



governance report

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Introduction

It has been quite a year of change for LPFA's Board. Board Members are usually appointed on 3 or 4 year terms of appointment and in October 2010 Niaz Alam, Peter Lang, Shiria Khatun and John Cox left the Board following a Mayoral selection process. Their contributions were gratefully received and we wish them well in their future pursuits.

Michael Cassidy was re-appointed for a further term, and four new Board Members were selected based on their background and desire to contribute to LPFA's strategy direction. They are:

- Councillor Stephen Alambritis – Leader of London Borough of Merton
- Sir Merrick Cockell – Leader of Royal Borough of Kensington and Chelsea
- Mike O'Donnell – Director of Finance at London Borough of Camden
- Anthony Dalwood – Former Chairman of SVG Investment Managers

Biographies of the new Board Members can be found on page 6.

The strategy developed by the new Board will continue to push for business growth, will look at ways to reduce the deficit in the fund and will implement a number of business change projects aimed at preparing LPFA for future challenges such as the introduction of the new scheme.

More detail on the following items can be found in the report, however these are some of the governance highlights for 2010-11:

- The Constitutional Document continued to be reviewed and amended where appropriate. This was especially the case in relation to enabling meetings to be held by telephone conference and in relation to Committee terms of reference.
- Board Member appraisals were conducted in the Autumn and the results were fed into the Board Member training plan.
- Actions from the 2009 Board Performance Evaluation continue to be implemented and a Board Member website was established to house key documents and training opportunities.
- All Board Members were asked to complete a self assessment form against key knowledge requirements based on the Trustee Toolkit.
- A Board Awayday was held in September 2010 where Board confirmed LPFA's business growth strategy and examined the likely results of the Hutton Report on public sector pensions.
- New Board Members participated in an induction process.
- Time for training was set aside following each Board meeting for training and familiarization. This included sessions on public sector procurement, valuation process, performance measurement, special purpose vehicles, stock lending, the draft budget and shared services.
- A compliance statement against the Myners Principles was published in the Statement of Investment Principles.

During 2011-12 Board Members will carryout another Board Performance Evaluation in line with the publication of the review of the Higgs Guidance into Non-Executive Directors by the Financial Reporting Council, develop a compliance statement on the Stewardship Code and continue to review LPFA's strategic priorities.

Statutory constitution

The LPFA was established as a Public Body on 31st October 1989 by 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI 1815]. The Order is the primary instrument for the LPFA's powers and duties which, in the context of Fund administration, are very similar to those of local government authorities. Subsequent to that Order, further powers and duties, mainly to do with post GLC residual issues, have been transferred to the Authority.

Sources of funding

The LPFA has three primary sources of funding for its activities: the Pension Fund, charges for Agency services, and a levy on London Boroughs.

The Constitutional Document

A Constitutional document was adopted by the Board at its meeting in April 2008 and brings together all the governing documents, codes and guidance notes into one comprehensive document. The Document contains:

- Standing Orders
- Matters reserved for decision by the Board
- Terms of Reference of the Standing Committees
- Code of Conduct for Members
- Code of Best Practice for Members
- Scheme of Delegations to Officers
- Contract Standing Orders
- The Code of Conduct for Officers

The Document is provided to all Board members and senior officers of the Authority but is also published on the corporate website at www.lpfa.org.uk. A Staff Governance handbook exists and is the key source of reference for staff in relation to the Authority's Codes of Practice.



The Board

The Board:

has a fiduciary duty to:

- the members of the Fund to ensure monies are collected, that benefits are calculated
- correctly and paid promptly, and that any surplus monies are properly and prudently invested;
- employing authorities in the Fund for maintaining the agreed funding strategy; and
- to the council tax payers of London in respect of expenditure falling to be met from the levy.

and is accountable to:

- the Mayor and the Greater London Authority (GLA) for the proper management of the Authority's affairs;
- the employing authorities in the Fund and scheme members for the proper administration of the Scheme; and
- to agency clients for the operation of their administration contracts.

Board appointments

These are the responsibility of the Mayor and the process is operated by the GLA in consultation with London Councils and other interested parties. It is by open advertisement and subject to independent scrutiny. During 2010-11 the Board maintained its full complement of 11 members although as already noted there were 4 members that left mid year and 4 new members appointed. All Board Members are asked to complete a Self Assessment on joining the LPFA which forms the basis for any on-going training.

