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London Pensions Fund Authority **Governance Compliance Statement**

October 2023



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Governance Compliance Statement 2023

On 31 October 1989 we were established as a Public Body by ‘The Local Government Reorganisation (Pensions etc.) Order 1989’ [SI No. 1815]. The Order was the primary instrument for outlining our powers and duties which, in the context of the Fund administration, are very similar to those of local government authorities.

As an Administering Authority (AA) of the local government pension scheme (LGPS) we are responsible for maintaining, administering, and investing our own fund within the LGPS. However, while most AAs are local authorities and operate in accordance with local government law, we are not associated with a particular local authority. By distinction we operate in accordance with our own legal constitution. This Governance Compliance Statement is made pursuant to Regulation 55 of The LGPS Regulations 2013.

We adopted the Local Code of Corporate Governance (Code) which reflects the seven core principles of good governance, as identified in the ‘*Delivering Good Governance in Local Government: Framework*’ (CIPFA/Solace, 2016 Edition). The Code captures the full range of our statutory responsibilities and governance activities. It is available on our website <https://www.lpfa.org.uk/library/our-policies-and-procedures>.

From April 2016, the majority of our functions were outsourced to the Local Pensions Partnership Ltd (LPP Group) under a Service Level Agreement (SLA). The LPP Group is a business we jointly own with Lancashire County Council. As a joint shareholder and client, we have an important role to ensure the LPP Group remain accountable for its service delivery. Whilst many of our functions are outsourced, the LPFA Board (our Board) remain answerable for the statutory and regulatory responsibilities of the Authority.

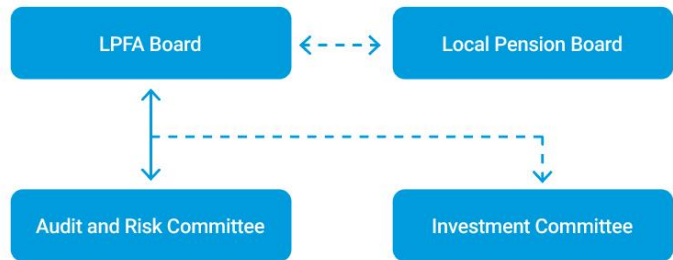
Appointments to our Board are the responsibility of the Mayor of London (the Mayor) in accordance with the provisions of SI No. 1815, which require there to be between seven and eleven members. The Mayor appoints the Chair and may appoint a deputy Chair.

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

Our Board operates under a framework of corporate governance and undertakes its responsibilities with reference to Standing Orders (SO), which prescribe all activities relating to the conduct of LPFA Board business, including voting. These SOs form a section of our Constitutional Document and represent a key aspect of our corporate governance framework; they may only be amended by formal approval from our Board. The Constitutional Document is published on our website.

The Constitutional Document details matters reserved for decision by our Board and contains the terms of reference (ToR) of its Standing Committees: the Audit and Risk Committee (ARC), Investment Committee (IC) and the Local Pension Board (LPB). The Board, ARC, IC and LPB all meet at least four times a year.

LPFA Board and Committee Structure



As Standing Committees, ARC and IC operate under the delegated powers of our Board and are empowered to carry out specific duties which are defined in their ToR. Our governance arrangements are monitored and reviewed by ARC as part of their oversight of internal controls. The role of IC is to monitor our operation and management of our investment and funding strategies.

The LPB is separate and independent from us as an AA, as established in The Public Service Pensions Act 2013. The Local Government Pension Scheme Regulations 2013, as amended by The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, required the establishment of a local pension board. The LPB assists us to secure compliance with LGPS regulations; but is not a decision-making body. Rather, the LPB provides an additional layer of compliance and governance to our administration. Its first core function is to assist with compliance relating to governance of the Fund.

We appoint the LPB members which comprise of four member representatives, four employer representatives and an independent chair. The representatives have voting rights; are selected from within the Fund membership and from participating employers.

Our Chief Executive and Principal Officers have certain statutory functions and formal responsibilities. Executive powers are delegated to the Principal Officers under the ‘Scheme of Delegations to Officers’ within the Constitutional Document. This sets out the parameters within which the officers can exercise the powers delegated under the scheme and to deliver our daily operations.

