

LGPS interests in England and Wales  
(Addressees as attached)

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26 July 2006

Dear Colleague,

## **LOCAL GOVERNMENT PENSION SCHEME : GOVERNANCE ARRANGEMENTS**

### **Background**

1. Attached for your comments is a discussion paper which puts forward ideas for the future governance and stewardship of the Local Government Pension Scheme in England and Wales. The paper has had regard to the two previous non-statutory consultation exercises in 2001 and 2004; the views and comments of the DCLG chaired working group on Trusteeship, and the findings of an internal DCLG survey of the Governance policy statements that LGPS administering authorities were required to publish by 1 April 2006.

2. The policy objective throughout this process has been to ensure the continued high standard level of representation and governance across all 89 LGPS funds in England and Wales, and to support the excellence of the current arrangements.

### **Consideration**

3. The paper is divided into five sections. The first section (paragraphs 3 to 6) sets out the general findings of the Governance Policy Statement survey. A more detailed analysis of the findings is attached at Annex A to the main paper. The next section (paragraphs 7 to 13) explains the context and legal framework within which the LGPS and its committee structures operate, with particular reference to the role of "trustees" in both trust-based and statutory schemes like the LGPS. Section 3 (paragraphs 14 and 15) sets out the trades unions' perspective and lists the twelve specific issues that UNISON has asked to be taken into account in the comments made by consultees and in the discussions to follow. The next section (paragraphs 16 to 24) outlines the Department's ideas for raising the quality of governance arrangements to a best practice standard across all LGPS fund authorities. The proposals reflect current best practice and do not seek to replace the existing arrangements that match the best practice models and which known to work

effectively. The final section at paragraph 25 sets out the next steps and confirms that in parallel with this consultation, the DCLG chaired working group on trusteeship will consider the proposals and come forward with its own response.

4. The matters discussed in the paper are not intended to be exhaustive and the Department would be happy to consider any other issues or proposals which individual consultees might wish to raise in the context of governance, trusteeship and representation.

## **Responses**

5. Your comments are invited on these proposals by 6<sup>th</sup> October 2006 and should be sent to Margaret Dunleavy, Local Government and Firefighters' Pensions Schemes Division, Department for Communities and Local Government, Zone 2/F6, Ashdown House, 123 Victoria Street, London SW1E 6DE. Electronic responses can be sent to [margaret.dunleavy@communities.gsi.gov.uk](mailto:margaret.dunleavy@communities.gsi.gov.uk).

6. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer by your IT system will not, on itself, be regarded as binding in the Department.

The Department will process your personal data in accordance with the DPA and, in the majority of cases, this will mean that your personal data will not be disclosed to third parties.

Yours sincerely

**Bob Holloway**

Addressed to :

Local Government Association/Local Government Employers

SOLACE  
CIPFA  
ALAMA  
UCEA  
CBI  
Society of County Treasurers  
Society of Metropolitan Treasurers  
Society of District Council Treasurers  
Society of London Treasurers  
Society of Welsh Treasurers  
National Probation Service for England and Wales  
SOCPO  
ALACE  
New Towns Pension Fund  
Audit Commission  
Association of Consulting Actuaries  
Environment Agency

Trades Union Congress  
UNISON  
TGWU  
GMB  
UCATT  
NABAC  
Amicus  
NAPO

Government Actuary's Department  
DoE (NI)  
SPPA

# **A BLUEPRINT FOR GOVERNANCE ARRANGEMENTS IN THE LOCAL GOVERNMENT PENSION SCHEME IN ENGLAND AND WALES**

## **Background**

1. The purpose of this paper is to outline principles and propositions for the future governance and stewardship of the Local Government Pension Scheme in England and Wales and, in particular, how a consistent level of effective representation of key stakeholders on LGPS pension/investment issues can be achieved.

2. The paper is divided into the following sections :

- the first section of this paper describes the outcome of the recent survey of Governance policy statements that LGPS fund authorities were required to publish by 1 April 2006.
- the second section explains the context of the LGPS and how this impacts on the governance and representation arrangements that local authorities with statutory responsibilities under the scheme are able to adopt.
- the third section outlines the proposals submitted by UNISON;
- the fourth section sets out the proposals for the introduction of a new Pensions Representation Panel where appropriate; and
- the fifth section describes the steps to be taken to achieve this aim.

## **Section I - The Present Position**

3. In response to an informal consultation paper issued in 2004, the then ODPM undertook to introduce amending regulations to require LGPS administering authorities to prepare, publish and maintain Governance Policy Statements as a means of introducing greater transparency and openness about these arrangements and also to allow the Department to undertake a detailed survey of the democratisation of LGPS committees. These regulations came into force in November 2005 and in March 2006, administering authorities were asked to submit copies of their statements to the Department for analysis, the results of which, are summarised below.

