

**LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)
CIRCULAR SPN/LG No. 3/2011**

WHO SHOULD READ:

- The Secretary General**
- Convention of Scottish Local Authorities**
- The Chief Executive**
- Scottish Local Authorities**
- The Chief Executive**
- Water Authorities**
- The Principal Reporter**
- Scottish Children's Reporter Administration**
- The Chief Executive**
- Scottish Environment Protection Agency**
- The Director General**
- Strathclyde Passenger Transport Executive**
- The Clerk**
- Strathclyde Passenger Transport Authority**
- The Chief Executive/Director**
- Area Tourist Boards**

ACTION:

This circular should be brought to the attention of Pension Managers and Superannuation Sections. You may also wish to draw it to the attention of the Directors of Finance and Administration

SUBJECT: LGPS GOVERNANCE GUIDANCE

DATE: 7 April 2011

About Circular SPN/LG No. 3/2011

Regulation 27 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228) requires administering authorities to prepare and publish a written statement setting out the terms of their current governance arrangements. The regulation refers to "guidance given by the Scottish Ministers". A copy of that guidance is now attached.

07/04/2011

1. Regulation 27 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228) requires administering authorities to prepare and publish a written statement setting out the terms of their current governance arrangements. The regulation refers to “guidance given by the Scottish Ministers”.

2. A copy of that guidance is now attached. Although regulation 27(2) currently states that an administering authority must publish the first such statement on or before 31st March 2011, fund managers will be aware that new amendment regulations currently in preparation will alter that date to 30 September 2011.

3. Any enquiries about this circular should be made to David Lauder on at the above address.

Yours faithfully

Kimberly Linge
Policy Officer, LGPS

Contact Information:

Should you have any enquiries about this circular, or require further information, please contact: David Lauder on 01896 893227

Scottish Public Pensions Agency 7 Tweedside Park Tweedbank GALASHIELS TD1 3TE	www.sppa.gov.uk Telephone: 01896 893000 Fax: 01896 893230
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INVESTOR IN PEOPLE

LOCAL GOVERNMENT PENSION SCHEME IN SCOTLAND

Version 1 (April 2011)

Governance Compliance Statements

Frequently Asked Questions

There is mention of best practice principles in the guidance, what are the principles contained in the guidance?

The best practice principles are as follows:

- a) *The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.*
- b) *That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.*
- c) *That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.*
- d) *That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary*
- e) *That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-*
 - i) *Employing authorities (including non-scheme employers, e.g., admitted bodies);*
 - ii) *scheme members (including deferred and pensioner scheme members),*
 - iii) *where appropriate, independent professional observers, and*
 - iv) *expert advisors (on an ad-hoc basis).*
- f) *That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.*
- g) *That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.*
- h) *That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda*
- i) *The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.*



j) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

k) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

l) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

m) That an administering authority's main committee or committees meet at least quarterly.

n) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

o) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

p) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

q) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

r) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

What is meant by Governance?

There are many definitions of governance for example:

- The act, process or power of governing
- The persons or committees or departments who make up a body for the purpose of administering something
- Relates to decisions that define expectations, grant power or verify performance

In the context of the Local Government Pension Scheme, governance relates to

- The general stewardship of funds,
- The decision making process and the structure within which those decisions are made,
- The degree of consultation and inclusiveness of stakeholder representatives in the decision making process (member voice) and
- The degree of transparency in the management of risk.



Must LGPS funds formulate a “Governance Compliance Statement”?

There is a statutory requirement for each Scottish Local Government Pension Fund to formulate a Governance Compliance Statement under regulation 27 of The Local Government Pensions Scheme (Administration) (Scotland) Regulations 2008.

What is the purpose of the guidance?

The guidance sets out the compliance standards against which Scottish Local Government Pension Scheme Administering Authorities are to measure their governance arrangements. The aim of the guidance is to ensure that the different governance structures in place in administering authorities in Scotland reflect best practice principles.

Will lay members be entitled to a seat on the main Committee?

There is a requirement under principle b) above for representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) to be included on either a main or secondary committee established to underpin the work of the main committee. Principle d) requires that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary

Will the lay member representative on the main committee have voting rights?

The elected members on the main committee may agree to include lay members on the main committee with or without voting rights but are not compelled to confer voting rights on the lay member.

How will a lay member of a secondary committee be selected?

There will be a wide range of stakeholders represented on secondary committees. It is not however the responsibility of the administering authority to determine how the inclusion of a diverse range of representatives can be accommodated on the main committee. That said, the administering authority may undertake a role in co-ordinating the selection of members for the main and secondary committees. Rotation of key stakeholder representation on the main committee may be an option for consideration to ensure that representation on the main committee is shared evenly among key stakeholder representatives.

Will administering authorities have to report on non-compliance?

Administering authorities are required not only to comply with the guidance on governance but they must **also** explain **how** their governance arrangements comply with the guidance. Where an administering authority's governance arrangements are not compliant the compliance statement must detail the extent of the non-compliance, and include a plan of action, where one exists, to attain compliance within a reasonable timescale.



Who will be responsible for ensuring that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

The guidance is not prescriptive on this matter but leaves it up to each administering authority to determine how committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. The responsibility however rests with Senior Officers (Heads of Pensions) within the administering authority.

