



# Governance Review

## London Borough of Enfield Pension Fund

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## Executive Summary

We have been asked by the London Borough of Enfield, the administering authority for the London Borough of Enfield Pension Fund, to carry out a governance review in relation to the London Borough of Enfield Pension Fund. The Fund is one of the 88 Funds who are part of the national Local Government Pension Scheme (LGPS) in England and Wales.

The purpose of this review is to ensure that the London Borough of Enfield, the Administering Authority for the London Borough of Enfield Pension Fund, is meeting its legal requirements in relation to the running of the Fund. In addition, the review highlights areas of good practice in relation to the governance of the Fund and also recommends any potential areas for improvement. The Aon governance framework considers the following key areas:

### Direction – What is the Fund trying to achieve?

- Legislation
- Strategies and Policies

### Delivery – How does the Fund meet its aims?

- Business Planning
- Performance Monitoring
- Risk Management

### Decisions – Does the Fund have effective decision making?

- Governance Structure
- Behaviour
- Pensions Skills and Knowledge

It was agreed with the Administering Authority that this review would not consider in detail the effectiveness of the Local Pension Board and it would also not include a detailed review of how the governance arrangements have evolved to incorporate the transition to asset pooling. It focusses purely on available documents; we have not observed any Committee meetings nor have we collated the views of the Committee on its effectiveness.

Our overall conclusion of this review is that the governance of the Fund is of a good standard in many areas and meets legal requirements on the whole, and in some areas the Administering Authority is demonstrating best practice. Where strategies / policies exist, they are generally of a good standard (although we do have a number of suggested improvements). However, we strongly recommend formalising a number of Fund strategies / policies that are not currently in place, including in the areas of Administration, Conflicts of Interest, Breaches of Legislation, Governance, Communications and Training.

In addition, in general the Fund seems to operate effectively in practice in terms of meeting its aims and making effective decisions, but there are a number of areas where we recommend improving the Fund documentation to be clearer and more transparent about how the Fund operates.

## Next steps

We understand this report will be considered by the Pension Policy and Investment Committee in due course.

We look forward to answering any questions and discussing the conclusions with officers following the Pension Policy and Investment Committee meeting (or with the Committee themselves directly if required). We recommend that an action plan is developed in relation to implementing these recommendations, in order that progress can be monitored and updated on an ongoing basis.

# Governance Review

## London Borough of Enfield Pension Fund

### Table of Contents

<b>1 - Introduction</b>	<b>4</b>
<b>2 - Governance Framework</b>	<b>5</b>
<b>3 - Direction – What are you trying to achieve?</b>	<b>9</b>
<b>4 - Delivery – How do you meet your aims?</b>	<b>21</b>
<b>5 - Decisions – Do you have effective decision making?</b>	<b>24</b>
<b>Appendix – Reference Material</b>	<b>30</b>
<b>Information</b>	<b>31</b>

# 1 - Introduction

## Purpose and scope

This paper sets out the findings of Aon's governance review of the London Borough of Enfield Pension Fund, which was commissioned by the London Borough of Enfield. The London Borough of Enfield (the "Administering Authority") is responsible for managing and administering the London Borough of Enfield Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme ("LGPS").

The purpose of this review is to ensure that the legal requirements in relation to the governance of the Fund are being adhered to, as well as to highlight areas of good practice in relation to the governance of the Fund, and also any recommended areas for improvement. We have compared the Administering Authority's key documents and policies that govern the Fund against the Aon governance framework. The Aon governance framework is explained further in the next section of this report.

The review has been carried out at a high level and did not involve any detailed investigation into services such as administration, communications, funding or investments. Accordingly, it does not provide any technical comment in relation to any of these areas, including regarding the technical content of the related key governance documents. The review does include consideration, at a high level, of the legal requirements relating to governance, for example, the requirement to publish certain policies and strategies under LGPS legislation. Though it includes some legal elements, these are presented by us in our capacity as pension consultants and not as legal experts, and as such, nothing in this report should be considered as legal advice.

## Research

The information upon which this review has been based has been gathered by a desk-top review of key reports, statements and policies governing the scheme including information available on the Council or Pension Fund's websites. The documents considered are listed in Appendix A.

We hope the information contained within this report is useful to the London Borough of Enfield Pension Policy and Investment Committee, Pension Board and officers in considering how best to govern the Fund in the future.

We look forward to answering any questions in relation to the report, and particularly any areas where we have highlighted that improvements could be made.

We recommend that an action plan is developed in relation to implementing these recommendations in order that progress can be monitored and updated on an ongoing basis.

## 2 - Governance Framework

*This section describes the best practice framework against which this review was conducted.*

There are some key benefits from having effective governance in place, including:

- Robust risk management that can assist in preventing issues from arising, or at least reducing their impact should they arise
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated and making use of the Pension Policy and Investment Committee.

At Aon, we have a number of beliefs when it comes to achieving good governance including:

- Direction – having clear strategies and policies that also meet legislative requirements are fundamental
- Delivery – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery
- Decisions – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is key.

These beliefs are shown in the following diagram and described in more detail below.