Anthony Mayer continued as Chairman with Michael Deakin, as Deputy Chairman with effect from 1st January 2009. Member biographies are shown at page 6.

Board Member	Appointment Period	Skills	Committee
Anthony Mayer Chairman	1 st Jan 2009 to 31 st Dec 2012	Public Administration	Performance and Administration (Chair) Investment Remuneration (ex officio member)*
Michael Deakin	1 st Jan 2006 to 31 st Dec 2012	Actuary Investment Management	Investment (Chair)
Bill Roots	1 st July 2001 – 31 st Dec 2012	Accountant Public Administration	Audit (Chair) Performance and Administration
Michael Cassidy	1 st Mar 2007 – 30 th Sept 2013	Lawyer Public Administration	Investment
Icki Iqbal	1 st Jan 2006 to 31 st Dec 2012	Actuary Financial management	Audit Remuneration (Chair)
Sarah Smart	1 st Jan 2009 – 31 st Dec 2012	Accountant Investment Management	Audit Investment
Angela Pober	1 st Jan 2009 – 31 st Dec 2012	Project Management Management Consultancy	Performance and Administration Remuneration
Sir Merrick Cockell	1 st Oct 2010 - 30 th Sept 2013	International Business Public Administration	Performance and Administration Remuneration
Stephen Alambritis	1 st Oct 2010 - 30 th Sept 2014	Public Administration	Performance and Administration
Anthony Dalwood	1 st Oct 2010 - 30 th Sept 2014	Investment Management	Investment Committee
Mike O'Donnell	1 st Oct 2010 - 30 th Sept 2014	Accountant Public Administration	Audit Remuneration
The following were Board Members up to their respective end date			
Niaz Alam	1 st July 2001 – 31 st August 2010	Responsible Investment Human Rights	Remuneration (Chair) Audit
John Cox	1 st Mar 2007 – 30 th Sept 2010	Chartered Accountant	Audit
Peter Lang	1 st Aug 2007 – 30 th Sept 2010	Ethical Investments Environmental issues	Investment Audit (w.e.f 31 st March 2010)
Shiria Khatun	1 st Aug 2007 – 30 th Sept 2010	Public Administration Culture	Performance and Administration Remuneration

*ex officio: a member by virtue of the position held. The Chairman has voting rights but is not able to Chair the Remuneration Committee.

Board Members and advisers



Anthony Mayer is an Oxford graduate who began a Civil Service career in 1967 based in the Department of the Environment. He was a member of the Central Policy Review Staff and principal private secretary to the Secretary of State for Transport between 1980 and 1982. He left the Civil Service in 1985 to join the merchant bankers N.M. Rothschild & Sons where he remained until 1991 when he became Chief Executive of the Housing Corporation. He was appointed interim chief executive of TfL when it came into existence and became the Chief Executive of the GLA in October 2000. As GLA Chief Executive Anthony was a guest speaker at the Fund Members Forum in 2005. He is currently Chair of the Tenant Services Authority, the new Regulator for affordable housing, and an adviser on electoral processes to INDRA, a leading Spanish Information Technology company.



Michael Deakin is currently a Non Executive Director of the Pension Protection Fund. He is a Director and founder of Michael Deakin Consultancy Ltd since October 2003 and is also Chairman of Manifest Information Services Ltd. Prior to this, Michael was Chief Investment Officer and an Executive Director of Insight Investment, the asset management business of Halifax Bank of Scotland, where he controlled over £65 billion of assets and managed and built a team of 150 investment professionals covering equity, fixed income and property fund management. He is also a trustee of the HBOS Final Salary Pension Scheme. Michael was educated at Bristol University and is an actuary.



Michael Cassidy has practised law in the City for 37 years principally representing the UK's largest pension fund organisation on their investments. In parallel, he has pursued a local government career at the Corporation of London, first as Planning Chairman, then Leader of the Council. He has Chaired the Barbican Arts Centre and, more recently, the Museum of London. He was recently President of the London Chamber of Commerce and was awarded the CBE for services to the City in 2004. In recent years, opportunities have arisen in the area of overseas companies listed on AIM, the most prominent one being Trikona Trinity Capital which invests in Indian property and infrastructure projects. He has served for 10 years on the board of British Land and currently at UBS Ltd. More recently he has moved into the healthcare sector as Chairman of Homerton Hospital.



