

The Local Government Pension Scheme Regulations 2013 Governance Policy Statement

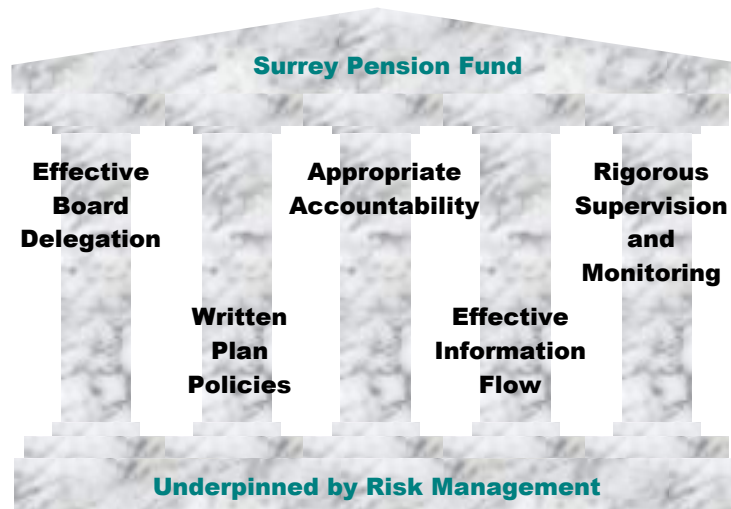
This Statement is prepared for the purposes of the above Regulations. It sets out the policy of the Administering Authority in relation to its governance responsibilities for the Local Government Pension Scheme (LGPS).

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1. Overall Governance Framework

The Administering Authority with its advisors has identified the following key areas (the “five principles”) to support its overall governance framework.



The governance framework focuses on:

- The effectiveness of the Pension Fund Board and officers to which delegated function has been passed, including areas such as decision making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between officers and Pension Fund Board members.
- The ability of the Pension Fund Board and officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Fund Board and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Fund Board.

2. Delegation of Functions

The following functions are delegated by the Administering Authority:

Scheme Administration

Governance Principles: Effective board delegation; appropriate accountability; rigorous supervision and monitoring

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

Delegated to:

Pension Fund Board (monitoring)

Director of Finance (Pension Fund administration implementation)

Funding

Governance Principles: Effective board delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Director of Finance shall be responsible for maintaining the Funding Strategy Statement (FSS). The Pension Fund Board shall be responsible for approving the FSS.

Delegated to:

Pension Fund Board (policy approval)

Director of Finance (maintaining FSS and policy implementation)

Investment

Governance Principles: Effective board delegation; appropriate accountability; written plan policies

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Fund Board shall be responsible for maintaining the Statement of Investment Principles.

Delegated to:

Pension Fund Board (strategy approval, manager selection, benchmarks, monitoring)

Director of Finance (Pension Fund investment implementation)

Communications

Governance Principle: Effective information flow; written plan policies

Including setting of a communication strategy, issuing of benefit statements, annual newsletters, annual report. The Pension Fund Board shall be responsible for maintaining the Communications Policy.

Delegated to:

Pension Fund Board (policy approval)

Director of Finance (Pension Fund policy implementation)

Risk Management

Effective board delegation; appropriate accountability; written plan policies

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Fund Board shall be responsible for approving the Risk Register. The Director of Finance shall be responsible for maintaining the risk register.

Delegated to:

Pension Fund Board (pension fund risk register approval)

Director of Finance (maintaining the pension fund risk register)

3 Terms of Reference and Decision Making

Terms of Reference:

Governance Principle: Effective board delegation; written plan policies

The Pension Fund Board's Terms of Reference as approved by Full Council on 19 March 2013 are shown in **Appendix A** to this document.

Officers' delegated powers as approved by Full Council on 14 October 2014 are shown in **Appendix B** to this document.

Administration, Funding, Investment, Communications and Risk Management

In line with the Council's Constitution, the Pension Fund Board shall oversee Pension Fund administration, funding, investment, communication, risk management and the overall governance process surrounding the Fund.

Structure of the Pension Fund Board and representation:

Governance Principle: Effective board delegation

The Pension Fund Board shall be made up of:

Two Conservative members;

One Liberal Democrat member;

One Independent member;

Two Districts and Boroughs Members

One Employer Representative;

One Employee Representative.