Table 1 – Aon governance framework

Direction – What are you trying to achieve?	
Legislation and guidance	The Fund's strategies and policies should be in line with legislative requirements and any related professional guidance.
Strategies and policies	<p>The Fund's strategies and policies should clearly set out the aims, principles, protocols and environment for how the Fund is managed. The strategies and policies:</p> <ul style="list-style-type: none"> <li>▪ should be wide ranging covering all key areas including funding, investments, administration, communications and governance itself</li> <li>▪ should be clearly articulated, to provide a framework within which those managing the Fund are able to operate</li> <li>▪ should provide the focus for all future decisions and plans</li> <li>▪ should be agreed by those responsible for governing the Fund.</li> </ul>
Delivery – How do you meet your aims?	
Business Planning	<p>Each Fund should have a business plan, setting out required activities in the forthcoming period. Those activities:</p> <ul style="list-style-type: none"> <li>▪ should be driven by the Fund's strategies and policies</li> <li>▪ will include activities driven by changes in overriding legislation.</li> </ul>
Performance Measurement	<p>Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:</p> <ul style="list-style-type: none"> <li>▪ illustrate whether the Fund's aims are being achieved</li> <li>▪ cover the full range of key areas (e.g. investments, funding, governance, communications and administration)</li> <li>▪ illustrate whether the Fund's business plan is being achieved</li> <li>▪ be updated in accordance with appropriate timescales</li> <li>▪ be presented in a manner that is easy to follow and understandable to those governing the Fund</li> <li>▪ assist in identifying changes to the Fund's business plan, strategies, policies and aims.</li> </ul>
Risk Management	<p>Effective risk management is critical to minimise the impact and/or probability of unfortunate events and to maximise the realisation of opportunities. It should be:</p> <ul style="list-style-type: none"> <li>▪ aligned with the Fund's aims</li> <li>▪ a key consideration in decision making</li> <li>▪ systematic or structured</li> <li>▪ an integral part of the Administering Authority's processes and procedures on a daily basis.</li> </ul>

## Decisions – Do you have effective decision making?

Governance structure	<p>There is no one 'correct' governance structure. The Administering Authority's structure should:</p> <ul style="list-style-type: none"> <li>▪ have clear terms of reference</li> <li>▪ have a clearly documented scheme of delegation</li> <li>▪ allow decision making at the appropriate level</li> <li>▪ allow quick decision making where appropriate</li> <li>▪ include appropriate representation from stakeholders</li> <li>▪ involve well-presented information/reports</li> <li>▪ ensure the full range of subject matters are being considered</li> <li>▪ allow sufficient time for discussion where necessary</li> <li>▪ have good quality (committee and board) administration (e.g. issuing papers in good time)</li> <li>▪ involve a process for managing conflicts</li> <li>▪ provide transparency to stakeholders where appropriate.</li> </ul>
Behaviour	<p>A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:</p> <ul style="list-style-type: none"> <li>▪ have a high level of attendance at meetings</li> <li>▪ demonstrate integrity in relation to their Fund role</li> <li>▪ be engaged and provide appropriate challenge</li> <li>▪ be accountable for the decisions made</li> <li>▪ highlight any potential conflicts they may have</li> <li>▪ for a Chairperson, manage the meetings fairly without any bias to individuals or self</li> <li>▪ prepare adequately for meetings.</li> </ul>
Skills and knowledge	<p>A critical element is the need for those managing the Fund to have the appropriate level of knowledge and skills. Administering Authorities should:</p> <ul style="list-style-type: none"> <li>▪ clearly articulate the knowledge and skills requirements in a Fund policy</li> <li>▪ provide ongoing training in an effective and suitable manner to meet those requirements</li> <li>▪ regularly review whether knowledge aspirations are being met</li> <li>▪ ensure they rely appropriately on officers and advisers to provide expert knowledge.</li> </ul>

Throughout this report we have included comments and facts which we hope are useful to the Administering Authority, in highlighting areas of good practice but also identifying areas for potential improvement. To provide some greater clarity on the intention of our comments, we have included graphics to illustrate whether they are:

-  positive – meets legal requirements, national guidance and good practice.
-  negative – requires improvement as it does not meet legal requirements or practices we consider key to good governance.
-  neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance.

### 3 - Direction – What are you trying to achieve?

*In this section, we consider whether the Fund has clear strategies and policies which meet the following requirements:*

- *The Fund's strategies and policies should be in line with legislative requirements and any related professional guidance.*
- *The Fund's strategies and policies should clearly set out the aims, principles, protocols and environment for how the Fund is managed.*
- *The Fund's strategies and policies should:*
  - *be wide ranging covering all key areas including funding, investments, administration, communications and governance itself*
  - *be clearly articulated, to provide a framework within which those managing the Fund are able to operate*
  - *provide the focus for all future decisions and plans*
  - *be agreed by those responsible for governing the Fund.*

In the table that follows, we summarise the key policies and strategies which we would expect to be in place for a well governed LGPS Fund, considering both legal requirements and best practice. Note that we have not considered the principles or methodology within these documents, given that this review is focussed on governance matters and not, for example, on the quality or suitability of actuarial or investment matters.

We have indicated in the table whether the documents are;

- legally required under the LGPS, or
- expected in accordance with CIPFA, LGPS Scheme Advisory Board ("SAB") or The Pensions Regulator's ("TPR") Guidance or Codes (many of which have some element of statutory backing),

and we then consider whether they are currently in place for the Fund and whether they meet these legal requirements, or any requirements laid out in Guidance or Codes.

We also consider the quality and structure of these policies and strategies. For example, it is important that the Pension Policy and Investment Committee is fully engaged in the development of all strategies and policies, whilst receiving appropriate advice and expertise from the officers and advisers of the Fund. It must therefore be clear that strategies and policies are part of Committee business and are subject to ongoing review. We consider some other best practice elements later.

Table 2 – Strategies and policies – meeting key requirements

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Funding Strategy Statement (FSS)</b>	Yes – 31 March 2017	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ CIPFA FSS Guidance</li> </ul> <p>The Administering Authority reviewed its strategy as part of the 2016 valuation.</p>	<p>😊 Meets requirements and also follows the CIPFA 2016 guidance.</p>	<p>😞 Despite the FSS clearly setting out when it is effective from, and when it will be reviewed, there is nothing showing exactly when or how (e.g. at Committee) it was actually approved. It would be good practice to include this information.</p> <p>😊 It is also clear that appropriate advice from the actuary was taken.</p>
<b>Investment Strategy Statement (ISS)</b>	Yes – Approved 23 February 2017 by Committee	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ MHCLG (formerly DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement</li> <li>▪ Compliance Statement against CIPFA guidance on the Myners Principles in the LGPS</li> </ul>	<p>😊 Meets requirements in the Regulations and MHCLG guidance.</p> <p>😊 There is a compliance statement against the Myners Principles detailed in Appendix 2 of the ISS.</p>	<p>😊 The ISS includes information relating to ESG and corporate governance matters, as well as compliance against the principles of the Stewardship Code.</p> <p>😞 The ISS is clear in setting out the Fund's aims and objectives, although could be clearer in setting out the roles and responsibilities of the key parties (i.e. all in one section).</p> <p>😊 The ISS sets out how the fund will manage its investments through its chosen Investment Pool</p> <p>😞 Although the annual report clearly sets out how and when this was approved, there is nothing to this effect in the ISS itself. It would be good practice to include this information in case it is read independently.</p>

