



## Lambeth Pension Fund - New Governance Arrangements

**Andrien Meyers**  
**Treasury and Pensions Manager**

***“Whenever the people are well informed, they can be trusted with their own government; that whenever things get so far wrong as to attract their notice, they may be relied on to set them to rights.”***

Thomas Jefferson - (1743-1826) Third president of the United States



Lambeth

# Lambeth Pension Fund – New Governance Arrangements

## Contents

1. Introduction
2. Old Arrangements
3. Benchmarking Exercise
4. Working Group
5. Election
6. Training
7. New Arrangements
8. LGA Review – “Best in Class”



Lambeth

# Lambeth Pension Fund – New Governance Arrangements

Do you Agree?

- It is good to take time to arrive at an investment decision
- Investment decisions are a Pension Committee responsibility and hence need to be taken at Pension Committee level
- It is crucial to keep things simple and understandable
- Our advisors ensure that the investment managers offer value for money



Lambeth

# Lambeth Pension Fund – New Governance Arrangements

## Common Governance Problems

- Translation from strategy to investment portfolio
- Poor / slow decision making
- Lack of transparency
- Information asymmetry
- Principal-agent issues (conflicts of interest)
- Wood <-> trees



# Old Arrangements

## Old Governance Structure



# Benchmarking Exercise

- **Strategic direction and Setting Policy**
- **Funding and investment arrangements**
- **Operational activity.**
- **Training**



# Working Group

## 1. Membership

## 2. External Advisor

## 3. Remit of the Group

- Legislation
- Proposed structure (Scenario planning and impact analysis)
- TOR's
- Policies
- Democratic Process

## 4. Training



# Working Group

**Legislation:** The Lambeth Pension Fund is one of 99 regional LGPS funds in England and Wales. These LGPS funds are legislated through the Superannuation Act 1972 and the following main statutory instruments:

- **The Local Government Pension Scheme (Administration) Regulations 2008;**
- **The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;**
- **The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013;**
- **The Local Government Pension Scheme (Transitional Provisions) Regulations 2008.**
- **The Local Government Pension Scheme Regulations 2013**
- **The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014**



**Lambeth**

# Working Group

## Proposed structure (Scenario planning and impact analysis)

- Existing Structure with Board added on
- Remove PFIP and Corporate Committee and Bring in new Pensions Committee with Board working along side Committee.
- Officers make all decisions



# Working Group

## Terms of Reference

- **The Committee – decision making**
- **The Board - assist the Pensions Committee in securing compliance**
- **Officers – short term decision making between Committee meetings with approval from the Chair**



# Working Group

## Policies and Processes

Key Policy and Process Documents	Team Responsible
1.Funding Strategy Statement	Investment
2.Statement of Investment Principles	Investment
3.Communications Policy	Administration
4.Training Strategy	Investment and Administration
5.SLA between the Fund and the Administering Authority	Administration
6.KPIs	Investment and Administration
7.Risk Register	Investment and Administration
8.Business Plan	Investment and Administration
9.Governance Compliance Statement	Investment and Administration
10.Discretionary Code	Administration
11.Code of Conduct and Conflicts of Interest	Investment and Administration
12.Data Protection	Administration
13.Internal Disputes	Administration
14.Benefits Administration	Administration
15.Record Keeping	Administration
16.Admission Guide for New Employers	Investment

# Elections

## The Democratic Process

- **Change in the Councils Constitution**
- **Formal Approval at Full Council**
- **Elected Members**
- **Election of Co-opted Members**



Lambeth

# Training

## Training

- **CIPFA Code of Practice on Public Sector Pensions Knowledge and Skill**
- **The CIPFA/Hymans Robertson online tool kit**
- **Training Policy**
- **Independent Training provided**
- **Assessment of Members going forward**