Decision Making:

Governance Principle: Effective board delegation; rigorous supervision and monitoring

The Pension Fund Board shall have full decision-making powers.

Each member of the Pension Fund Board shall have full voting rights.

4. Operational Procedures

Frequency of Meetings:

Governance Principle: Effective board delegation; effective information flow

The Pension Fund Board shall convene no less frequently than four times per year. The Pension Fund Board shall receive full reports upon all necessary matters as decided by the Director of Finance, and any matters requested by members of the Pension Fund Board. Provision exists for the calling of special meetings if circumstances demand.

Competencies, Knowledge and Understanding:

Governance Principle: Effective board delegation; appropriate accountability

Officers and Members of the Pension Fund Board shall undertake training to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge, understanding and competency are evaluated on an annual basis to identify any training or educational needs of the Officers and the Pension Fund Board.

Reporting and Monitoring:

Governance Principle: Rigorous supervision and monitoring; effective information flow

i) Audit and Governance Committee

The Pension Fund Board shall report to the Audit and Governance Committee, with such information as shall be agreed and documented, on a no less than annual basis, the minimum provision being the Pension Fund's statement of accounts and annual report.

ii) Local Pension Board

The Local Pension Board is established by the administering authority to assist in securing compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the scheme, and any requirements imposed by the Pensions Regulator.

The Pension Fund Board shall:

- Provide the Local Pension Board with adequate resources to fulfil its role.
- Consider and respond to reports from the Local Pension Board within a reasonable period of time.

5 The Local Pension Board

The role of the Local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, is to assist the Administering Authority:

- to secure compliance with:
 - i) the scheme regulations;
 - ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
- to ensure the effective and efficient governance and administration of the LGPS Scheme.

Terms, Structure and Operational Procedures

The Local Pension Board's Terms of Reference as approved by Full Council on 17 March 2015 are shown in **Appendix C** to this document.

5 Review of Policy Statement

Responsibility for this document resides with the Director of Finance and will be reviewed by no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.

Pension Fund Board: Terms of Reference

- a) To undertake statutory functions on behalf of the Local Government Pension Scheme and ensure compliance with legislation and best practice.
- b) To determine policy for the investment, funding and administration of the pension fund.
- c) To consider issues arising and make decisions to secure efficient and effective performance and service delivery.
- d) To appoint and monitor all relevant external service providers:
 - fund managers;
 - custodian;
 - corporate advisors;
 - independent advisors;
 - actuaries;
 - governance advisors;
 - all other professional services associated with the pension fund.
- e) To monitor performance across all aspects of the service.
- f) To ensure that arrangements are in place for consultation with stakeholders as necessary
- g) To consider and approve the annual statement of pension fund accounts.
- h) To consider and approve the Surrey Pension Fund actuarial valuation and employer contributions.
- i) To consider and respond to reports of the Local Pension Board.

F10	Director of Finance/ Strategic Finance Manager (Pension Fund and Treasury)	Borrowing, lending and investment of County Council Pension Fund moneys, in line with strategies agreed by the Pension Fund Board. Delegated authority to the Chief Finance Officer to take any urgent action as required between Board meetings but such action only to be taken in consultation with and by agreement with the Chairman and/or Vice Chairman of the Pension Fund Board and any relevant Consultant and/or Independent Advisor.
F15	Strategic Finance Manager (Pension Fund and Treasury)	To exercise discretion in relation to the Local Government Pension Scheme except (1) where a policy on the matter has been agreed by the Pension Board and included in the Discretionary Pension Policy Statement published by the Council, (2) decisions relating to “admitted body status” and (3) decisions relating to individual cases as provided for in the separate delegation to the Pensions Services Manager. This delegation is subject to any limitations imposed and confirmed in writing from time to time by the Director of Finance.
F16	Director of Finance, Director of Legal and Democratic Services, Director of People and Development and the Strategic Manager Pensions and Treasury	Hear stage one or stage two appeals relating to disputes involving the Local Government Pension Scheme, Compensation Benefits and Injury Allowances provided that an officer hearing an appeal will not have been involved at an earlier stage in the process.
SS1	Pension Services Manager	To exercise discretion in relation to the Local Government Pension Scheme on the following matters in individual cases: - allocation of death grants - determining co-habitation - determining whether a child meets criteria for a child’s pension - allocation of pension for persons incapable of managing their own affairs