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Governance Policy and Compliance Statement</b>	Compliance Policy Statement (included in Annual Report & Accounts for 2017/18)	<ul style="list-style-type: none"> <li>LGPS Regulations</li> <li>Compliance Statement against Secretary of State guidance</li> </ul>	<p>☹️ The Governance Policy Statement provides all of the information that is required by the Local Government Pension Scheme Regulations 2013 except the statement of compliance against the Secretary of State's guidance (i.e. Regulation 55(1)(c).</p>	<p>☹️ The Compliance statement refers to functions of the Administering Authority being delegated to the Pension Board (rather than the Committee). In particular, funding responsibilities are specifically mentioned as being "delegated to the Pension Board, as advised by the PP&amp;IC". These references are presumably incorrect and need to be rectified asap.</p> <p>😊 The Governance Compliance Policy focusses purely on the statutory requirements. It would be good practice to expand this to include areas such as governance objectives, and to publish it as a standalone policy on the website.</p>
<b>Communications Policy</b>	Communications policy statement detailed in Annual Report & Accounts for 2017/18.	<ul style="list-style-type: none"> <li>LGPS Regulations</li> </ul>	<p>😊 The Communications Policy Statement provides nearly all of the information that is required by the Local Government Pension Scheme Regulations 2013. However, this is set out in a very high-level way with little detail, and also doesn't mention communicating with member representatives which is a requirement of the regulations.</p>	<p>😊 The Communications Policy focusses purely on the statutory requirements. It would be good practice to expand this to include areas such as communications objectives and how those are measured, and to publish it as a standalone policy on the website.</p>

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Administering Authority Discretionary Policy</b>	No, the Council has a discretionary policy as Scheme Employer, but no Administering Authority policy exists	<ul style="list-style-type: none"> <li>LGPS Regulations – this requires only minimal elements</li> </ul>	<p>☹️ An Administering Authority discretionary policy is a legal requirement. Although this is an optional strategy we consider it integral to the proper management of the Fund. When setting this up, we recommend creating a policy that goes well beyond the basic minimum legal requirements, as well as including all the good practice elements below.</p>	<p>☹️ The employer discretions policy should be clearer that it covers the Council's discretions as Scheme Employer, and is not an Administering Authority discretionary policy. In addition, it would be helpful to include references to show which regulation each discretion covers.</p>
<b>Administration Strategy</b>	No	<ul style="list-style-type: none"> <li>LGPS Regulations, (as an optional strategy)</li> </ul>	<p>☹️ No Administration strategy is in place. Although this is an optional strategy we consider it integral to the proper management of the Fund.</p>	N/A
<b>Risk Management Policy &amp; Strategy</b>	Yes – adopted at October 2018 Committee meeting	<ul style="list-style-type: none"> <li>CIPFA Guidance</li> </ul>	<p>😊 A risk management policy is now in place complying with CIPFA guidance.</p>	<p>😊 The document would benefit from including any of the missing elements below (e.g. when was document approved, when is it reviewed etc) and should also be published on the website.</p>

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Annual report and accounts</b>	Yes – 2017/18	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ CIPFA Guidance "Preparing the Annual Report"</li> <li>▪ CIPFA accounting guidance</li> </ul>	<p>⊗ The report includes very little information relating to administration, and especially administration performance. The LGPS regulations require it to contain "a report of the arrangements made during the year for the administration". Although this is quite broad, we would question whether the information contained clearly covers this requirement. It also does not appear to meet the requirements of the CIPFA Annual Report Guidance in relation to Administration Management Performance and the Scheme Administrative Report. A more detailed check should be carried out against the CIPFA Annual Report Guidance to ensure all areas are included, or at least to ensure there are valid reasons for areas being excluded given it is statutory guidance. We note that the CIPFA Annual Report Guidance is currently subject to review and is likely to require further elements of information.</p> <p>Please note that due to the detailed nature of CIPFA's accounting guidance we have not considered adherence to their guidance. We expect this will have been considered by the Fund's auditors.</p>	<p>⊗ When viewing the annual report online (both on the Enfield Fund website and via the SAB website that lists all LGPS Fund accounts), the Enfield report is correctly linked but the header on the tab that opens says "Hampshire Pension Fund". This is potentially quite embarrassing and should be rectified as soon as possible.</p>

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Knowledge and Skills/Training Policy</b>	Yes, although not clear on version on when approved	<ul style="list-style-type: none"> <li>CIPFA &amp; SAB</li> <li>TPR Code of Practice</li> </ul>	😊 The Fund has recently introduced a training policy complying with CIPFA guidance	🚫 The document would benefit from being significantly expanded and by including all of the missing elements below (e.g. when was document approved, when is it reviewed etc) and should also be published on the website.
<b>Conflicts of Interest Policy</b>	No	<ul style="list-style-type: none"> <li>SAB Required for Pension Board only</li> </ul>	🚫 No specific Conflicts of Interest policy is in place	The guidance relates to the Board only, but we would recommend creating a Policy to apply to all stakeholders. This is mentioned as part of the CIPFA annual report guidance. This should highlight differences between the Council's requirements in relation to declarations for elected members and officers as well as ensuring other parties (observers and advisers) are fully aware of expectations.
<b>Breaches of the Law Procedure</b>	No	<ul style="list-style-type: none"> <li>Pensions Act 2004</li> <li>TPR Code of Practice</li> </ul>	🚫 No specific Breaches Procedure is in place, and no breaches log has been provided.	N/A