Icki Iqbal retired as a Director after 8 years at Deloitte & Touche, formerly Bacon & Woodrow actuaries. Prior to this he was Assistant MD of Royal Life Holdings and Group Marketing Actuary of Sun Life. He is an actuary with extensive experience in all aspects of retail financial services businesses and an author of several published reports on actuarial and marketing themes.

The Board



Councillor Sir Merrick Cockell has been Leader of the Royal Borough of Kensington and Chelsea since April 2000 and a councillor since 1986. The Council has been a top performer under various inspection regimes and receives excellent feedback in national resident satisfaction surveys. Its performance as an education authority has been praised by Ofsted as “outstanding”.

In 2010 Sir Merrick was appointed an Audit Commissioner, sitting on the Board of the Audit Commission. He is Chairman of the think tank Localis. Sir Merrick was Chairman of London Councils from 2006 until 2010 leading London’s local government, campaigning for fair funding for public services in London and making the case for more devolution from central to local government.

Other appointments include Chairman of the Kensington and Chelsea Partnership, board member of the Central London Partnership, fellow of the British American Project and president of the Chelsea Theatre.

Sir Merrick is married with two daughters. He ran an international trading company for 23 years and now devotes his full time to public service. He was knighted in 2010 for services to local government.



Angela Pober was appointed to the board with effect from 1st January 2009. She has 20 years experience in running projects and directing programmes.

In 2006 Angela was runner-up in both the prestigious Interim Manager of the Year and Project Manager of the Year awards. Her most recent clients have been Footsie 50 Financial Services and Retail organizations including JP Morgan, Banque Paribas, Barclays Pension Trustees Ltd, Tesco, Zurich Financial Services, RBS and Barclaycard. She is currently a Management Consultant with Kinzere having done consultancy work at Deloitte & Touche and Accenture. She was educated at Loughborough University, and achieved a MBA at Ashridge Business School, is a member of the Chartered Institute of Marketing and has joined the Audit and Compliance Committee of King’s College, London.



Bill Roots was Chief Executive and Director of Finance of Westminster City Council 1994-2000. He was previously Director of Finance and Deputy Managing Director from 1990 to 1994. Prior to that he was Director of Finance of the LB of Bexley for eight years and prior to that he worked for Southwark and the GLC. Bill is a CIPFA member, a former examiner and has sat on numerous national working parties representing the local authority associations. He was Chairman of the London Financial Advisory Committee for ten years until 2000, a former President of the Society of London Treasurers and was President of the Association of Local Authority Treasurers Societies in 1999-2000. He is now an independent consultant operating in central government, local government and the wider public sector. He was a member of the Gershon Efficiency Review team and has undertaken a number of roles for the Department for Communities and Local Government and the Audit Commission in recent times. He is also the Chairman of a Local Heritage Trust.

The Board



Sarah Smart was appointed to the board with effect from 1st January 2009. She is a Director and founder of SmartCats Consulting and Chair of The Pensions Trust.

Having studied Classics at Oxford University, Sarah moved to Edinburgh and qualified as a Chartered Accountant in 1998. In 1999 Sarah moved to Standard Life Investments, where she remained until 2008 working in a number of different roles covering a wide variety of asset classes, including real estate, hedge funds and derivative strategies. Latterly she was responsible for building the infrastructure to support a multi-billion pound liability-driven investment business.

Sarah's work as a pension trustee began in 2004, when she became a member nominated trustee of the Standard Life Staff Pension Scheme. Since then Sarah has acted as a trustee for six other pension schemes, including three appointments as Chair to the trustees and two appointments as sole trustee. She is currently a member of the Pensions Working Party for the Institute of Chartered Accountants of Scotland.