		<ul style="list-style-type: none">- commutation, transfer in and forfeiture decisions- extension of time limits for decisions to be made by scheme members- minimum contribution levels for additional payments- determining reviews and effective dates of ill-health benefits- write offs up to £250 <p>This delegation is subject to any limitations imposed and confirmed in writing from time to time by the Director of Finance.</p>
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Local Pension Board

Terms of Reference

1. Introduction

- 1.1 This document sets out the terms of reference of the Local Pension Board of Surrey County Council (the 'Administering Authority') as Scheme Manager, as defined under Section 4 of the Public Service Act 2013.
- 1.2 The Local Pension Board is established in accordance with Section 5 of that Act and under Regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

2. Role of the Local Pension Board

- 2.1 The role of the local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:
 - (a) to secure compliance with:
 - (i) the scheme regulations;
 - (ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
 - (b) to ensure the effective and efficient governance and administration of the LGPS Scheme.
- 2.2 The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.3 The Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.4 The Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.
- 2.5 The Local Pension Board should always act within its terms of reference.

3. Establishment of the Local Pension Board

- 3.1 The Local Pension Board is established on 1 April 2015, subsequent to approval by Surrey County Council on 17 March 2015.

4. Appointment of members of the Local Pension Board and voting rights of Local Pension Board members

4.1 The composition of the members of the Local Pension Board is as follows:

The Pension Board shall consist of ten members and be constituted as follows:

- i) Four employer representatives;
- ii) Four scheme member (employee) representatives;
- iii) Two independent members.

4.2 The Local Pension Board shall be constituted as follows:

- Employer representatives
 - 2 x Surrey County Councillors
 - 2 x other employer representatives to come from nominations from other employers in the fund (e.g. District, Borough and Parish Councils, Academies, Police and other scheduled or admitted body employers in the Surrey Pension Fund).
- Member representatives
 - 1 x GMB nominated representative
 - 1 x Unison nominated representative
 - 2 x other member representatives
- Other members
 - 2 x members from an external source (to be recommended by the appointment panel).

4.3 Scheme member and employer representatives shall be appointed in equal number and shall together form the majority of the Local Pension Board membership.

4.4 No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Local Pension Board.

4.5 Each Local Pension Board member so appointed shall serve for the life of the current Surrey County Council, a defined, fixed period which can be extended for further periods subject to re-nomination.

4.6 Each Local Pension Board member should endeavour to attend all Board meetings during the year. Substitutes will be permitted to attend on behalf of absent Local Pension Board members.

4.7 Each employer representative on the Local Pension Board should be able to demonstrate their capacity to represent scheme employers of the Surrey Pension Fund.

4.8 Each member representative on the Local Pension Board should be able to demonstrate their capacity to represent scheme members of the Surrey Pension Fund.

4.9 Each Local Pension Board member should participate in training when required.

4.10 Members of the Local Pension Board shall be appointed by the Scheme Manager in accordance with the Appointment and Termination Process.

4.11 The Appointment Panel shall be made up of the following:

- the Chairman of the Pension Fund Board
- the Director of Finance (or her nominee)

- the Strategic Finance Manager (Pension Fund and Treasury)
- the Director of Legal and Democratic Services (or her nominee)

4.12 Each employer representative and member representative of the Local Pension Board will have an individual vote on any matter needing a decision. Independent Members of the Local Pension Board do not have voting rights. It is expected that the Local Pension Board will, as far as possible, reach a consensus.

5. Appointment and duties of the Chair and Vice Chair of the Local Pension Board

5.1 A Chairman and Vice Chairman of the Local Pension Board to be appointed by the Scheme Manager in accordance with the Appointment Process.

5.2 It will be the role of the Chairman of the Local Pension Board to ensure that all members of the Local Pension Board show due respect for process, that all views are fully heard and considered, and to determine when consensus has been met.

5.3 The full responsibilities of the Chairman of the Local Pension Board are contained in the **Chairman of the Local Pension Board role description**.

