

GOVERNANCE AND COMPLIANCE STATEMENT

September 2017

Hertfordshire Pension Fund
Local Government Pension Scheme



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.

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 2016.

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 Pension Committee is supported by a cross-party working group consisting of four members (in proportion to the political representation of the full Council) from the Pension Committee, supported by officers and external advisors – such as the investment consultant. The remit of this group going forwards will be to support Officers with decisions required when transitioning to the new Investment Strategy, as well as support with other pension related matters where appropriate.

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:
 - Investment Strategy Statement
 - Funding Strategy Statement
 - Governance Compliance Statement
 - Communications Strategy Statement
- Agreeing and monitoring actions to address findings from any review of Pension Fund activities

*At present this responsibility sits with the Pension Committee, however as the national pooling of LGPS funds progresses, this responsibility will ultimately transfer to the operator of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) - of which Hertfordshire is a member. The Pension Committee will still retain control over the asset allocation, and sub-funds utilised by the Operator of the Pool.

The primary governance function of the ACCESS pool is the Joint Governance Committee (JGC), which is made up of the chairs of each of the eleven funds within the ACCESS pool.

The ACCESS Joint Governance Committee is responsible for:

- Specifying the Operator services to be procured;
- Procuring the Operator;
- Appointing the Operator;
- Reviewing the performance of the Operator;
- Managing the Operator;
- Appointment of advisers;
- Functions in relation to management of pool assets;
- Functions concerning pool aligned assets; and

- Functions concerning business planning and budget.

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 |
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| 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 Leaders' Group as outlined in Annex 3 (section 2.4) of the Hertfordshire County Council Constitution. | Four employer representatives and four member representatives |

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| 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 23 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 principles and objectives of the Pension Fund, the application of the policy and details of how training will be delivered. This policy will be reviewed as part the forward business plan for both the Pension Committee and Pension Board.

The Pension Board agreed a training programme for its members on 14th March 2017 within its Annual Report, which set out a schedule of modules based on CiFPA guidelines in order to meet the requirements for knowledge and understanding required by the Pensions Regulator.

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 | |
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| 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 | Full |

| 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. | |
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| Pension Fund Compliance Statement | |
| Principle | Compliance and Comments |
| 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 style="text-align: center;">Full</p> <p>The County and District Councils, whose employees make up 67% 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> |
| ii) scheme members (including deferred and pensioner scheme members); | <p style="text-align: center;">Full</p> <p>UNISON has an observer place on the Pensions Committee to represent all Scheme members.</p> |
| iii) independent professional observers, and | <p>No – the Committee takes regular input from external professional advisors (see below). It is considered that an additional independent professional advisor would come at a cost, but not add significant</p> |

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| | value. |
| 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 |
| Pension Fund Compliance Statement | |
| Principle | Compliance and Comments |
| 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. |
| E. Training/Facility Time/Expenses | Full |
| 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. | Training is provided internally and externally and offered to all Pensions Committee and Board members. Reimbursement of expenses is covered by the members' allowance schemes in |

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| | their authority. |
| 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. | Full |
| c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken. | Full |
| Pension Fund Compliance Statement | |
| Principle | Compliance and Comments |
| F. Meetings (frequency/quorum) | |
| a) That an administering authority's main committee or committees meet at least quarterly. | Full |
| 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. | Not applicable |
| 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. | Full An annual employers' forum is held to update employers on Pension Fund matters. |
| G. Access | |
| 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. | Full |
| H. Scope | |
| a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | Full |
| I. Publicity | |
| a) That administering authorities have published details of their governance arrangements in | Full |

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| <p>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> | |
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