### **How many committees include scheme member or trade union representatives?**

4. According to the survey of Governance policy statements that LGPS administering authorities were required to publish by 1<sup>st</sup> April 2006, 84% have scheme member representation on their formal pension/investment committee or advisory panel. Of that 84% , 74% are represented on the main committee with the remaining 9% sitting on advisory panels. Of the 17% of fund authorities with no scheme representation, 4 are county councils, 6 are London Boroughs and 5 are Welsh authorities. A more detailed analysis of the survey is attached at annex A.

5. The survey confirmed that a significant discrepancy exists in the size of LGPS formal pension committees, ranging from 3 to 20 and also the frequency of their meetings, between 2 and 6 per annum. The survey also shows that there is no direct link between the level of representation and either funding levels or investment performance indicated by the rate of investment return. There are, however, significant variations amongst the fund authorities included in the survey, but the

evidence suggests that these are attributable to factors other than the level of representation.

### **How many have conferred voting rights on lay members?**

6. Of the [86] fund authorities who responded to the survey, only 4 have conferred voting rights on scheme member representatives who sit on the main pension/investment committee. It is interesting to note that of these four authorities, two are principal local authorities whilst the other two are strategic pension authorities. A further five fund authorities have introduced a system of voting for all members who sit on their advisory panel

### **Section II - The LGPS context : Status and Legal Frameworks**

7.. As a statutory, public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management. The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are paid out of local authority revenue and not from the pension funds themselves. On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme. In coming forward with these proposals, the paper recognises the particular status in law of local authorities in comparison with non-statutory bodies and institutions, and flowing from that, the constraints arising from the statutory nature of the LGPS, compared with trust based schemes in the private sector, and the body of law that dictates the composition of local authority committees and the status of lay members on such committees.

### **What is a “trustee”**

8. The word “trustee” is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people (“trustees”) hold property on behalf of other people (called beneficiaries). Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions. Although those entrusted to make statutory decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. But they are not trustees in the strict legal sense of that word.

### **Why are trustees required in the private sector but not in statutory schemes like the LGPS?**

9.. Trustees are needed in the private sector to help ensure better scheme security by compliance with the necessary legislation; prevent employer-led actions which could undermine a scheme's solvency and to ensure that investment decisions are not in any way imprudent. But in a statutory scheme like the LGPS, benefits are guaranteed by statute, regardless of investment performance and scheme members in the LGPS bear none of the investment risk. The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process and a raft of other legislation. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 extends that status.

### **Who is responsible for the stewardship of the LGPS?**

10.. Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

### **How is membership of these committees regulated?**

11.. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils as voting members on the committee and also to include trade union and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

### **Should the law be changed to require lay member representation on LGPS committees?**

12. The Secretary of State's power to make regulations in respect of local government employees is limited by section 7 of the Superannuation Act 1972 to matters relating to pensions, allowances or gratuities. Schedule 3 of that Act adds more detail to the range of subjects on which the Secretary of State is able to regulate in terms of the LGPS but the composition of local authority committees and the conferring of voting rights and other governance matters are excluded because these are properly matters to be considered and decided under the Local Government Act 1972, the Local

Government and Housing Act 1989 and their subordinate legislation. It is not therefore possible for the LGPS regulations to regulate the composition of pension committees or who should be allowed to vote on them. These are constitutional, not pension issues, and remain matters in most respects for local government. Amending the primary legislation relating to the constitution of local government committees to allow for member nominated trustees with voting rights would be problematical given the legal requirement for a local authority to maintain political balance on its formal committees.

13. Removing these constitutional constraints from LGPS committees could, in theory at least, be achieved in two ways. Governance of the scheme could either be undertaken by independent, non-local authority bodies but still governed by statute, or by formal trustee boards as if operating under a private sector, trust based scheme. In both cases, however, severing the link with local government in this way would open up the scheme to provisions of the Pensions Act from which it is presently exempt, for example, the Pensions Protection Fund, formal deficit recovery plans and more stringent Funding Strategy Statements. The implications for employers' costs and, potentially, council tax payers, would be significant.

### **Section III - A Trades Unions' Perspective**

14. In their letter dated 14 June 2006, UNISON set out its response to the Department's letter of 23<sup>rd</sup> January 2006 which had asked the local government trades unions to clarify their position on a number of issues. In their response, UNISON recognised that the vast majority of funds now have some form of member representation and that a number of funds have delegated decision-making in a variety of ways, in arrangements that are working well. They confirmed that their aim would not be to undermine existing good practice, but provide a model to ensure that members are represented consistently and effectively across all of the 89 LGPS funds.