Member representation is facilitated by member representation on our LPB and at our annual Fund Member Forum. All members of the public are invited to observe the Public Session of our Board meetings.

Following the principles of good governance

We follow the seven core principles of good governance as set out by CIPFA and Solace and ensure compliance as an LGPS Fund and a shareholder of LPP. The seven principles are listed below. The content in this annual report, particularly within the Governance and Responsible Investment sections, highlights how we meet these principles.

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Governance Compliance Statement

We operate in accordance with our own legal constitution and our structure is relatively unusual as we are an Adminstrating Authority (AA) without being connected to a local authority. The following table sets out how we comply with the government statutory guidance on LGPS Governance Compliance Statements issued in November 2008. However, it is important to recognise that areas of 'non-compliance' are not indicative of any deficiencies in our governance arrangements, but rather reflective of the unique way we are constituted by statute.

Requirement	Compliance	LPFA position and Notes
1. Structure a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	Whilst the statutory guidance refers to a 'main committee', this is not applicable as instead we have a Board comprising of members appointed by the Mayor of London. The Board is responsible for our overall running and makes key decisions on matters reserved for the Board, for example, agreeing the corporate strategic plan and the investment policy and strategy of the Fund. As such, the management of benefits and strategic management of fund assets clearly rests with the Board, which receives regular updates on the performance of outsourced pension administration and investment services against agreed service level standards.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Employer and member representatives of the LGPS serve on the Local Pension Board (LPB), rather than the LPFA Board. The LPB plays an important role assisting our Board with the oversight and efficient management of the Fund. There are good linkages between the two bodies, with LPB's activities reported to the Board at each quarterly meeting, and the independent chair of the LPB invited to attend the Board annually to present the LPB's annual report.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect our governance arrangements. Instead, our Board is supported by two standing committees (Audit and Risk Committee (ARC) and Investment Committee (IC)), with LPB providing an additional level of support through its role in assisting the Board with the oversight and efficient management of the Fund. To facilitate good channels of communication between the Board, ARC, IC and LPB, the following structures are in place: <ul style="list-style-type: none"> • All ARC, IC, and the LPB minutes are presented to the Board on a quarterly basis during its Public Session. • The minutes of the Corporate and Strategic Session Board meeting are shared with LPB. • The LPB independent chair of the LPB is invited to attend the Board meeting annually to present their annual report. • Where required or when it is pertinent based on the subject matter, joint training for Board and LPB is provided.
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.	Compliant	Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to a 'secondary committee or panel' in the statutory guidance does not correctly reflect our governance arrangements. The LPFA ARC and IC are comprised of Board members. The LPFA LPB meets the regulatory requirements. In addition, LPB members are invited to joint training sessions with the Board where topics are relevant to both groups.