Mike O'Donnell was appointed to the Board in October 2010. He has been Director of Finance at the London Borough of Camden since October 2005, having previously been the Director of Finance for Swindon Borough Council and previously having held a number of other senior finance posts in London local government. He is a qualified accountant and CIPFA member. Mike also chairs the London Financial Advisory Committee (the executive committee of the Society of London Treasurers). He also chairs a number of other cross London working groups and is an advisor to the Local Government Association.

Mike was educated at the University of Sussex and then achieved an MSc at the London School of Economics. In 2008, he also completed the Investment Management programme at the London Business School.



Tony Dalwood is a former Chairman of SVG Investment Managers (SVGIM). Tony was formerly CEO of SVG Advisers, the global private equity funds business and manager of \$5bn AUM. He previously established the public equities business for Schroder Ventures (London) Limited which included fund management and investment strategy alongside operational responsibilities. Prior to this he was a Director at UBS Global Asset Management (formerly Phillips & Drew Fund Management). Whilst at UBS, Tony was a member of the UK Equity Investment Committee and responsible for managing over £1.5 billion of UK equities. He has an honours degree in Economics & Accounting from Bristol University and a degree in Management Studies from Cambridge University (Judge Institute) and is a member of the CFA Institute.

He is involved in various charities, is a governor of St Albans School and President of a cricket club.



Stephen Alambritis was formerly Research Secretary to the Association of Independent Businesses (AIB). Stephen is currently Head of Public Affairs at the 215,000 member strong Federation of Small Businesses (FSB) and is the chief spokesman for the FSB.

He is a Fellow of the Chartered Institute of Public Relations (FCIPR). Stephen has a BA(Govt) and an MSc (Econ) and an MA (Business Law) and is a Commissioner at the Equality and Human Rights Commission (EHRC). Stephen is also a Labour Councillor and Leader of the Council at the London Borough of Merton and was formerly a member of the Better Regulation Task Force and a Commissioner with the Disability Rights Commission. He is also on the Board of Enterprise UK.

Stephen is a Football Association referee and enjoys real ale and is a member of CAMRA.

Investment Advisers



Peter Moon retired as Chief Investment Officer of The Universities Superannuation Scheme on 30th April 2010 after 38 years in the City working in investment management. He continues to have a number of directorships and advisory roles.



David Rough was Head of Investment with Legal and General group plc, 1991 to 2001, and with Royal Insurance 1984 to 1988. He is currently on the boards' of Xstrata, Land Securities and Friends Provident.



John Dickson Investment Consultant, is Hymans Robertson's Senior Investment Partner and a Fellow of the Faculty of Actuaries. He is head of investment consultancy within the firm, with overall responsibility for research and advice given to clients. John is also a member of the Hymans Robertson board, which has responsibility for the overall strategic direction of the firm. He is also on the Council of the Faculty of Actuaries and the Joint Council of the Faculty and Institute, as well as the Pensions Consultations Group within the Actuarial Profession.

Independent Advisor to Audit Committee

Peter Derrick - bio to follow

Fund Actuary

The Fund's Actuary is Barnett Waddingham and representatives attend meetings of the Board and provide training sessions.

Board responsibilities

Board

- the governance of the LPFA
- the submission of a Strategic Policy Statement and a Budget Statement to the Mayor each year
- the issue and raising of a levy each year
- directing and monitoring the Executive

All Board meetings are open to the public although they may not participate in proceedings. The Board met 5 times during the year and considered a total of 26 reports from the Executive as well as reports from the Committees. The Board considered reports on the Strategy and Budget Statements, governance, the levy, the valuation, the future of the LGPS, LPFA's AVC provider, responsible investment and the implications of the Government's spending review. All agendas and public Board Reports are available at:

<http://www.lpfa.org.uk/about/board/reports/index.aspx>

Board held their annual away-day in September 2010 where they set the scene for the three year Strategic Plan 2011 to 2014, reaffirmed the Mission Statement and Strategic Objectives. They also discussed the affordability of LGPS, the sustainability of the fund, Business Growth initiatives and how LPFA would position itself in the future to become a leaner, fitter and more cost efficient organisation.

