

LGPS GOVERNANCE COMPLIANCE STATEMENT 2016

Report of the Assistant Director, Finance

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1. Purpose of the Report

- 1.1 To provide an updated LGPS Governance Compliance Statement to the Pension Committee for comment and approval.

2. Summary

- 2.1 The Local Government Pension Scheme Regulations (LGPS) 2013 require an Administering Authority to prepare, maintain and publish a Governance Compliance Statement. This sets out the Administering Authority's governance arrangements for the Pension Fund.
- 2.2 This report provides an updated Governance Compliance Statement which incorporates the terms of reference for the Pensions Committee and Pensions Board that were agreed at the November 2015 meetings.

3. Recommendations

- 3.1 That the Board notes the content of this report

4. Regulatory framework

- 4.1 The LGPS Regulations 2013 requires an Administering Authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a Governance Compliance Statement which sets out the Administering Authority's governance arrangements for the Pension Fund.
- 4.2 Section 55 of the regulations states that the statement should set out:
- (a) whether the authority delegates its function, or part of its functions under the regulations to a committee, a sub-committee or an officer of the authority
 - (b) if the authority does so, then:

- i. the terms, structure and operational procedures of the delegation;
 - ii. the frequency of any committee or sub-committee;
 - iii. whether such a committee or subcommittee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (“local pensions boards: established”).

5. Changes to the Governance Compliance Statement

- 5.1 The LGPS Governance Compliance statement is kept under review and is amended in light of regulatory changes or following changes in the governance arrangements of the Pension Fund.
- 5.2 The Statement was last reviewed and approved by the Pensions Committee in September 2014. The latest draft, attached at Appendix A, has been updated for the following:
 - The disbanding of the Investment Sub-committee in June 2015.
 - The establishment of the LGPS Pension Board in April 2015 in accordance with the Public Service Pensions Act 2013.
 - The terms of reference and division of responsibility that was agreed by the Pensions Committee and LGPS Pensions Board at their meetings on 13 and 27 November 2015, respectively.
- 5.3 Under the agreed divisions of responsibility, the Pensions Committee are responsible for approving the Governance Compliance Statement for the Pension Fund. Once approved, the statement will be published on the LGPS Pension Fund’s website and in the Pension Fund’s 2015/16 Annual Report and Accounts.

Scheme employers will be advised that the LGPS Governance Compliance Statement has been revised and how they may access this.

APPENDIX A: LGPS GOVERNANCE COMPLIANCE STATEMENT

This statement is prepared in accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013, which require administering authorities to maintain and publish a governance compliance statement. It has been prepared by the Administering Authority in consultation with appropriate interested persons.

This statement was approved by the Pensions Committee on 5 February 2016.

Delegation of Functions

The Administering Authority for the Local Government Pension Scheme in Hertfordshire is Hertfordshire County Council (the "County Council"). Management of the Local Government Pension Scheme is a non-executive function.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that the functions relating to the Local Government Pension Scheme are the responsibility of the full Council. The County Council has delegated these functions to the Pensions Committee, whose members can make decisions without reference to the full Council.

The Pensions Committee are responsible for the functions set out in the following regulations:

- Local Government Pension Scheme Regulations 2013
- Local Government Pension Scheme (Transitional Provisions, Savings & Amendment) Regulations 2014
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

In parallel to this, the County Council has delegated functions relating to the Pension Fund to the County Council's Chief Finance Officer, the Director for Resources, as specified in Annex 3 of the County Council's Constitution.

The County Council has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. In accordance with Sections 5(1) and (2) of the Act and section 106 of the Local Government Pension Scheme regulations 2013, the role of the Board is to:

- Secure compliance with:
 - The Local Government Pensions Scheme regulations;
 - Other legislation relating to the governance and administration of the Local Government Pension Scheme; and
 - The requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme;

and to

- Ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

Terms of Reference

The functions relating to the management and governance of the Pension Fund have been delegated as follows.