Strategy / Policy	Fund Version? / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations
<b>Employer (admission / cessation / bulk transfer) Policy</b>	Yes (included in FSS).  In addition, there is a separate policy for new and exiting employers, although it is unclear whether this is formally in place or still in draft	<ul style="list-style-type: none"> <li>None- good practice only</li> </ul>	N/A	<p>😊 Although not legally required, many administering authorities have now put such policies in place to provide greater detail and expand on some of the areas in the FSS, such as how bulk transfers will normally be calculated and arranged, how new employers are admitted to the Fund etc. The Fund has various elements incorporated within the FSS and in the separate policy.</p> <p>😐 Most of the key elements in relation to joining and leaving employers are included. However, it could be more explicit in relation to how decisions are made where a clear route is not to be followed, and further information could be included in relation to bulk transfer payments.</p> <p>😐 The Administering Authority should confirm whether the separate policy is finalised (making appropriate decisions if necessary) and then include it on Fund's website</p>

As a general principle we would also recommend that any strategy or policy document should include the following elements in addition to the main contents/purpose of the document:

- Introduction including any relevant legislation and guidance
- The Fund's aims / objectives in this area
- What measurement / monitoring will be carried out in relation to those aims / objectives

- The key risks relating to the strategy and how they are being managed / monitored
- Who was consulted on the drafting of the strategy / policy
- When / how it was approved
- The effective date of the strategy / policy
- When it will next be reviewed
- The roles / responsibilities of key parties responsible for delivering the strategy (e.g. Pension Committee, officers, fund managers, advisers etc.)

In addition, we recommend that the latest version of all of these key documents is made separately available on the Fund's website (rather than simply as part of the latest Report and Accounts).

We show in the following tables whether or not these elements are contained in the Fund's key documents, where we consider them appropriate.

**Table 3 – Strategies and policies – document structure**

Strategy / Policy Elements	Introduction including any relevant legislation and guidance	The Fund's aims / objectives	Measurement / monitoring requirements	Key risks and how they are being managed / monitored	Who was consulted	When / how it was approved	Effective date	When it will next be reviewed	The roles and responsibilities of the key parties	On website
<b>FSS</b>	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
<b>ISS</b>	Yes	Yes	Yes	Yes	Yes	No (but is set out in annual report)	Yes	Yes	Yes	Yes

Strategy / Policy Elements	Introduction including any relevant legislation and guidance	The Fund's aims / objectives	Measurement / monitoring requirements	Key risks and how they are being managed / monitored	Who was consulted	When / how it was approved	Effective date	When it will next be reviewed	The roles and responsibilities of the key parties	On website
Governance	Yes	No	No	No	No	No	No	No	Partially in Compliance Statement	Gov Policy Statement and Gov Compliance Statement are online in Annual Report
Communications	Yes	No	No	No	No	No	No	No	No	Communications Policy Statement is in online Annual Report
Discretionary	No Administering Authority policy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administration	No Policy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Strategy / Policy Elements	Introduction including any relevant legislation and guidance	The Fund's aims / objectives	Measurement / monitoring requirements	Key risks and how they are being managed / monitored	Who was consulted	When / how it was approved	Effective date	When it will next be reviewed	The roles and responsibilities of the key parties	On website
<b>Risk</b>	Yes	Yes	Partially, although document not complete	Yes (mostly) and links in to risk register	No	No	No	No	Yes	Unclear (except in meeting minutes)
<b>Training</b>	Yes	No	No	No	No	No	No	No	No	No
<b>Conflicts</b>	No Policy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Breaches</b>	No Policy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Employer (included in FSS)</b>	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS	As per FSS

⚠️ As you can see from the tables above, there are some policies that do not follow good practice by incorporating all of these key elements. We would recommend the Administering Authority incorporates the review of all of these policies within its business plan and the Committee's forward plan. At that point, we would recommend that the next review of each policy includes a review of the structure of the policy to ensure all the key elements identified above are incorporated, they are formally approved and then published as standalone documents on the Fund's website.

## Adherence to The Pensions Regulator's Code of Practice

In addition to the LGPS regulations, CIPFA and SAB guidance, there are a number of key requirements relating to the management and operations of public service pensions schemes which are outlined in The Pension Regulator's Code of Practice Number 14 - Governance and administration of public service pension schemes ("TPR's Code of Practice"). Many of the elements in the guidance relate to legislative requirements, mainly under the Public Service Pensions Act 2013 or the Pensions Act 2004. The Code of Practice covers the following areas and it can be seen that there is also overlap with some of the policies and strategies mentioned previously in this section.

- Knowledge and understanding of LPB members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to member
- Internal dispute resolution
- Reporting breaches of the law

As a matter of best practice, we would expect all Administering Authorities to carry out a regular review of their approach against:

- the legal requirements underpinning the TPR Code of Practice, with a view to ensuring that these are being adhered to, and
- the guidance contained within the code, to consider whether the guidance should be adhered to or an alternative and justifiable approach should be taken.

This will also be an area of particular interest to Local Pension Boards as it is part of their statutory responsibility to assist in ensuring compliance with the TPR's Code of Practice.

The Pension Regulator has carried out three surveys of public sector schemes' compliance with the Code since it was introduced and has stated that it expects all schemes to have assessed themselves against the law and its code of practice.