Board Member Training, self assessments and appraisals

Following all Board Meetings throughout the year, time is set aside for training and familiarisation: this tends to be a formal presentation from a Fund Manager, Officers, or the Fund's Actuary on a specific topic relevant to all Board Members. At the end of each calendar year, LPFA's Chairman meets with Board Members individually after they have completed a Self-Assessment Form to identify their strengths and areas for development against an in-house skills matrix. The Chairman also sets objectives for the following year for members where this is required. The Chairman and Chief Executive then agree the Programme of Collective and Individual Training, informing each member accordingly.

For 2010-11 collective training included: public sector procurement, valuation process, performance measurement, special purpose vehicles, stock lending, the draft budget and shared services.

Board Members also participated in individual training programmes such as the Pensions Management Institute Pension Trusteeship qualification. LPFA encourages Board Members to attend relevant conferences and training opportunities run by the National Association of Pension Funds (NAPF), Chartered Institute of Public Finance and Accountancy (CIPFA) and various local government associations.

The Standing Committees

Much of the substantive work of the Board is now conducted through four standing committees. Each Committee is empowered to carry out the specific duties set out in its terms of reference. Beyond these specific delegated powers, the Committee acts as an advisory body with no executive powers, but is authorised to investigate any activity relating to or compatible with its terms of reference. Except where the Committee has been specifically authorised by the Board, the Committee will make recommendations for determination by the Board.

The terms of reference of each of the Standing Committees were reviewed by the Board as part of the governance review and are generally reviewed annually at the first meeting of the calendar year. The terms of reference of each Committee are included in the Constitutional Document as are items reserved for Board determination. A summary is included below.

Investment Committee

- the determination of, monitoring and review of the investment strategy
- the monitoring of the investment management arrangements against targets set
- monitoring compliance of investment processes
- ESG factors

The committee met 4 times during the year and considered 20 reports covering the terms of reference of the Committee, investment strategy, manager performance, compliance reports, responsible investing, alternative assets, stock lending, risk management, residual property, equity exposure and LPFA's Statement of Investment Principles.

LPFA also operates an Investment Sub-Committee which consists of the Chairman of Investment Committee, Chief Executive, Investment Director and specialist advisor. This group has delegated authority to seek and investigate opportunities up to £50m subject to a report to Investment Committee.

Audit Committee

- annual statement of accounts
- the monitoring of financial performance
- internal control systems, risk management and ethical standards
- internal and external audit

The Committee met 4 times during the year and considered 33 reports covering the terms of reference of the Committee, the statement of accounts, external and internal audit reports, risk management, fraud, financial monitoring, treasury management compliance, regulatory updates, the draft budget, LGPS regulations, the move to International Financial Reporting Standards and residual liabilities. The chairman of audit committee reviews the register of gifts and hospitality accepted and declined on a quarterly basis. This is carried out alongside a review of the contracts register. All Board members are made aware of the guidance on gifts and hospitality on appointment.

Peter Derrick, Independent Advisor to Audit Committee was appointed following a review of the effectiveness of Committee in 2009.



The Board

Performance and Administration Committee

- the preparation and monitoring of the rolling 3 year performance plan
- the development of new business initiatives and business growth
- Local Government Pension Scheme
- Fund valuations and communication with employers

The Committee met 4 times during the year, and considered 27 reports covering the terms of reference of the Committee, contract monitoring, new business initiatives, performance monitoring, the Local Government Pension Scheme, Fund valuation, Employer issues, staffing issues, accommodation, Health and Safety, equalities, PR and communication, Responsible Investment key performance indicators, environmental reports and details of the Ealing and Hertfordshire contract implementations.

Remuneration Committee

- reviewing Principal Officer remuneration and service terms

There were no meetings of the Remuneration Committee during 2010-11

Advisers to the Board

The Board has two independent external investment advisers who attend meetings of the Investment Committee and report annually on LPFA's investment actions. Investment advice is also received from Hymans Robertson who attend Investment Committee to advise on funding and liabilities as they impact on investment strategy. Peter Derrick provide independent advice to Audit Committee



The Board



Corporate Management

Corporate Management

The Corporate Management Team is responsible for implementing the Board's decisions and for the day-to-day management of the Authority's affairs. A structural review was completed in June 2009 and the revised responsibilities are described below.