**Lambeth**

# Final Structure

## New Governance Structure



# Summary of Structure

<u>Pensions Committee – Decision Maker</u>	<u>Local Pension Board</u>
5 voting Councillors representing the political balance of the Council & 1 trade union member and 2 two pension fund member representatives	Three employer representatives, three member representatives (trade union representative, active and pensioner representative)
Chair elected at the first meeting of the electoral term	Chair to be nominated at the first meeting of the year.
Meet at least four times throughout the year.	Will meet at least twice yearly.
Persons sitting on the Pension Committee cannot sit on the Pensions Board	Those persons sitting on Pensions Board cannot sit on Pensions Committee
Responsible for the administration and management of the Lambeth Pension Fund including decisions on all pensions related matters	To assist the Pensions Committee by ensuring that the decisions they take are compliant with the law and any guidance.
Lambeth Council has delegated responsibility for pension matters to the Pension Fund Committee	Assist the Pensions Committee by identifying areas of best practice
Access to all papers subject to legislation	Access to all papers subject to the legislation.

# Investment Strategy

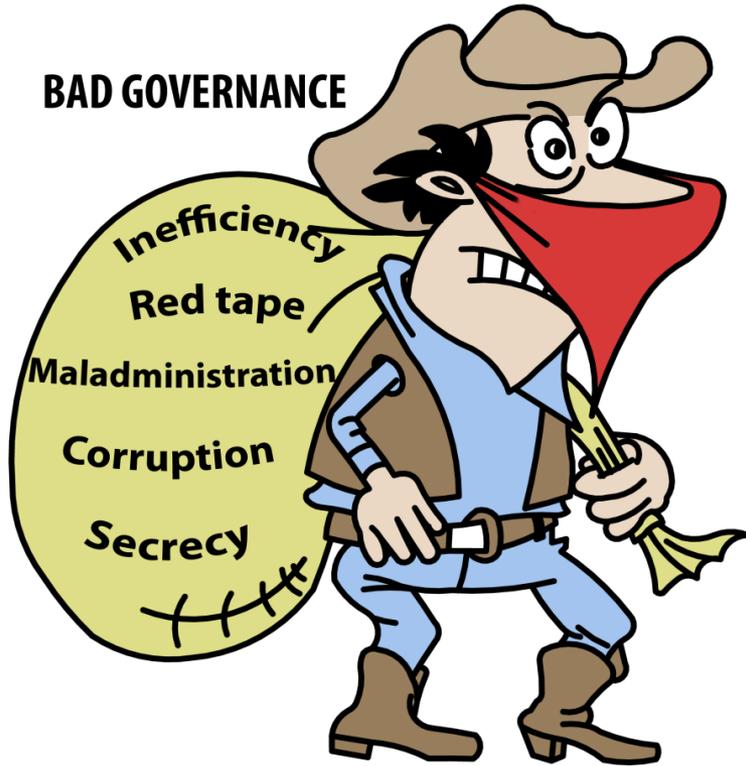
- Investment performance

Asset Class	Last Quarter		Last Year		Last 3 Years	
	Fund (%)	B'mark (%)	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)
UK Equity	2.2	0.6	3.6	1.2	16.4	11.1
Global Equity	7.1	4.8	11.4	11.3	18.2	15.0
Property	1.2	0.0	0.4	0.0	4.4	0.0
Diversified Growth	1.3	0.2	6.4	0.7	7.5	0.8
Hedge Funds	0.7	0.1	4.0	0.5	7.8	0.7
Bonds	4.1	4.3	12.5	12.2	9.7	8.6
<b>Total</b>	<b>3.7</b>	<b>2.8</b>	<b>7.8</b>	<b>7.3</b>	<b>10.8</b>	<b>7.9</b>

# LGA Independent Review – Best in Class

Benefits of bespoke investment governance Based on international research	
	Score (H/M/L)
Clear governance and accountability	
- Continuity (key man risk)	M
- Competencies in line with complexity, risks	M
- Tailored reporting	H/M
Economies of scale/buying power	M
Access to scarce investment opportunities, sources of additional return	H
Access to risk management solutions, less downside risk in stress situations	M
Full alignment of interests at all levels	M