The Council has recently arranged for an independent check (using a traffic light scoring approach) of the Enfield Fund's compliance with the TPR's Code of Practice, which showed a significant improvement compared to the previous check, and set out a number of recommendations to move towards even greater compliance in future. A screenshot of the model output is set out below:

## Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
<b>Reporting Duties</b>		
A1	Fully completed	Fully compliant
A2	Fully completed	Fully compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Non-compliant
<b>Knowledge and Understanding</b>		
B1	Fully completed	Partially compliant
B2	Fully completed	Partially compliant
B3	Fully completed	Fully compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Partially compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Fully compliant
B9	Fully completed	Fully compliant
B10	Fully completed	Partially compliant
B11	Fully completed	Partially compliant
B12	Fully completed	Partially compliant
<b>Conflicts of Interest</b>		
C1	Fully completed	Partially compliant
C2	Fully completed	Fully compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Partially compliant
C6	Fully completed	Non-compliant
C7	Fully completed	Partially compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
<b>Publishing Information</b>		
D1	Fully completed	Partially compliant
D2	Fully completed	Partially compliant
D3	Fully completed	Fully compliant
D4	Fully completed	Fully compliant

No.	Completed	Compliant
<b>Risk and Internal Controls</b>		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Partially compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Partially compliant
E8	Fully completed	Partially compliant
<b>Maintaining Accurate Member Data</b>		
F1	Fully completed	Fully compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Partially compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Fully compliant
F9	Fully completed	Partially compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Partially compliant
<b>Maintaining Contributions</b>		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Fully compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Fully compliant
G6	Fully completed	Partially compliant
G7	Fully completed	Fully compliant
G8	Fully completed	Fully compliant
G9	Fully completed	Partially compliant
<b>Providing Information to Members and Others</b>		
H1	Fully completed	Partially compliant
H2	Fully completed	Partially compliant
H3	Fully completed	Fully compliant
H4	Fully completed	Partially compliant
H5	Fully completed	Fully compliant
H6	In progress	Fully compliant

No.	Completed	Compliant
H7	Fully completed	Fully compliant
H8	Fully completed	Non-compliant
H9	Fully completed	Partially compliant
H10	Fully completed	Fully compliant
H11	Fully completed	Fully compliant
H12	Fully completed	Partially compliant
H13	Fully completed	Fully compliant
<b>Internal Dispute Resolution</b>		
I1	Fully completed	Fully compliant
I2	Fully completed	Non-compliant
I3	Fully completed	Partially compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Fully compliant
I8	Fully completed	Non-compliant
I9	Fully completed	Fully compliant
<b>Reporting Breaches</b>		
J1	Fully completed	Partially compliant
J2	Fully completed	Partially compliant
J3	Fully completed	Partially compliant
<b>Scheme Advisory Board Requirements</b>		
K1	Fully completed	Fully compliant
K2	Fully completed	Fully compliant
K3	Fully completed	Fully compliant
K4	Fully completed	Partially compliant
K5	Fully completed	Fully compliant
K6	Fully completed	Fully compliant
K7	Fully completed	Partially compliant
K8	Fully completed	Partially compliant
K9	Fully completed	Fully compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Non-compliant
K12	Fully completed	Non-compliant
K13	Fully completed	Non-compliant
K14	Fully completed	Non-compliant
K15	Fully completed	Partially compliant

## 4 - Delivery – How do you meet your aims?

*In this section we consider whether the Fund:*

- *has a business plan in place*
- *has an appropriate governance structure*
- *is managed by people with the appropriate level of knowledge and skills*
- *is governed by people with appropriate behaviours needed to make the governance effective.*

### Business Planning

A fund's business plan should set out all planned activities in the forthcoming period. Those activities:

- should be driven by objectives of the Fund's strategies and policies
- will include activities driven by changes in overriding legislation.

It is good practice for Funds to have a clear business plan. The LGPS Myners Principles published by CIPFA explicitly refer to this as follows:

"The CFO should ensure that a medium-term business plan is created for the pension fund, which should include the major milestones and issues to be considered by the committee. The business plan should contain financial estimates for the investment and administration of the fund, and include appropriate provision for training. Key targets and the method of measurement should be stated, and the plan should be submitted to the committee for consideration.

The business plan should review the level of internal and external resources the committee requires to carry out its functions effectively and contain recommended actions to put right any deficiencies or to anticipate changing requirements in the future."

We have reviewed the 2018-2021 three-year business plan for the Enfield Fund and, whilst it covers the majority of tasks to be undertaken by the Administering Authority, it is largely a list of tasks to be undertaken in each of the 3 years covered. Whilst the plan does summarise the Fund's objectives in the introduction the plan itself doesn't relate back to those objectives and could be considered to be too superficial; we therefore observe a general lack of depth to the plan.

To improve and strengthen the plan we would recommend expanding it to provide better visibility. To this end, it might be worthwhile removing (or separating out) elements that are business as usual, and then providing a narrative (perhaps a paragraph or two) in relation to each of the remaining, more project based tasks, including a comment on additional resource or budget implications and how these relate back to the Fund's objectives. We would expect less detail in relation to years two and three of the (rolling) business plan, but nevertheless some commentary would help provide greater oversight in relation to ongoing resourcing and delivery.

In addition, even though there is projected cashflow information included in the business plan, there is no reference to the level of resources required nor operational budget, and this should be a key element of the plan, as highlighted in the CIPFA guidance on the Myners' principles.

### Performance Measurement

Those responsible for managing the Fund (here the Pensions Policy and Investment Committee) should be provided with appropriate performance information on a regular basis (e.g. at each quarterly meeting). Measurements should:

- demonstrate whether the Fund's aims are being achieved (as outlined in the Fund's policies and strategies)

- cover the full range of key areas (e.g. investments, funding, governance, communications and administration)
- enable the committee to evaluate whether or not the Fund's business plan is being achieved
- be updated in accordance with appropriate timescales
- be presented in a manner that is easy to follow and understandable to those governing the Fund
- assist in identifying potential changes to the Fund's business plan, strategies, policies and aims.

 At each Committee meeting, a quarterly update report is presented including information from both Fund Managers and Investment Advisers.

