

Report To:	GMPF MANAGEMENT PANEL
Date:	19 July 2019
Reporting Officer:	Sandra Stewart - Director of Pensions
Subject :	REVIEW TO SCHEME GOVERNANCE & WORKING GROUPS
Report Summary:	<p>The report sets out the final implementation of the review agreed last year and in particular the inclusion of property within the Investment Monitoring and ESG, which now includes oversight of all investments. 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. Note the governance depicted in Appendix A together with the revised terms of reference set out in Appendix B. 2. 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. 3. Note the calendar of meetings at Appendix D agreed last year with a forward plan of meetings to be brought to the next meeting.
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 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 was reviewed last year, a schematic of the current governance is set out at **Appendix 8A**. The 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
Pension Administration Funding & Viability Working Group	4
Northern Pool	10
Investment Committee	10
Northern Pool Private Equity Partnership	10
Total	50

- 1.7 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.

- 1.8 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.
- 1.9 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.
- 1.10 The condensing of the working groups ensures 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. Importantly this will ensure that Trustees have a wider oversight and clarity as to how all the moving parts works as the working groups became too focused.
- 1.11 The terms of reference of the various working groups are set out at **Appendix 8B**.
- 1.12 The proposed representatives are set out at **Appendix 8C**.
- 1.13 Additionally, the Administering Authority has created two observer roles. The intention being to strengthen governance within the Fund. The role is to enhance the scrutiny of decision making and provide the Pension Management and advisory Committee with additional experience and knowledge impartial from Fund officers and to create some resilience for the Administering Authority in knowledge and experience whilst ensuring we retain confidentiality of the Fund's business.
- 1.13 The 3 December 2008 Governance compliance statements statutory guidance - <http://lgpsregs.org/timelinereggs/Statutory%20Guidance%20and%20circulars/statguide.htm> at Para 42 – refers to:

An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate. It is accepted, however, that certain fund authorities may have devised, or wish to devise, other ways of ensuring the effective scrutiny of their decision-making and performance and it should therefore be borne in mind that the appointment of an independent observer is not to be taken as an absolute requirement in this guidance, provided that authorities are satisfied that their alternative arrangement would match the sort of standards rehearsed in the NAPF's follow-up report on the Myners' principles (recommendation 7) and the government's response to it published in March 2008.

1.14 With this in mind the Administering Authority have appointed the following as Observers to the Fund:

Cllr John Pantall	Long standing former representative for Stockport MBC
Cllr Oliver Ryan	Executive Member for Finance & Growth for the Administering Authority