Chief Executive

Mike Taylor leads the strategic, long term development of the LPFA. He is also responsible for the provision of third party pensions administration contracts

Investment Director

Vanessa James is responsible for investment policy and strategy, the investment management arrangements, monitoring the performance of the Fund and investment managers against the targets set.

Director of Organisational Development

Susan Martin, has responsibility for Human Resources, ICT, Programme Management, facilities and has a brief to work across the authority to review, shape and position LPFA.

Director of Pensions

Mike Allen delivers the core functions of pension administration including employer services, pensions and technical training.

Director of New Business

Jeff Houston is responsible for bringing new business opportunities into the Authority, communications and governance.

Director of Finance

Adrian Bloomfield heads up the finance and payroll department and is in charge of a wide range of compliance functions.

Reporting and controls

External Review

LPFA is subject to external audit by the District Auditor, appointed by the Audit Commission. They ensure that public funds are properly safeguarded and accounted for, and provide value for money in accordance with the statutory and regulatory requirements. An Annual Governance Report provides their opinion on the financial statements and a value for money conclusion.

Internal Review and Control

PricewaterhouseCoopers provide internal audit arrangements within the LPFA, both as a tool of management and with direct reporting to LPFA's Audit Committee. Their audit reviews take place on a phased basis throughout the financial year and their recommendations are reported to each Audit Committee meeting and progress against each recommendation closely monitored.

Strategic Policy Statement

The Authority submitted a Strategic Policy Statement to the Mayor by the 31st December setting out LPFA's objectives and plans over the three year period from April 2011 to March 2014. The plan is spearheaded by a Mission Statement and 5 Strategic Objectives which will be delivered by a number of strategic programmes. All managers and their teams were engaged in the process to ensure consultation, coverage and links to budgets.

Annual Report and Accounts

The Annual Report and Accounts comprises the Annual Report, a Performance Report, a Governance Report, an Investment Report, a Financial Report and a raft of reporting documentation which is published online. This was as a result of the LGPS Administration Regulations 2008 which introduced a requirement to produce a 'pension fund annual report' comprising the reports detailed above and the Funding Strategy Statement, the Statement of Investment Principles and the Communications Policy Statement.

The Authority publishes all these documents online but sends a hard copy summary report to Fund Members.

Annual Governance Statement

The Accounts and Audit Regulations 2003 previously set out the formal requirement to publish a Statement on Internal Control with the financial statements. This has now been incorporated into the Annual Governance Statement. The Authority is required to review, at least once a year, the effectiveness of its system of internal control and this is conducted separately from the accounts by LPFA's Audit Committee.

Members of LPFA's Corporate Management Team (CMT) are required to sign assurance statements to indicate that there is secure control environment in their directorate. LPFA's Local Code of Corporate Governance is reviewed at the same time.

Reporting and controls

Risk Management

Risk management is a standing item on Audit Committee agendas and the corporate risk register and the Authority's risk appetite statement are regularly reviewed by both the Audit Committee and Board. An internal audit review on Risk Management in Practice was carried out during 2010 and resulted in improvements recommended in the areas of communication and risk identification.

Fraud and irregularity

There were no incidences reported during the year. The Fraud Control Framework setting out the Authority's approach and commitment to fraud prevention and detection was maintained and an action plan for 2010-11 was produced for approval by Audit Committee. LPFA participated in the National Fraud Initiative (NFI) exercise, and carried out life certificate exercises in for defined groups of members.

Representation

The Fund Member Panel met following each meeting of the Board. Discussion in the Panel meetings included the governance aspects of LPFA, communications, customer care, and the affordability of the local government pension scheme. During the year members received presentations on the investment strategy, on LPFA's strategic objectives and vision and ESG factors. The Chairman and Chief Executive attend each meeting.

The Fund Member Forum was held in September 2010 and contained presentations from the Chief Executive and Chairman. The external speaker at the event was Mickey Clarke from BBC 5live's Wake Up to Money. This event gives Fund Members an opportunity to engage with the executive and tickets are now available for 6th September 2011.

Public Policy statements

The following public policy statements are reviewed at least annually and published on LPFA's website:

<http://www.lpfa.org.uk/about/publications/publicpolicy/index.aspx>

Statement of Investment Principles (SIP)

The Statement of Investment Principles (SIP) provides an overview of the responsibilities, process and conduct in the management of the LPFA pension fund investments. The SIP was amended to reflect new requirements under the LGPS Investment Regulations 2009 and was formally approved by the Board in March 2010.