 However, although investment matters are covered in detail, based on our analysis of the last three sets of meeting minutes (the only ones available online), it does appear that very little information is provided in relation to monitoring of other areas such as administration, governance and communication matters.

We recommend that the Administering Authority reviews its wider monitoring arrangements to ensure that **all of the Fund's aims and objectives**, as should be articulated in the key strategies and policies, **are subject to ongoing monitoring at appropriate timescales and at the right level**. We would expect this to include areas such as:

- more regular consideration of the effectiveness of the communication strategy, such as measures in relation to satisfaction surveys or use of the website
- administration measures to set out performance statistics, e.g. number of tasks, adherence to agreed service standards and the amount of work which has not been completed
- we would also expect ongoing monitoring reports to share information such as:
  - identified breaches of the law (both those reported to TPR and those simply recorded by the Fund)
  - monitoring progress against the Fund's budget including expected income and expenditure
  - monitoring of key tasks included within the business plan.

It is possible to include much of this information within a summary scorecard or other simple method of indicating (at a high level) any areas where objectives or requirements are not being met as well as allowing Committee members to easily identify what the Fund is doing well. This could perhaps be as simple as an initial summary page within the appropriate report, which would assist in ensuring information is kept succinct where appropriate.

## Risk Management

Effective risk management is critical in minimising the impact and/or probability of undesirable events and in maximising the realisation of opportunities. Risk Management should be:

- aligned with the Fund's aims
- a key consideration in decision making
- systematic or structured
- an integral part of the Administering Authority's processes and procedures on a daily basis.

The Fund's Risk Management policy, which as set out above has recently been developed, will detail how risks are identified and managed, where responsibility lies and the process for reporting and escalation of matters.

In addition to this we note that:

- the Administering Authority maintains a risk register which is now taken to each quarterly Committee meeting as a standing item
- much of the focus of Committee papers is around the key risks to the Fund from an asset management perspective.

Once the integration of the Fund's Risk Management Policy with the Risk Register is complete, we will be in a much better position to determine whether the Fund has an effective risk management process in place. However, the signs are currently positive, and we would expect this area to 'turn green' once this is up and running on an ongoing basis.

## 5 - Decisions – Do you have effective decision making?

*In this section we consider whether the Fund:*

- *has an appropriate governance structure*
- *is managed by people with the appropriate level of knowledge and skills*
- *is governed by people with appropriate behaviours needed to make the governance effective.*

In this part of the report we comment on how Committee meetings are run, for example whether meetings are well chaired, whether there is appropriate engagement from the Committee, with all or most individuals having an opportunity to participate in the discussion, with appropriate guidance from advisers and officers and whether there is sufficient time for discussion. We would normally base this on our observations at meetings and effectiveness questionnaires, along with information taken from reviewing recent minutes, reports and other background information. However, we have not been asked to observe any meetings nor issue any questionnaires, so our comments are solely based on the desktop review information we have gathered.

### Appropriate governance structure

There is no one 'correct' governance structure. The Administering Authority's structure should:

- have clear terms of reference
- have a clearly documented scheme of delegation
- allow decision making at the appropriate level
- allow quick decision making where appropriate
- include appropriate representation from stakeholders
- involve well-presented information/reports with good quality (Committee) administration (e.g. issuing papers in good time)
- ensure an appropriate range of subject matters is considered
- allow sufficient time for discussion where necessary
- have good quality (Committee) administration (e.g. issuing papers in good time)
- involve a process for managing conflicts
- provide transparency to stakeholders where appropriate.

These elements are considered in this section.

### **Terms of reference and scheme of delegation to the Committee and senior officers**

Article 20 of the Council's constitution (in Part 2) sets out the structure and responsibilities for the Pension Policy and Investment Committee. However, it only briefly states the membership of the Committee and does not make reference to areas such as policy on substitutes and numbers needed to be quorate. It also contains the Committee's Terms of Reference, but this is very light on detail - it simply lists 8 items the Committee is responsible for, ranging from the very specific such as "Agree the Statement of Investment Principles" (which has now been superseded by the ISS) to the very broad such as "Consider any other policy or investment issue as the Committee sees fit".

Having examined this section of the constitution, our conclusion is that there would be benefit in significantly expanding the terms of reference drawn up for the Committee to be more detailed.

That being said, the Fund's Governance Policy Statement and the Governance Compliance Statement do provide some more detail on the operation of the Fund (although again, as set out

above, these could also benefit from being expanded upon). In particular, there is a definite focus on investment responsibilities, and we would recommend reviewing the Constitution and these governance documents to ensure they cover all key areas appropriately, including giving appropriate weighting to administration and communications responsibilities.

In addition, we couldn't find any substantive evidence of pension matters being formally delegated to Fund officers, other than in Part 4 of the Constitution where the Head of Exchequer Services is given delegated responsibility for "ensuring that payroll and pension payments are made promptly and accurately and in accordance with legislation" (it is not clear to us exactly where this 'payment' delegation ends and where the responsibility to put in place appropriate processes / policies to facilitate the smooth running of the Fund would start). However, we assume that the Committee would be within its powers to delegate certain responsibilities to senior officers, rather than it having to be done at Council level, but this should also be a point that is clarified if the Constitution were updated with more detailed responsibilities and powers for the Committee. The Council should ensure that, if matters are delegated on an ongoing basis, part of the decision-making process is also agreeing what ongoing reporting of those matters is required (for example, no reporting required, a summary at the following Committee meeting or an immediate email around Committee members).

### **Appropriate level of decision making and quick decision making where appropriate**

It is important that decisions are made at the appropriate level and that the governance structure is flexible enough to ensure that decisions can be made in a timely manner. It is very difficult to ascertain purely from the agendas / minutes without observing any meetings whether this is the case, but it would appear from the agendas / minutes we have reviewed that the Committee does make decisions where required at meetings and there are appropriate levels of discussion taking place. It is not possible for us to tell whether this takes place or not, but the chair should always ensure that when decisions need to be made they are proposed and seconded and everyone has a chance to vote (if needed) or to express an alternative point of view. We can see that decisions are recorded in the minutes as a matter of public record, which is positive.