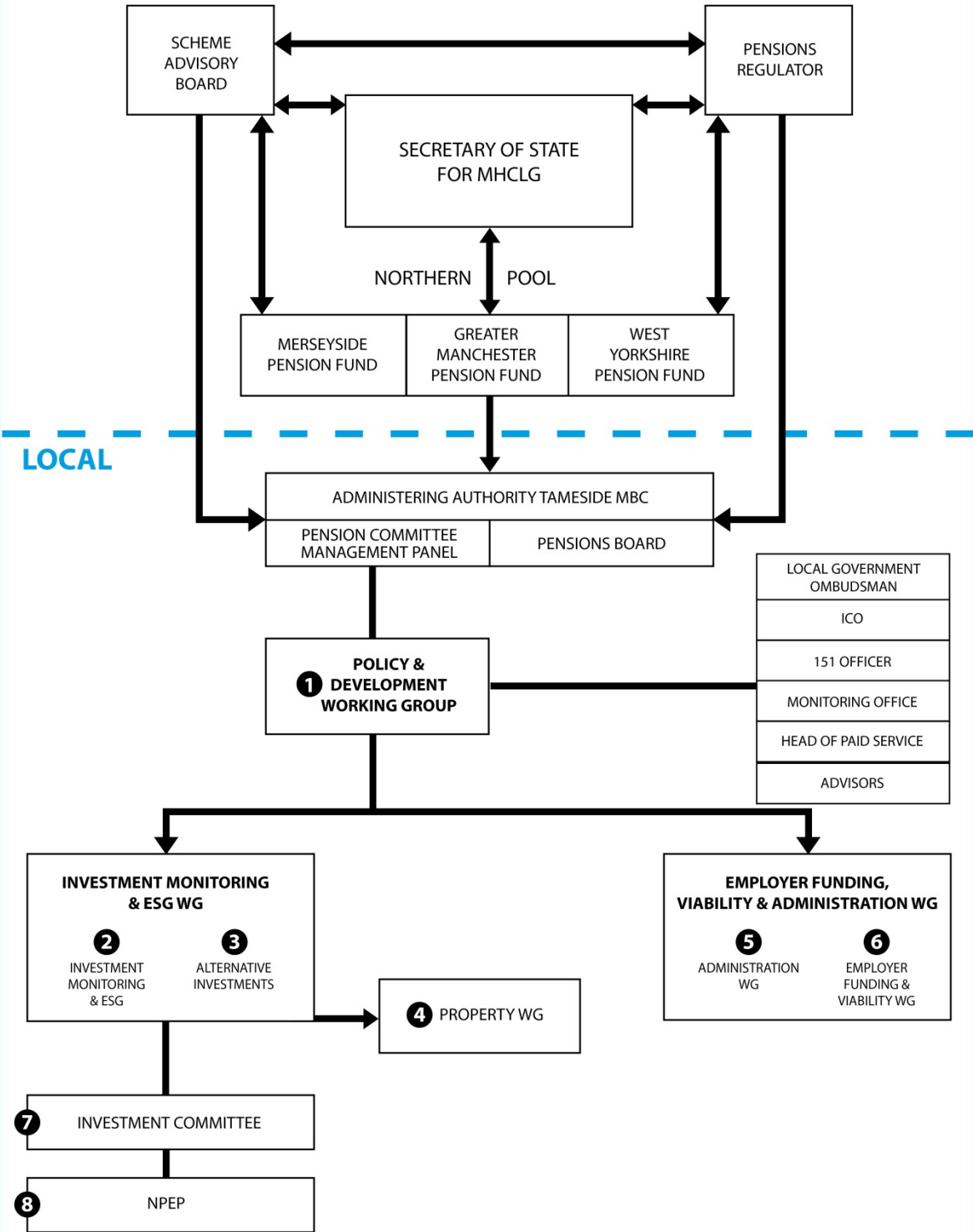
1.15 The Pension Fund and Working Groups calendar dates are set out at **Appendix 8D**.

2 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 her 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: a) Private Equity b) Infrastructure, c) Property d) Special Opportunities, and e) 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.
C10.	Receive and consider reports on Property Investment related matters, e.g. debt collection

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 – 2019 / 2020

	POLICY & DEVELOPMENT				
1.	Cllr Warrington (Chair)	Tameside			
2.	Cllr M Smith	Tameside			
3.	Cllr Cooney	Tameside			
4.		Tameside			
5.					
6.	Mr Thompson	UNITE			
7.	Ms Herbert	MoJ			
8.	Cllr Pantall	Observer			
9.	Cllr Ryan	Observer			
	INVESTMENTS & ESG			ADMINISTRATION, EMPLOYER FUNDING & VIABILITY WORKING GROUP	
1.	Cllr Cooney (Chair)	Tameside		Cllr M Smith (Chair)	Tameside
2.	Cllr Ward	Tameside		Cllr Ricci	Tameside
3.	Cllr Ricci	Tameside		Cllr Patrick	Tameside
4.	Cllr J Fitzpatrick	Tameside		Cllr Drennan	Tameside
5.	Cllr Newton	Tameside		Cllr Wills	Tameside
6.	Cllr J Homer	Tameside		Cllr Sharif	Tameside
7.	Cllr M Smith	Tameside		Cllr Cooney	Tameside
8.	Cllr Parkinson	Bolton		Cllr Parkinson	Bolton
9.	Cllr Andrews	Manchester		Cllr Andrews	Manchester
10.	Cllr Jabbar	Oldham		Cllr Jabbar	Oldham
11.	Cllr O'Neill	Rochdale		Cllr O'Neill	Rochdale
12.	Cllr Mitchell	Trafford		Cllr Mitchell	Trafford
13.	Cllr Taylor	Stockport		Cllr Joan Grimshaw	Bury
14.	Cllr Barnes	Salford		Cllr Halliwell	Wigan
15.	Mr Drury	UNITE		Mr Drury	UNITE
16.	Ms Fulham	UNISON		Mr McDonagh	UNISON
17.	Mr Llewellyn	UNITE		Mr Llewellyn	UNITE
18.	Mr Flatley	GMB		Mr Flatley	GMB
19.	Cllr Pantall	Observer		Cllr Pantall	Observer
20.	Cllr Ryan	Observer		Cllr Ryan	Observer

APPENDIX D

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