



# Good Governance in new investment structures

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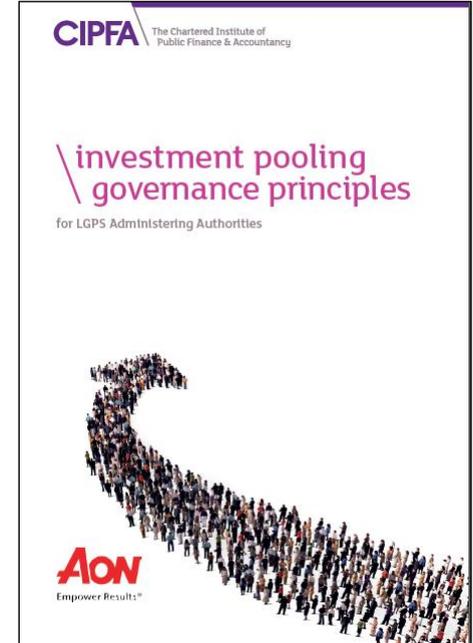
Prepared by Aon Hewitt

# Objectives of the guidance

- Support administering authorities (and joint committees)
- Demonstrating best practice governance
- During implementation of investment pools
- When participating in investment pools

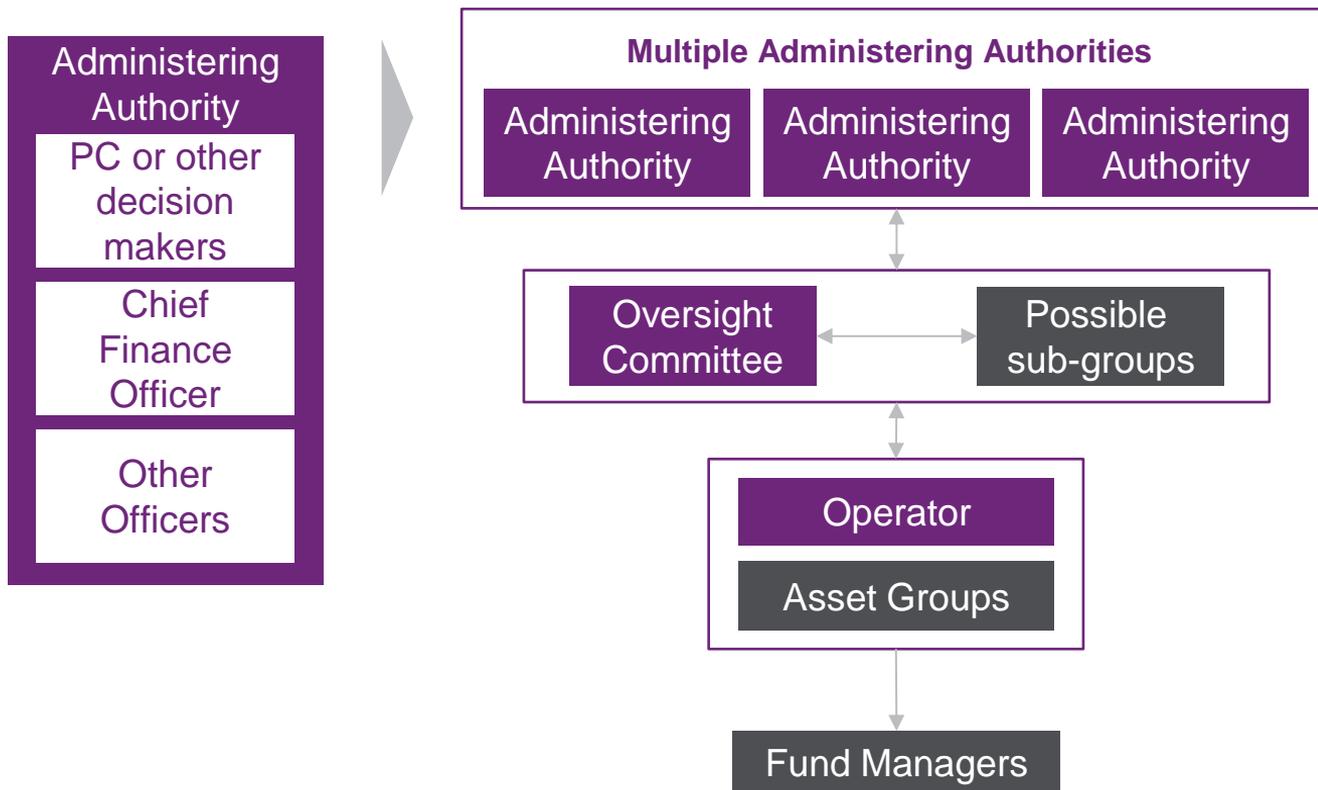
## It does not consider:

- The establishment or operations of the investment pool operator
- The role of administering authorities as shareholders in an operator

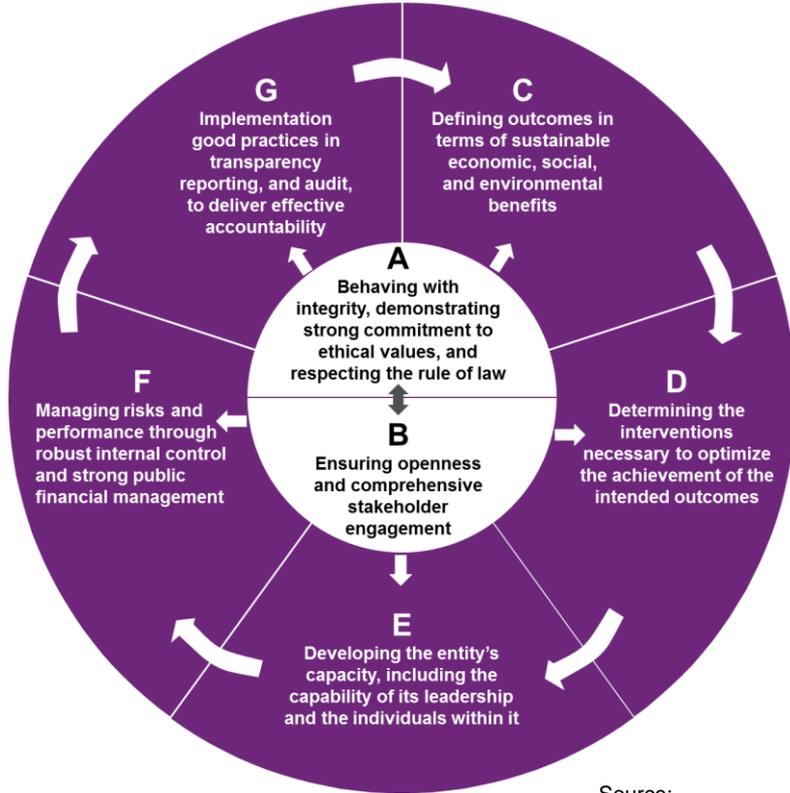


“Governance is a key building block in any successful organisation”

# High level governance model



# The foundations



- “Good governance is dynamic”
- “An entity should be committed to improving governance on a continuing basis through a process of evaluation and review”

Source:  
International Framework: Good Governance in the Public Sector (CIPFA/IFA 2014)