Funding Strategy Statement (FSS)

The purpose of this statement is to establish a clear and transparent fund specific strategy which identifies how employers' pension liabilities are best met in future years, to keep their contribution rates as constant as possible and to take a prudent longer-term view of funding those liabilities. It is available on the LPFA web site and was reviewed and amended as part of the 2010 Fund valuation.



Reporting and controls

Governance Policy Statement

Revised 7th October 2010.

The LGPS Governance Statement sets out how the administration of the Fund is governed. Each administering authority is required to publish a governance statement and also to explain their compliance with a set of best practice principles issued by Communities and Local Government. Compliance statements are intended to ensure transparency, accountability and stakeholder involvement. The LPFA has no power to appoint additional Board members but, as part of the governance review, an amendment was made to LPFA's Standing Orders which allows the Board, at some future date, to appoint lay members (without voting rights) to the Board and/or its Committees if it so wishes.

LPFA has a unique constitution among administering authorities and for many years has supported representation via observers, public meetings and through consultation with Fund Member and employer representatives

The Statement sets out how the administration of the Fund is governed and shows LPFA's compliance with a set of best practice principles issued by Communities and Local Government.

Communications Policy Statement

This describes how the LPFA provides information and publicity relating to the Scheme, and the frequency, format and method of distribution, to members, representatives, employers and potential members of the Scheme.

Equalities Action Plans

An updated Equalities and Diversity Policy was approved by the Board in March 2009. It replaces the LPFA's Comprehensive Equality Policy which was first published in 2003 and last amended in 2005. A comprehensive review of equalities took place during 2010-11 to ensure the effective implementation of the Equality Act 2010.

Environmental Plan

LPFA's Environmental Plan is in line with the Mayor's Green Procurement Code and current best practice.

Key performance indicators have been set covering paper purchases, printing costs per customer, waste disposal, waste per member of staff and the recycle rate of waste. LPFA is working towards ISO 14001.

The 'approved supplier' register was monitored during the year and confirms that LPFA seeks to primarily do business with suppliers and contractors who have environmental, Health & Safety and Equality policies compatible with those of LPFA.

Exercise of Discretions under LGPS

Under the LGPS Administration Regulations 2008, the LPFA was required to produce a written statement of its policy in relation to the exercise of its functions under four specific areas of discretion; these have been published on the Fund member website.

Health & Safety

Officers monitor performance with regard to Health and Safety and report annually to the Board. The report, available on the corporate website, covers accidents, general fire safety, electrical equipment, display screen equipment, housekeeping and premises, training, and emergency procedures.

Freedom of Information (FOI) Scheme

During 2010-11 a total of 6 requests for information were received. These were in respect of private equity investment, valuation reports, LPFAs fund manager arrangements, average retirement ages and remuneration of senior officers. All of the 6 requests were satisfied within the statutory timescales.

Standards of behaviour

The Code of Conduct and Codes of Best Practice for Board members were reviewed as part of the general governance review in 2008. They were amended to mirror the provisions of the Local Authority Code of Conduct and also introduced a regime of self regulation in terms of standards of conduct.

Staff code of conduct

The code of conduct was revised as part of the governance review resulting in the creation of a staff register of interests and areas of conflict relating to suppliers. The Code is published in the Staff Governance handbook.

LPFA's Governance Compliance Statement

Governance Policy Statement

The LPFA was established as a Public Body on 31st October 1989 by 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI 1815]. The Order is the primary instrument for the LPFA's powers and duties, which in the context of the Fund administration are very similar to those of local government authorities.

Appointments to the Board, and thereby the assignment of voting rights, are the responsibility of the Mayor in accordance with the provisions of SI No. 1815 which require there to be between seven and eleven members, of which one half, excluding the chairman, are to be appointed following consultation with representatives of local government in London.

The appointment process is operated by the Greater London Authority, and is by open advertisement and subject to independent scrutiny. The terms and conditions of appointment are set out in a formal letter which includes the length of appointment, remuneration, and details of the role and responsibilities of members.