Requirement	Compliance	LPFA position and Notes
2. 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).	Compliant	<p>Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to the 'main or secondary committee structure' in the statutory guidance does not correctly reflect LPFA's governance arrangements.</p> <p>Whilst LPB members do not have a seat on the Board, there is representation via feedback from LPB to our Board. The Board and Committee Calendar is structured in such a way as to ensure that LPB meetings usually take place prior to quarterly Board meetings to ensure that LPB's views can be communicated to the Board.</p> <p>Members of the public can attend public sessions of the Board, and copies of all public Board reports are provided on our website.</p> <p>Additionally, the LPB Chair attends the Board on an annual basis to observe and present an annual review of LPB activity.</p> <p>In terms of the representation of key stakeholders in our governance framework:</p> <p>i) LPB Employer representatives are selected from our main employer groupings, including Local Government and Housing.</p> <p>ii) LPB Member representatives are selected from the active, pensioner and deferred membership.</p> <p>lii, iv) Independent advisors and expert advisors such as lawyers or actuaries, are invited to attend Board and Committee meetings, as required.</p>
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.	Compliant	<p>Due to the relatively unusual way in which LPFA is constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect LPFA's governance arrangements. That said, members of the Board, Standing Committees and the LPB are all treated equally in terms of access to meetings and meeting papers.</p> <p>LPFA provides effective induction and training to members of the Board/Standing Committees/LPB.</p> <p>The LPB reports back to the LPFA Board. The independent chair of the LPB (who does not have voting rights) reports back to the LPFA Board on an annual basis.</p>
3. 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.	Compliant	<p>Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to the 'main or secondary committee' in the statutory guidance does not correctly reflect our governance arrangements. Instead, new members of our Board are provided with a comprehensive induction to ensure they fully understand their role. This includes a suite of relevant reading material, and new Board members are encouraged to observe a meeting of each standing committee and the LPB to familiarise themselves with our governance framework and gain additional context of our operations.</p> <p>Similarly, new LPB members are required to undertake a tailored induction programme setting out the role of the LPB within our governance arrangements.</p> <p>The Constitutional Document (specifically the LPFA Standing Orders, Matters reserved for decision by the Board, Terms of Reference of the Standing Committees and the LPB) defines the role of the Board, its Standing Committees and the LPB.</p>
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.	Compliant	<p>Our Board members, members of Standing Committee and members of the LPB are required to complete a register of interests form on joining LPFA which is reviewed and updated annually. In addition, at the start of each Board, Committee and LPB meeting members are required to declare any new interests.</p> <p>A review of third-party transactions involving our Board and LPB members is presented to the Board at the start of each financial year for review and action as necessary.</p> <p>Members of our Board, Standing Committees, and LPB comply with the Code of Conduct for Members; and Conflicts Policy.</p>
4. 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.	Compliant	<p>Our policy on voting is laid out in Standing Orders, which form part of the Constitutional Document. The Constitutional Document is published on our website.</p>
Requirement	Compliance	LPFA position and Notes

5. 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.	Compliant	<p>Our Board and LPB have agreed training plans, which are reviewed on at least an annual basis.</p> <p>Time is allocated on the day of each quarterly Board meeting for training on relevant topics, and the Board agrees training programme at the start of each year.</p> <p>A Framework on the reimbursement of expenses is available on our website, including the Gifts, Hospitality and Expenses Register which is approved for publication each quarter by ARC.</p>
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.	Compliant	<p>Our Board and LPB have agreed training plans, which apply to all members of these respective bodies.</p> <p>Standing Committees are constituted by LPFA Board members and therefore committee specific training is incorporated into the main LPFA Board training plan.</p>
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	<p>Due to the relatively unusual way in which we are constituted under the LGPS regulations, the reference to 'committee members' should be read as including our Board members given that its two standing committees are comprised of LPFA Board members.</p> <p>The Board training plan is reviewed by the Board annually following the Board member performance review process conducted by the LPFA Chair each year to ensure that members contribute effectively and demonstrate commitment to their role. The LPB also approves an annual training plan to ensure that its members are provided with relevant training to enable them to discharge their responsibilities in this role.</p>
Meetings a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our Board, ARC, IC and LPB all meet on at least a quarterly basis, Board dates and the times of the public session of the Board are published on our website.
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.	Compliant	ARC, IC and LPB meetings are scheduled to take place prior to the Board meetings to ensure that, where relevant, the decisions and views of each body can be put to the Board as part of its decision-making process.
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.	Compliant	Engagement with employer and member representatives is achieved via the LPB, the annual Fund Member Forum and the annual Employer Forum.
6. Access a) That subject to any rules in the 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.	Compliant	All members of ARC, IC and LPB have access to papers for the public sessions of LPFA Board meetings.
7. Scope a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	N/A	This requirement relates to administering authorities that are local authorities, and which therefore have wider responsibilities and associated governance arrangements. Given our status as an administering authority that is not connected to a local authority, and that we exist solely for the purpose of acting as an administering authority of the LGPS, this requirement is not applicable.
8. 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.	Compliant	<p>Governance arrangements are published via the Constitutional Document and Local Code of Corporate Governance on our website. The website also provides details on how a member of the public can request to attend a public session of the LPFA Board, along with the reports and minutes for all Board meeting public sessions.</p> <p>Agendas and minutes of past LPB meetings are also published on our website.</p>

This policy statement will be regularly reviewed. After Board approval of any material changes, a revised statement will be published on our website. For more information, please contact: corporate@lpfa.org.uk