REFERENCE FOR POLICY AND DEVELOPMENT WORKING GROUP
B1.	To consider and make recommendations to the Management Panel on major strategic issues, including; a) Proposed structural or governance changes in LGPS b) Proposals for joint working with other funds/institutions
B2.	To consider in detail the ongoing appropriateness of the Fund's investment strategy and investment management arrangements and make recommendations to Panel.
B3.	To consider any types of investment which do not fall under the remit of any other working group and whether to broaden the scope of other working groups as required.
B4.	To monitor and evaluate the progress of new investment programmes and determine whether and when responsibility for monitoring and evaluation should pass to Alternative Investment or Property Working Groups.
B5.	To consider the resource implications of investment programmes and make recommendations to Panel.
B6.	To consider in detail opportunities for local investment that may satisfy the twin aims of commercial returns and supporting the area, and make recommendations on the allocations to these categories of investment to the Management Panel
B7.	To consider in detail the recommendations of the Funds' advisors and plan for their implementation.
B8.	To provide guidance to the Director of Pensions in exercising their delegated powers.

C.	TERMS OF REFERENCE FOR INVESTMENT MONITORING & ESG
C1.	Review and develop the strategy together with monitoring the implementation and performance of the strategy for the Fund's investments in: <ul style="list-style-type: none"> a) Private Equity b) Infrastructure, c) Special Opportunities, and d) other Alternative Investments
C2.	Receive reports from 'managers' of underlying investment vehicles or investments, as appropriate
C3.	Receive and consider reports from Fund officers and external advisers on other matters relating to the Fund's Private Equity, Infrastructure and Special Opportunities portfolios and other Alternative Investments
C4.	Consider any other matters relating to the wider investment opportunities commonly referred to as Alternative Investments.
C5.	Make recommendations to the Fund's Advisory and Management Panel in relation to matters falling within the scope of the Working Group.
C6.	Oversee and periodically review the Fund's approach to Environmental, Social and Governance issues including proxy voting.
C7.	Consider reports from the Fund's active and passive Fund Managers regarding their approach to corporate governance, including their proxy voting records
C8.	Consider reports from the Fund's active Fund Managers regarding their Investment Management Association (IMA) disclosures of transaction costs.
C9.	Consider reports from the Fund's third party, specialist corporate governance advisor (PIRC) on the 'Local Authority Pension Fund Forum' (LAPFF) and other matters.

D.	TERMS OF REFERENCE FOR PROPERTY WORKING GROUP
D1.	To monitor, and advise the Panel and Advisory Panel as necessary regarding
D2.	The overall strategy for investment in property by the Fund
D3.	Quarterly review of external managers performance against these mandates including: <ul style="list-style-type: none"> (a) investment performance (b) activity, including development and estate management (c) financial performance, including rents and expenditure
D4.	Receive and consider reports on Property Investment related matters, e.g. debt collection
D5.	Make recommendations to the Policy and Development Working Group and the Fund's Advisory and Management Panel in relation to matters falling within the scope of the Working Group.

E.	TERMS OF REFERENCE FOR ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP
E1.	<p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p> <ul style="list-style-type: none"> (a) Ensuring the solvency of each of the notional sub-funds allocated to individual employers, whilst at the same time; aiming to maintain the stability and affordability of employer contributions (b) Using reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations. (c) To address the different characteristics of employers or groups of employers to the extent that this is practical and cost effective.
E2.	<p>This will be achieved by considering the interaction, at the individual employer level of:</p> <ul style="list-style-type: none"> (a) Funding strategy – i.e. assumptions and contribution rates (b) Investment strategy – ensuring appropriate given liability profile and risk tolerance (c) Employer covenant strength – making allowance for any risk reduction measures such as guarantees, bonds and pooling arrangements
E3.	<p>In connection with the above, the working group will:</p> <ul style="list-style-type: none"> (a) Consider policy for admitting new employers to the Fund and any conditions of joining which should be applied (b) Oversee the triennial actuarial valuation process (c) Receive and consider reports from Fund officers on developments in the LGPS and wider defined benefit pensions environment which may have an impact on funding
E4.	<p>To monitor, and advise the Panel and Advisory Panel as necessary regarding:</p>
	<ul style="list-style-type: none"> (a) The effective administration of the LGPS, including: <ul style="list-style-type: none"> • the performance of the Pensions Office and employing authorities regarding the standards set out in the pensions administration strategy; • Pensions Office policies and procedures; • pension administration benchmarking; • proposed responses to national consultations relating to or affecting the LGPS • the Pensions Office's response to wider pension issues and national developments affecting pension administration • the implementation of changes affecting the LGPS and / or the administration of pensions (b) training and support of: <ul style="list-style-type: none"> • members of the Pension Fund, Advisory Panel • employing authority colleagues including approved doctors (c) effective communication with Fund members and employing authorities, including: <ul style="list-style-type: none"> • The Pensions Office Helpline • written communications, and also e-comms including the website, e-mail alerts and GMPF on-line (d) the effective use and maintenance of Pensions Office systems and other physical resources (e) the provision of Scheme additional voluntary contributions (f) business continuity plans and procedures (g) any other matter that materially relates to pension administration
E5.	<p>Consider reports from TMBC's "Internal Audit and Risk Management" service regarding approving the Annual Internal Audit Plan and considering quarterly progress updates</p>
E6.	<p>Consider reports from external auditors regarding the Fund's external audit arrangements and the Annual External Audit Plan.</p>
E7.	<p>Consider reports setting the Fund's administration expenses budget and thereafter monitoring:</p> <ul style="list-style-type: none"> a) the Fund's administration expenditure against budget; b) the value of the Fund's aged debt