15.. In particular, UNISON raised the following issues :-

- There should be delegation by the administering authority of all pension fund activities to one pension sub committee;
- There should be one pensions and investment committee - for all administration of the fund and investment activity, including investment allocation and management;
- Working parties should exist to deal with dispute resolution and discretion policies. Each of these bodies should be based upon no less than 50% Member Nominated Representatives (MNRs), with full voting rights;
- 50% of admitted body representatives should be MNRs;
- There should be a national forum for LGPS stakeholders, which meets to continually review governance arrangements;
- There should be a model constitution, with, for instance, an MNR as vice chair, and AGM, and regular reports to members;
- MNRs should be afforded facility time, training and other resources necessary for their effective performance;

- UNISON believes that with greater involvement of MNRs, the better managed the scheme will be;
- MNR's give greater management stability for the funds as councillors are subject to regular democratic challenge and potential removal from office;
- Trade Union nominated MNRs offer greater potential for compliance with the Myners' code on consultation with LGPS contributors and beneficiaries;
- All LGPS funds are covered by the Myners' recommendations on training. Therefore, full training, particularly on asset allocation and management should be made available or be provided by trade union bodies themselves, and
- All governance arrangements should be subject to an equality impact assessment and comply with the forthcoming equality duties for the public sector.

#### **Section IV - The Proposals**

16. Taking into account the outcome of the survey in Section I and the constraints described in Section II the approach to improving governance within the LGPS needs to be targeted at the very small minority of LGPS administering authorities who continue to exclude, in any form, scheme member representatives and other key stakeholders from their governance arrangements. We are satisfied that the overwhelming majority of fund authorities are operating good quality committee structures which affords scheme member representatives the opportunity to participate in the decision making process, either as observers or, in the small minority of cases, as lay members with voting rights.

17. The proposals which follow are, therefore, intended to ensure that all LGPS fund authorities in England and Wales operate governance arrangements at or above best practice standard. With this "light-touch" approach, those fund authorities which already operate open and transparent governance arrangements, will be unaffected by these proposals. Other authorities would need to implement change to bring their governance arrangements to a best practice standard. But for the reasons set out in Section II, it is not intended to prescribe the composition of formal pension/investment committees to include a set quota of lay members with voting rights.

18. At present, the law does allow LGPS fund authorities to confer voting rights on lay members and there is no intention to amend this arrangement. It follows that we do not envisage the introduction of any provisions requiring fund authorities to include "member nominated trustees" with voting rights on their formal pension or investment committees.

19. On balance, it would appear that the interests of scheme members and their representatives would best be served outside the formal committee process but with clear links to such committees. This would allow fund authorities to establish Advisory Panels or Pension Representation Panels whose primary function would be to make recommendations to the main committee and to advise on key issues

including investment, scheme administration, dispute resolution and discretionary policy issues.

20. Having a panel outside the formal committee structure would have several advantages. As shown in Section I, the concept of a formal pension/investment committee, underpinned by an Advisory Panel, has been adopted by a number of fund authorities with a high degree of success. Over time, different models of this two tier arrangement have evolved and a few examples are shown at Annex A to illustrate the flexibility and choice that such a system can offer.

## **Conclusions**

21. Although the previous policy of encouraging fund authorities to adopt open and transparent representation arrangements has, in the main, been a success, there remains a minority of cases where standards could be criticised. **The most appropriate way forward, perhaps, could be to introduce amending regulations that would require each fund authority in England and Wales to review their governance arrangements against a best practice model and to state in their Governance Policy statement the extent of compliance. In cases of non-compliance, one option would be to require the fund authority to state the reasons why.**

22. The current proposition, therefore, is that the regulations could spell out the outline criteria for a fund authority to set up a Pensions Representative Panel but would not prescribe in detail the arrangements that would then need to be implemented to establish such a body. Instead, the proposal is that the level of detail should be included in either a Statutory Code of Practice or best practice guidance published, for example, by CIPFA. But whatever form the guidance takes, it is clear that the following issues would need to be included :-

- the composition of the panel;
- the frequency of meetings;
- arrangements for voting rights;
- scope and remit;
- access to committee papers and scheme information;
- relationships and communications with main committees
- constitutional issues, Chairmanship, etc;
- costs, accommodation, facility time, etc.
- publicity

22. This list is not intended to be exhaustive, but is offered as an indication of the range of issues that would need to be discussed and agreed before any amending regulations could be introduced.