**BAD GOVERNANCE**

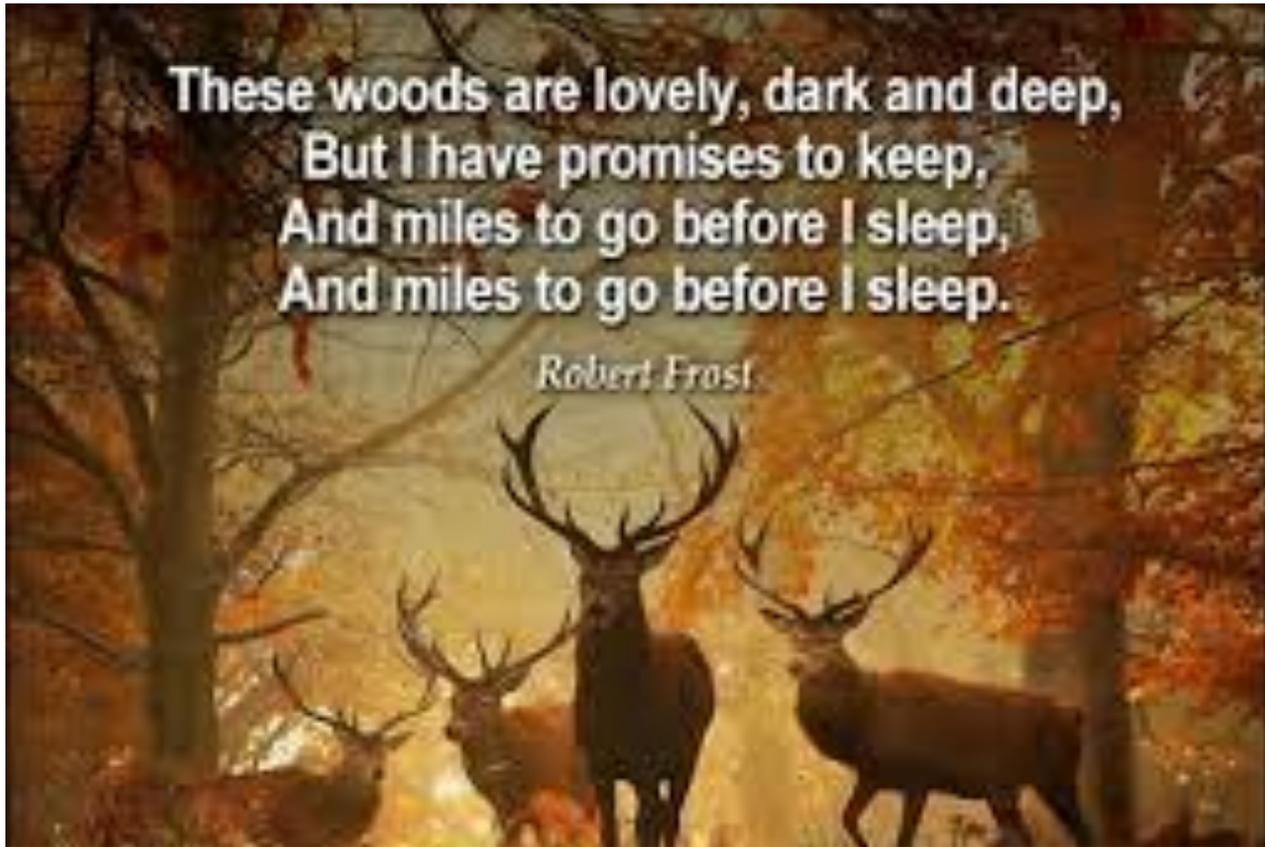


**GOOD GOVERNANCE**



These woods are lovely, dark and deep,  
But I have promises to keep,  
And miles to go before I sleep,  
And miles to go before I sleep.

*Robert Frost*



Lambeth