However, it may be important that certain decisions (e.g. short-term or tactical investment decisions within the constraints of the Fund's strategy) can be made in between Committee meetings. In line with our comments on the Constitution and the Terms of Reference above, it would be useful for these documents (and the Investment Strategy Statement) to be clear on what can / cannot be delegated to Officers (and under what conditions etc).

### **Appropriate representation**

It is good practice for administering authorities to allow some representation for scheme members and employers in the management of the fund. The Pension Policy and Investment Committee is made up of six elected members from Enfield Council (the administering authority), although the Committee has also appointed an independent professional advisor which we believe is a positive move.

However, the recent establishment of the Pension Board does allow some employer and member representation, as the Board is made up of:

- Four employer side representatives
- Four employee side representatives.

The involvement of a wider range of stakeholders in the Pension Board provides a good opportunity for them to feed in their thoughts, although the lack of diversity in the Committee structure means opportunities for them to feed directly into the decision-making process are probably limited. It is considered good practice to have employer representatives (i.e. a representative of employers other than the Administering Authority) and scheme member representatives as members of the Committee and we recommend that this is considered in future.

As an aside, we note that the Pension Board area of the Fund's website (when accessing via the main Committee page) links to the old Investment Panel members and details rather than the Board – this should be rectified at the earliest opportunity.

### **Well-presented information/reports with good quality (Committee) administration (e.g. issuing papers in good time)**

Information and reports are provided to the Pension Policy and Investment Committee by officers and various advisers (including the investment consultant). Our view from the reports we have seen is the information and reports are well constructed and presented, although this is based on a limited sample size. We are not able to determine the timeliness of when they were issued. Without undertaking a questionnaire to determine the views of Committee members on this matter, it is not really possible to comment further.

### **Appropriate range of subject matters being considered**

As mentioned above, we would expect to see more time spent at Committee meetings focussing on other areas of management, and we particularly note a lack of information relating to governance, administration and communication matters. Again, based on a limited sample size of recent minutes reviewed, we note that the Board tends to focus on reviewing the work of the Committee, which is their main remit, but we feel there is probably scope for the Board to become more involved in supporting the administering authority on other areas relating to the management of the Fund.

### **Sufficient time for discussion**

Having reviewed the previous agendas and minutes it would appear that all agenda items have been covered in each meeting, so we have no particular concerns in this area, although once again this is very difficult to tell without observing meetings and gauging opinions.

### **Managing actual and potential conflicts of interest**

Each Committee elected member and co-opted member is required to declare any interests (pecuniary or not) in line with local authority requirements at the beginning of each meeting and this is recorded in the meeting minutes. The Committee minutes indicate that this is done as a standing item at the start of each meeting.

A pecuniary interest is generally considered as an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person. This would cover areas such as land ownership, involvement with businesses and gifts or hospitality.

However, there can be examples whereby a Committee member does not have a clear pecuniary or non-pecuniary interest as defined by the Council's Code of Conduct, but instead has a personal or professional conflict of interest that needs to be managed appropriately. For example, involvement with an employer who participates in the Fund.

In that example, there may be circumstances where it is necessary for Committee members (e.g. administering authority or other Council's elected members) to balance their employing authority responsibilities (e.g. maintaining local service provision) against their administering authority responsibilities (e.g. ensuring appropriate payments by all employers into the Fund). This could potentially extend to political views whereby some councillors may have different views than other councillors from differing political parties, for example, in relation to investment in local infrastructure or environmental, social and governance (ESG) matters. Recent Queen's Counsel opinion and the Law Commission report conclude that ultimately Committee members, and all those concerned with the management of the Fund, should remain focussed on the underlying fiduciary and public law responsibilities. This means that Fund assets should be invested in the

best interests of members and beneficiaries. The potential for interests that could conflict with Fund matters, and this ultimate responsibility, should always be recognised and managed appropriately.

The Council's Code of Conduct requirements in relation to disclosable pecuniary and some non-pecuniary interests are a useful starting point for managing conflicts. However, there are circumstances where other interests could have an impact on impartiality in the Fund's decision making. A Fund-specific Conflicts of Interest Policy (see below) could ensure this point is clear to all involved. It is, however, worth highlighting that this would not necessarily require individuals to be removed from meetings.

The CIPFA Guidance for LGPS Funds in Preparing the Annual Report refers to the information contained within the Fund's Governance Compliance Statement including their "policy and processes for managing any conflicts of interest". It is also a key area of interest for both the Scheme Advisory Board and in The Pension Regulator's Guidance, albeit more focussed on Pension Board members.

The Pension Board Terms of Reference includes a section on conflicts of interest and whilst it is not a legal requirement, as mentioned earlier in this report, we recommend that the Administering Authority extends this and develops a Fund-specific Conflicts of Interest Policy outlining how conflicts of interest will be managed and dealt with at a Fund level, i.e. including the Committee, Board, officers and advisers. This could include reference to:

- the Council's Code of Conduct
- how it relates to co-optees and observers
- examples of Fund specific potential conflicts of interest
- how conflicts of interest (and potential conflicts of interest) will be managed
- guidance for officers and advisers of the Fund to also adhere to.

## **Transparency to Stakeholders**

As with all local authority functions, it is important that stakeholders have appropriate access to Fund information, including regarding the governance of the Fund. In this regard the Administering Authority's activities are appropriately driven by local authority legislation, for example:

- the requirement to provide public access to meetings (except for exempt items), and
- the requirement that all reports, agendas and minutes are published (except for exempt information).

It is pleasing to therefore see Committee and Board meeting agendas and reports, and in due course the minutes, are now published on the Council's website. However, full minutes are only available online for the most recent 2018 meetings. Whilst this will no doubt improve in future as more meetings take place, it would be worth revisiting pre-2018 meetings to ensure that their agendas/minutes are all available online too. It is also positive to note that exempt items appear to be kept to a minimum, demonstrating a culture of openness and transparency in decision making.