23. Steps might also be taken to ensure that the views of key stakeholders, including, for example, scheme members and their representatives, employers and admitted bodies, are taken into account by formal LGPS committees when all key policy

decisions are being considered. Regulations 73A and 76A of the 1997 LGPS Regulations already require consultation on the preparation, maintenance and publication of Governance Policy Statements and Funding Strategy Statements respectively and additional proposals would simply be an extension of those existing powers to specify both the categories of consultees and the range of decisions to fall within the requirement to consult with key stakeholders.

24. Although decision-making committees would remain wholly responsible and accountable for their statutory decisions, the transparency of the process by which the scheme is governed and administered would be improved by providing for stakeholders to have their views and concerns fully considered by decision-making committees.

### **Section V - Next Steps**

25. It is proposed that the merits of these initial proposals should be discussed in detail by the Governance Working Group as soon as possible.

26. Subject to the views of Ministers, we envisage a statutory consultation exercise later in the year on specific proposals.

**Department for Communities and Local Government  
Local Government and Firefighters' Pension Schemes Division  
July 2006**

## **LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE SURVEY - A SUMMARY**

On 31 March 2006, LGPS administering authorities in England and Wales were required to publish details of their governance arrangements. This paper summarises the results of the survey. For the purposes of the paper, “representation” is taken to mean either attendance of scheme members (or their representatives) on formal investment/pension committees; attendance on secondary, formal committees; attendance on informal, advisory panels or the opportunity to attend annual general meetings, employer/scheme road shows, etc. A list of LGPS funds showing the extent of representation across these four areas is attached.

### **1. Main findings**

- a). Percentage of fund authorities with representation on main committee = 84%
- b) Percentage of fund authorities with representation on sub committees = 11%
- c) Percentage of fund authorities with representation on advisory panels = 14%
- d) Percentage of fund authorities with representation at AGMs, etc = 19%
- e) Percentage of fund authorities with none of the above = 13% (11 authorities)

(English shire counties = 4 authorities)

(London Boroughs = 6 authorities)

(Mets + others = 0 authorities)

(Welsh Unitaries = 1 authority)

### **2. Membership of Committees**

- a) Average Number of members on all main committees= 11 (range = 3 to 20)
- b)) English shire counties = 11 (range = 5 to 20)
- c) London Boroughs = 9 (range = 4 to 15)
- d) Mets + others = 15 (range = 10 to 20)
- e) Welsh Unitaries = 8 (range = 3 to 12)

### **3. Frequency of Committee Meetings**

- a) 87% of committees meet at least Quarterly
- b) 2 committees meet twice per annum
- c) 3 committees meet five times per annum

d) 6 committees meet six times per annum

#### **4. Voting Rights**

a) 4 authorities have conferred voting rights on lay members :-

- English shire counties = 2
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 0

b) 5 authorities have conferred voting rights to lay members on advisory panels :-

- English shire counties = 1
- London boroughs = 0
- Mets and others = 2
- Welsh Unitaries = 2

#### **5. Number of “trustees”**

a) Total number of members on main committees = 909

b) Total number of elected members on main committees = 651 (72%)

c) Number of lay members on main committees = 258 (28%)

#### **6. Correlation between Governance and Funding levels**

a) No representation - Average funding level = 73% (range = 62% to 79%)

b) 1 item of representation - Average funding level = 72.3% (range = 57% to 89%)

c) 2 items of representation - Average funding level = 76.5% (range = 64% to 94%)

d) 3 items of representation - Average funding level = 83.5% (range = 74% to 93%)

e) 4 items of representation - Average funding level = 79.5% (range = 77% to 82%)

**(Average funding level of all funds in England and Wales = 73.4%)**

#### **7. Correlation between Governance and Investment Returns**

a) No representation (11 funds) 03/04 Average = 25.7% (range = 22% to 30%)

04/05 Average = 13% (range = 10% to 15%)

b) 1 item of representation (51 funds) 03/04 Average = 25.4% (range = 20% to 31%)

04/05 Average = 13.1% (range = 9% to 20%)

c) 2 items of representation (20 funds) 03/04 Average = 23.6% (range = 13% to 29%)

04/05 Average = 11.6% (range = 6% to 15%)

- d) 3 items of representation (2 funds) 03/04 Average = 24.5% (range = 24% to 25%)  
04/05 Average = 12.5% (range = 12% to 13%)
- e) 4 items of representation (2 funds) 03/04 Average = 23% (range = 22% to 24%)  
04/05 Average = 13.6% (range = 13% to 14%)

**Department for Communities and Local Government  
Local Government and Firefighters' Pension Schemes Division  
July 2006**

## **REPRESENTATION ARRANGEMENTS**

### **EXAMPLE 1**

#### **Governance Policy Statement**

This statement sets out the Fund's scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

The Council is the Administering Authority the Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

#### **Pensions Committee**

The Committee is comprised of 15 members, 10 of whom are Members from the Council with 4 members representing the other Local Authorities and one member representing the other employing organisations in the Fund.