# Evolving current arrangements

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Responsibilities



Mutually acceptable  
policies

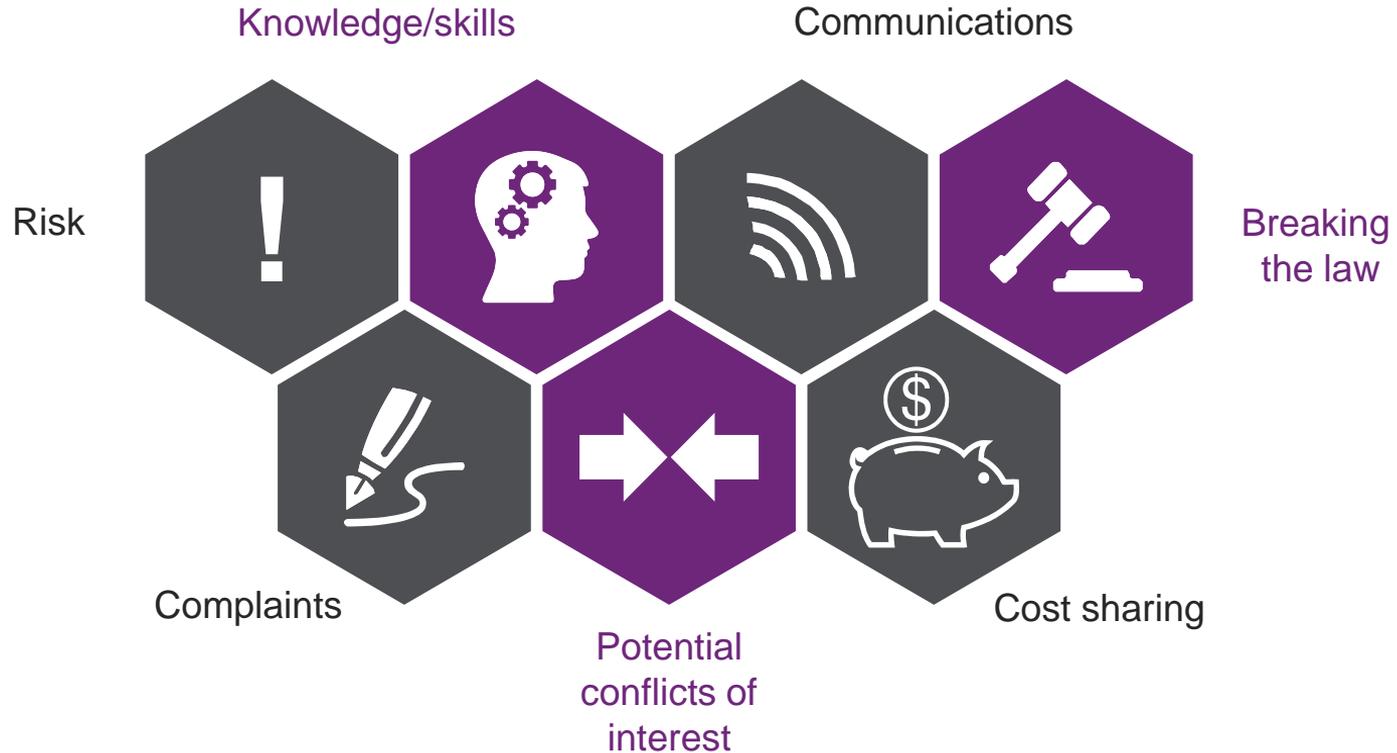


Business planning

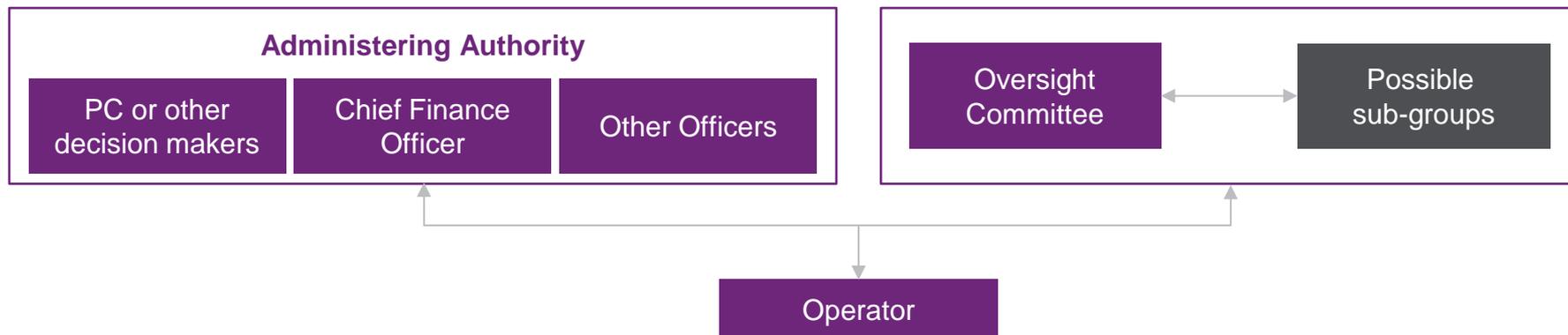


Annual report

# Strategies and policies



# Information and reporting requirements



- Asset valuations
- Investment performance
- Relative investment performance
- Attribution
- Costs
- Responsible investment
- Business and operational aspects

**What are each of the stakeholders expecting, and what can reasonably be delivered?**

# The LGPS Myners' Principles in an asset pooling world

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- Effective decision making
  - Clear objectives
  - Risk and liabilities
  - Performance assessment
  - Responsible ownership
  - Transparency and reporting
- 
- Not explicitly referred to in the new Investment Regulations or in DCLG Guidance on the preparation of an Investment Strategy Statement
    - But still seen as best practice under CIPFA Guidance
    - And consistent with broader pension fund requirements in a less regulated world

## And particular mention to....

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### **The CFO role, including:**

- ensuring
  - the PC have the necessary knowledge
  - Fund's governance in line with best practice
  - The finance function is appropriately resourced
- Promoting and delivering good financial management
- Being actively involved and influencing all material decisions
- Having the requisite knowledge of pooling arrangements

### **Implications on stakeholders**

- Need for good communications
- Need to understand the implications of investment pooling
- Need reassurance where no implications
- Fiduciary duty to both scheme employers and scheme members

# Transitional arrangements

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# Summary and the way forward





# Questions?



# Contacts

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