The Pensions Committee is responsible for policy matters including:

- Setting and monitoring performance objectives for the Pension Fund
- Approval and review of the overall investment strategy of the Pension Fund
- Approval and review of asset allocation decisions
- Performance monitoring Investment Managers and investments
- Appointing (and, when necessary, dismissing) Investment Managers
- Appointing (and, when necessary, dismissing) Investment Consultants
- Appointing (and, when necessary, dismissing) the Pension Fund Actuary
- Appointing (and, when necessary, dismissing) the Pension Fund Custodian
- Setting and approving Administering Authority discretions for the Local Government Pension Scheme
- Approval of key policies and statements:
 - Statement of Investment Principles
 - Funding Strategy Statement
 - Governance Compliance Statement
 - Communications Strategy Statement
- Agreeing and monitoring actions to address findings from any review of Pension Fund activities

The Pension Board is responsible for:

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund
- Reviewing and monitoring the training plan of the Pensions Board and elected members and officers with delegated responsibilities for the management and administration of the Pension Fund
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers
- Reviewing the implementation of revised policies and procedures, including the Administering Authority discretions
- Reviewing the compliance of projects commissioned by the Pensions Committee, including the Triennial Valuation of the Pension Fund
- Ensuring pension rules and regulations are being complied with, when officers are making decisions on pension matters
- Scrutinising data quality
- Reviewing internal audit reports
- Assisting in the development of improved customer services
- Reviewing compliance of Investment Managers with Investment Management Agreements

- Reviewing progress of agreed actions to address findings from any review of the Pension Fund activities.

All other operational decisions in the administration and management of the Pension Fund including exercising the Administering Authority's Discretions are delegated to the County Council's Chief Finance Officer, the Director of Resources.

Membership, Voting and Meetings

The membership, voting rights and frequency of meetings of the Pensions Committee and Pensions Board are set out in the table below:

| | Pensions Committee | Pensions Board |
|---------------------------|---|---|
| Membership | Ten County Council members (in proportion to the political representation of the full Council) and three (non-voting) District Council representatives elected by the Hertfordshire Local Government Association. | Four employer representatives and four member representatives |
| Chairman | Elected by full Council | Elected by the Pension Board and rotated annually between member and employer representatives |
| Observers | Staff representative, nominated by UNISON | |
| Voting | County Council Members, as elected Members of the Administering Authority, have voting rights in accordance with the Local Government (Committee and Political Groups) Regulations 1990 SI No 1553 5 (1)(d). | All employer and member representatives have voting rights |
| Meetings per annum | Six | Four |

Further information on the constitution of the Pension Board, including the appointment of employer and member representatives, standards and conflicts of interest can be found in Annex 3 of the County Council's Constitution.

Training

The Pensions Committee agreed a training policy for the Pensions Committee and Board at their meeting on 13 November 2015. This sets out the training objectives of the Pension Fund, the application of the policy and details of how training will be delivered. The policy includes the training plan for the Pensions Committee and Board which will be developed and updated on an annual basis.

Compliance with Statutory Guidance

The following table provides a summary of how the Pension Fund complies with the statutory guidance issued by the Secretary of State for Communities and Local Government.

| Pension Fund Compliance Statement | |
|--|--|
| Principle | Compliance and Comments |
| A. Structure | |
| a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointment Council. | Full |
| 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. | Full |
| c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | Not applicable |
| 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. | Not applicable |
| B. 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): | <p>Full</p> <p>The County and District Councils, whose employees make up 68% of the active membership, are represented on the Pensions Committee.</p> <p>The Pensions Board is made up of four employer representatives and four scheme member representatives</p> |

| Pension Fund Compliance Statement | |
|---|---|
| Principle | Compliance and Comments |
| ii) scheme members (including deferred and pensioner scheme members); | Full UNISON has a place on the Pensions Committee to represent all Scheme members. |
| iii) independent professional observers, and | No |
| iv) expert advisors (on an ad-hoc basis) | Full The Pension Fund's Investment Adviser, Actuary and Administrator attend the Pensions Committee when appropriate. |
| 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 | Full |
| C. 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. | Full |
| 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. | Full |
| D. Voting | Full |
| 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. | The policy is clear that only County Council members can vote. The Pensions Committee believes that the voting arrangements are justified, because in practice the vast majority of decisions are reached by consensus. |

| Pension Fund Compliance Statement | |
|---|--------------------------------|
| Principle | Compliance and Comments |
| <p>E. Training/Facility Time/Expenses</p> <p>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.</p> | Full |
| <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.</p> | Full |
| <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.</p> | Full |
| <p>F. Meetings (frequency/quorum)</p> <p>a) That an administering authority's main committee or committees meet at least quarterly.</p> | Full |
| <p>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.</p> | Not applicable |
| <p>c) That administering authorities who do 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.</p> | Full |
| <p>G. Access</p> <p>a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p> | Full |

| Pension Fund Compliance Statement | |
|---|--------------------------------|
| Principle | Compliance and Comments |
| <p>H. Scope</p> <p>a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</p> | Full |
| <p>I. Publicity</p> <p>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.</p> | Full |