Three Trade Union representatives of scheme members are also invited as observers. Trade Union representatives are traditionally drawn from separate trade unions - 1 from T&G, 1 from GMB, and 1 from Unison - who receive copies of the agendas/reports, and attend both the full Committee as observers and the Investment Monitoring Working Party. They are also invited to attend the internal training sessions for new elected members on the Pensions Committee.

The Pensions Committee meets at least five times a year. Its responsibilities are:

1. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the County;
2. To monitor and guide the overall investment strategy adopted by the Investment Monitoring Working Party and the overall performance of the Fund;
3. To appoint the professional advisers to the Fund and agree the basis for their commission and remuneration;
4. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund;
5. To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration;
6. To consider any views expressed by employing organisations and staff representatives.

## **Investment Monitoring Working Party (IMWP)**

The IMWP meets four times a year and makes recommendations to the Pensions Committee following consultation with officers and external advisers. The IMWP is not a decision-making body but is intended to provide a forum where investment issues can be explored in greater depth. It comprises:

All members of Pensions Committee (15)  
Director of Finance (1)  
Deputy Director of Finance (1)  
Assistant Director of Finance (Pension Fund) (1)  
Independent Advisers (2)  
Trade Union (3)  
Actuary/Investment Consultant (1)

## **Director of Finance**

The following function is delegated to the Director of Finance by the Council, pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000:

“Undertake all day to day administration of the Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with transferee admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.”

The Director of Finance may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Director of Finance and must be taken in his name and he shall remain accountable and responsible for such decisions.

## **Accountability and publication of information**

Details of Pensions Committee meetings are published on the Council website together with agendas, reports to be considered by the Committee and minutes of proceedings. The minutes of the Investment Monitoring Working Party are also available on the Council's website. The meetings of the Pensions Committee which are held at a Town Hall are open to the public

An Annual Pension Fund Report and Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website. Extracts of the annual report and details of its availability are also reported in the newsletter sent to all scheme members.

An Annual Employer's Conference is held to which all Fund employers and elected members of the Pension Committee are invited to attend. The annual conference is an

opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues. Those held in recent years have considered the Funding Strategy, proposed changes to Inland Revenue Treatment of Pensions, Internal Dispute Resolution and Ill Health Retirement Policy and Procedures.

## EXAMPLE 2

### MANAGEMENT ARRANGEMENTS - PARTICIPATION OF TRADE UNION REPRESENTATIVES

The formal decision making body is the Pension Fund Management Panel. It has full delegated powers from the Council and considers the following:

- investment management arrangements
- monitoring investment activity and performance
- overseeing administrative activities
- guidance to officers in exercising delegated powers

The membership of the Panel comprises a majority of administering authority councillors and 5 councillors from other local authorities.

The Management Panel meets concurrently with the Pension Fund Advisory Panel. The Advisory Panel considers the same agenda as the Management Panel and advises them in all areas. In reality, it is a very exceptional situation where the Management Panel decision differs from the Advisory Panel's recommendation.

Each local authority is represented on the Advisory Panel and there are 6 employee representatives nominated by the local TUC (currently GMBATU, AMICUS, TGWU, UCATT and Unison (2 reps)). In addition 3 external advisors assist the Advisory Panel in particular regarding investment related issues.

The Fund also has 4 Working Groups that consider in detail the following matters:-

- Ethics and Audit
- Local Initiatives and Venture Capital
- Information Services
- Property

These groups make recommendations to the Advisory and Management Panels.

Working Group membership is made up of around 8 members of the Advisory and Management Panels. There are employee representatives on each Working Group.

The employee representatives have the opportunity to participate as actively as the councillor representatives in the management of the Fund and do so. They also receive the same level of support as councilors, including training and development opportunities.

The only difference is that they do not have a vote on the formal decision making Management Panel.

Comments from the trade union representatives is that through their participation in the Advisory Panel and Working Groups, they are able to -

- i. maintain a good understanding of what is happening across the Fund's activities on both investment and administration issues, and
- ii. contribute to the effective management of the Fund

The employee representatives are complimentary of the arrangements.

The Panel arrangements generally work well. Clearly, there are trade-offs between size of meeting and participation. The Management arrangements have also benefited from continuity with a long standing chairman (18 years), a number of councilors and trade union representatives who have contributed for many years, and stability amongst the advisors, officers and fund management arrangements.