Appendix C

WORKING GROUP MEMBERSHIP – 2018/2019

	POLICY & DEVELOPMENT	
1.	Cllr Warrington (Chair)	Tameside
2.	Cllr M Smith	Tameside
3.	Cllr S Quinn	Tameside
4.	Cllr Cooney	Tameside
5.	Cllr Taylor	Tameside
6.	Cllr J Fitzpatrick	Tameside
7.	Cllr Pantall	Stockport
8.	Ms Baines	UNISON
9.	Mr Thompson	UNITE
10.	Ms Herbert	MoJ

PROPERTY	
Cllr Quinn (Chair)	Tameside
Cllr M Smith	Tameside
Cllr Drennan	Tameside
Cllr Ward	Tameside
Cllr Patrick	Tameside
Cllr Barnes	Salford
Cllr Halliwell	Wigan
Cllr Grimshaw	Bury
Mr Allsop	UNISON
Mr Thompson	UNITE

	INVESTMENTS & ESG	
1.	Cllr Cooney (Chair)	Tameside
2.	Cllr Ward	Tameside
3.	Cllr Ricci	Tameside
4.	Cllr Taylor	Tameside
5.	Cllr J Lane	Tameside
6.	Cllr Mistry	Bolton
7.	Cllr Andrews	Manchester
8.	Cllr Ball	Oldham
9.	Cllr O'Neill	Rochdale
10.	Cllr Mitchell	Trafford
11.	Cllr Pantall	Stockport
12.	Cllr Barnes	Salford
13.	Mr Drury	UNITE
14.	Mr Allsop	UNISON
15.	Mr Llewellyn	UNITE
16.	Mr Flatley	GMB

ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP	
Cllr J Fitzpatrick (Chair)	Tameside
Cllr Ricci	Tameside
Cllr Patrick	Tameside
Cllr J Lane	Tameside
Cllr Drennan	Tameside
Cllr Mistry	Bolton
Cllr Grimshaw	Bury
Cllr Andrews	Manchester
Cllr Ball	Oldham
Cllr O'Neill	Rochdale
Cllr Mitchell	Trafford
Cllr Halliwell	Wigan
Mr Drury	UNITE
Mr Allsop	UNISON
Mr Llewellyn	UNITE
Mr Flatley	GMB

APPENDIX D

Pension Fund and Working Groups calendar dates:					
Pension Fund	Friday 10.00am	20 July 2018	19 October 2018 (AGM)	18 January 2019	12 April 2019
		19 July 2019	18 October 2019 (AGM)	17 January 2020	10 April 2020
Policy and Development	Thursday 11am	14 June 2018	20 September 2018	20 December 2018	7 March 2019
		13 June 2019	19 September 2019	19 December 2019	6 March 2020
Property	Thursday 9.00 am	14 June 2018	20 September 2018	20 December 2018	7 March 2019
		13 June 2019	19 September 2019	19 December 2019	6 March 2020
Investment Monitoring & ESG	Friday 9.00 am	13 July 2018	28 September 2018	21 December 2018	22 March 2019
		12 July 2019	27 September 2019	20 December 2019	20 March 2020
Administration, Employer Funding & Viability	Friday 11.00 am	13 July 2018	28 September 2018	21 December 2018	22 March 2019
		12 July 2019	27 September 2019	20 December 2019	20 March 2020
Local Pensions Board	Thursday 3.00 pm	9 August 2018	15 November 2018	14 February 2018	13 June 2019
		8 August 2019	11 October 2019	12 December 2019	26 March 2020