The LPFA Board operates under a framework of corporate governance and undertakes its responsibilities with reference to Standing Orders, which are similar to those found in all local authorities and prescribe all activities relating to the conduct of Board business. These Standing Orders are incorporated into the Authority's Constitutional document and represent the fundamental underpin of corporate governance; they may only be amended by formal approval of the Board.

The Constitutional document details matters reserved for decision by the Board and outlines the terms of reference of the two principal standing committees ~ Investment and Performance and Administration. The governance arrangements of the LPFA are monitored and reviewed by the Audit Committee as part of the arrangements for internal control.

The Committees have certain delegated powers and are empowered to carry out specific duties set out in their terms of reference and these are shown in the Constitutional document which can be accessed from the LPFA web site www.lpfa.org.uk

All meetings of the Board are open to the public. Currently the Board meets five times a year, the Investment Committee four times and the



Reporting and controls

Performance and Administration Committee quarterly.

The principal officers of the LPFA have certain statutory and formal responsibilities. Executive powers are delegated to the principal officers under scheme of delegations which sets the parameters within which the officers can implement Board and Committee decisions and operate the day-to-day business of LPFA.

While there are currently no employer or fund members on the Board, representation is facilitated through the use of the Fund member panel, the employer panel and the HE Sector Consultation Group covering universities and colleges.

The panels meet at least twice a year and all panel members are invited to attend Board meetings as an observer. The activities of the panels and the consultation group are reported to the Board.

This policy statement will be reviewed annually, and revised and re-published following any material change in the above arrangements.

Approved by Board 2nd February 2006

Revised 5th October 2006,

Revised 7th February 2008

Revised 9th October 2008

Revised 7th October 2010

Governance Compliance Statement	
Guiding principles	LPFA position
Structure a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee (LPFA Board) established by the appointing council.	Fully compliant.
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main (LPFA Board) or secondary committee (LPFA's sub-committees) established to underpin the work of the main committee.	Not compliant. Currently, there are no representatives from within the Fund membership or participating employers on the LPFA Board or any of its Committees. LPFA's constitution is such that only the London's Mayor can appoint Board members and, for many years, LPFA has pursued representation via observers, public meetings and through consultation with Fund Member and employer panels. However, the Authority's Standing Orders have recently been amended to allow for the appointment of lay members (without voting rights) to the Board and / or its Committees at the discretion of the Board.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Fully compliant.
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 committee or panel.	Fully compliant.
Representation a. 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).	Not compliant. Currently, there is no representation from within the Fund membership or participating employers on the LPFA Board or any of its Committees. There are, however, 2 independent investment advisers who attend meetings of the Investment Committee and an Independent Advisor to Audit Committee was appointed in 2010. All Board meetings are held in public and members of the public in attendance are provided with copies of all public reports. Expert advisors such as lawyers or actuaries are invited to attend Board on an ad hoc basis.

Reporting and controls

b. 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.	Not compliant. Currently there are no lay members on the Board or its Committees.
Selection and role of lay members a. 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.	Not compliant. Currently there are no lay members on the Board or its Committees.
b. 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.	Fully compliant
Voting a. 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.	Not compliant. The Authority's policy on voting is laid out in Standing Orders which are incorporated in the Constitutional document which is available via the LPFA's website. Currently there are no lay members on the Board or its Committees.
Training / Facility / Expenses a. 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.	Fully compliant
b. 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.	Fully compliant
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully compliant

Reporting and controls

Meetings	
a. That an administering authority's main committee or committees meet at least quarterly.	Fully compliant
b. 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.	Fully compliant
c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant
Access	
a. That subject to any rules in the councils 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.	Fully compliant
Scope	
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant
Publicity	
a. 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.	Fully compliant



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Please contact communications@lpfa.org.uk if you would like a
photocopy of this document.

This document forms part of the suite of full Annual Report and Accounts 2010-11. The following documents are available on the LPFA website: Summary Annual Report, Annual Investment Report, Annual Accounts, Performance Report. In addition, LPFA has also published on our website www.lpfa.org.uk, a Funding Strategy Statement, Statement of Investment Principles and a Communications Policy Statement.

Governance Report 2010 - 11 V1.0

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