The LGPS regulations require each Administering Authority to produce and publish an annual report and accounts providing key financial information, management information and strategies. This requirement is enhanced by the (non-statutory) CIPFA Guidance for LGPS Funds in Preparing the Annual Report.

Our observations are that the Administering Authority demonstrates compliance with this requirement, producing and publishing a thorough set of report and accounts annually. As mentioned earlier in this report we feel that the annual report and accounts could be improved by expansion in some areas, such as the Fund's administration performance.

 Further the Administering Authority maintains a website which includes a wide range of information including:

- information for scheme members about the benefits of being a scheme member
- key governance documents (e.g. Annual Report and Accounts and certain policies)
- information about the Committee and Pension Board.

However, the information on the website could do with a thorough review and overhaul to ensure that it contains all the information one would expect, and also that it is presented in a logical and easily accessible format. Although the scheme member information is generally well set out, with easy access to the various forms / guides they might need, when undertaking this review we found it difficult to find / access a lot of the information you would usually expect to see. In particular, a large number of policies / strategies cannot be accessed on the website (or they are so difficult to find that we couldn't do so!), and the information on Boards / Committees / Constitution etc are also very hard to navigate to and around (particularly from the home page).

### Skills and knowledge – Pension Policy and Investment Committee

A critical element of good governance is the need for those managing the Fund to have the appropriate level of knowledge and skills. Administering Authorities should:

- clearly articulate the knowledge and skills requirements in a Fund policy
- provide ongoing training in an effective and suitable manner to meet those requirements
- regularly review whether knowledge aspirations are being met
- ensure they rely appropriately on officers and advisers to provide expert knowledge.

The current guidance relating to training of Committee members and officers of LGPS Funds is included in the following documents:

- CIPFA Code of Practice on public sector pensions finance knowledge and skills
- CIPFA Knowledge and Skills Framework – Elected representatives and non-executives
- CIPFA Knowledge and Skills Framework – Officers

In addition, the Scheme Advisory Board's Guidance and The Pensions Regulator's Code of Practice (albeit focussed on Pension Board knowledge and skills legal requirements) highlight the need for the Administering Authority to have appropriate policies and procedures in place to ensure a high level of knowledge and skills.

Though adhering to the CIPFA documents is not statutory, it is considered good practice and there is increasing acceptance of the requirement for high levels of knowledge, as well as increasing scrutiny of this requirement by Committee members and officers. The key elements of the CIPFA requirements set out above are considered further below. Our focus within this section is on the requirements relating to Committee members and senior officers of the Fund.

### Clearly articulated knowledge and skills requirements in a Fund policy

The Fund has recently established a formal training policy for Committee members to aid them in performing their roles and enabling them to act effectively in line with their responsibilities. Whilst this is a major step forward, please see our comments above on the specifics of the Training Policy itself, as we recommend a number of changes to make the policy a much more comprehensive document and to cover all of the areas referred to in the guidance from CIPFA and the Scheme Advisory Board.

### **Providing ongoing training in an effective and suitable manner to meet those requirements and regularly review whether knowledge aspirations are being met**

We believe it is important to offer a wide range of training opportunities to Committee (and Board) members via a range of different approaches. For example, in addition to ensuring that Committee members are aware of all the key elements of managing the Fund, we believe it is important that they have the opportunity to learn about areas other than those that are a current priority for the Administering Authority. A key skill of a good Committee member is to be able to identify where information is not provided in reports, on an agenda or as part of a business plan, and therefore to be able to ask questions relating to alternative options that are not under consideration (i.e. turning the unknown unknowns into known unknowns).

 We note from the minutes that Committee meetings regularly include presentations / training (although based on the minutes we reviewed this was largely investment focussed). We have not seen a training log and the Training Policy is not clear how the training sessions attended / required will be monitored / recorded. We recommend that whatever method is used / introduced should provide an overall assessment against the CIPFA knowledge and skills framework (or whichever framework is adopted) to allow the Administering Authority to understand whether Committee members and officers have had appropriate training in the required competencies. We also recommend that information in relation to attendance at training is included in the Fund's Annual Report and Accounts.

### **Rely appropriately on officers and advisers to provide expert knowledge**

Having reviewed the most recent Committee minutes and agendas it is clear that the members rely on input from their investment and actuarial advisers and Fund officers to assist them in their decision making. Every meeting features updates and papers from the investment advisers and there is regular input from the officers and other advisers when needed.

### **Behaviour - Committee**

A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:

- have a high level of attendance at meetings
- demonstrate integrity in relation to their Fund role
- be engaged and provide appropriate challenge
- be accountable for the decisions made
- highlight any potential conflicts they may have
- for a Chairperson, manage the meetings fairly without any bias to individuals or self
- prepare adequately for meetings.

We cannot really comment on whether the Committee (and Board) members display these attributes without observing a meeting in action.

### **Attendance at Meetings**

However, we can say that the Committee meetings we did review the minutes for were reasonably well attended (two meetings had five out of six Councillor attendees, and the third meeting had four out of six attendees). Whilst it is not ideal that any meeting doesn't have complete attendance, the four absences across the three meetings were all from different Councillors, so on our limited evidence we do not see any systematic widespread issues and have no particular concerns in this area.

## Appendix – Reference Material

***This appendix lists the various documents that were considered as part of this Governance Review.***

- Annual Report 2017/18
- Communications Strategy (Detailed in Annual Report 2017/18)
- Funding Strategy Statement March 2017
- Governance Compliance Statement (Detailed in Annual Report 2017/18)
- Investment Strategy Statement February 2017
- Risk Management Policy
- Risk Register
- Pension Policy and Investment Committee minutes and agendas
- Pension Fund Training / CPD action plan
- Pension Fund Business Plan 2018-21
- Council's constitution

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