5.4 The Vice Chairman shall undertake the duties of the Chairman in the event of the Chairman's absence.

6. Notifications of appointments to the Local Pension Board

6.1 When appointments to the Local Pension Board have been made, the Scheme Manager shall publish the name of the Local Pension Board members, the process followed in the appointment together with the way in which the appointment supports the effective delivery of the purpose of the Local Pension Board.

7. Termination of membership of the Local Pension Board

7.1 Any termination of membership of the Local Pension Board will be in accordance with the **Appointment and Termination Process**.

7.2 Membership of the Local Pension Board may be terminated due to:

- a member representative appointed on the basis of their membership of the scheme no longer being a scheme member of the Fund;
- an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied;
- a Local Pension Board member no longer being able to demonstrate to the Scheme Manager their capacity to attend and prepare for meetings or to participate in required training or otherwise to carry out the requirements of the role appropriately;
- a Local Pension Board member having a conflict of interest which cannot be managed in accordance with the Local Pension Boards **Code of Conduct and Conflict of Interest Policy**;
- a Local Pension Board member becomes responsible for the discharge of any function of the Administering Authority under the Regulations;
- the Scheme Manager may at its discretion terminate the membership of a Local Pension Board member if it believes that it appropriate and is consistent with the role of the Local Pension Board to do so.

8. Conflict of Interests

- 8.1 The Scheme Manager will approve a **Code of Conduct and Conflict of Interest Policy** which will be adopted by the Local Pension Board and by which members of the Local Pension Board will need to abide. Members of the Local Pension Board will provide any information the Scheme Manager reasonably requires from time to time to ensure that members do not have a conflict of interest.

9. Knowledge and Skills

- 9.1 In accordance with section 248A of the Pensions Act 2004 (“the 2004 Act”), every individual who is a member of a Local Pension Board must be conversant with:
- i) the regulations governing the LGPS; and
 - ii) any document or policy about the administration of the Fund.
- 9.2 Local Pension Board members should also have a knowledge and understanding of:
- i) the law relating to pensions; and
 - ii) such other matters as may be prescribed
- 9.3 The Local Pension Board shall adhere to the Scheme Manager’s **Attendance and Knowledge and Understanding Policy** to address the knowledge and skills requirements that apply to Local Pension Board members under the 2004 Act.
- 9.4 It is for individual Local Pension Board members to ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Local Pension Board.
- 9.5 In line with this requirement, Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Local Pension Board members are therefore required to maintain a written record of relevant training and development.
- 9.6 Local Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. Local Pension Board members will comply with the Scheme Manager’s **Attendance and Knowledge and Understanding Policy**.

10. Local Pension Board Meetings: Notice and Public Access to Pension Board Meetings and Information

- 10.1 There will be a sufficient number of meetings to enable the Local Pension Board to discharge its functions effectively, as decided by the Chairman of the Local Pension Board with the consent of the Local Pension Board members, and no fewer than two Pension Board meetings a year.
- 10.2 The Scheme Manager shall give notice to all Local Pension Board members of every meeting of the Local Pension Board, which will be held in public (apart from confidential matters). All members will be normally be sent an agenda and papers at least five working days before the meeting unless an urgent meeting is required.
- 10.3 Any meeting of the Local Pension Board will include provision for confidential matters or matters that would involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 to be dealt with privately in Part 2 and any documents in connection with such matters will be dealt with confidentially.

- 10.4 The Scheme Manager shall ensure that a formal record of Local Pension Board proceedings is maintained. Following the approval of the minutes by the Chairman of the Local Pension Board, they shall be circulated to all members.
- 10.5 All agendas, reports and minutes will be available on the website except for any confidential or exempt matters.
- 10.6 In accordance with the Public Service Pensions Act 2013, the Administering Authority shall publish information about the Local Pension Board to include:
- i) the names of the Local Pension Board members and their contact details;
 - ii) the representatives of employers and members of the Local Pension Board;
 - iii) the role of the Local Pension Board;
 - iv) the Terms of Reference.

11. Quorum

- 11.1 The Local Pension Board shall have a quorum of no fewer than four members which should always include the Chairman, at least one employer representative and at least one member representative.

12. Local Pension Board Costs and Budget

- 12.1 The Local Pension Board is to be provided with adequate resources to fulfil its role. In doing so, the budget for the Local Pension Board will be met from the Surrey Pension Fund.
- 12.2 The Local Pension Board will seek approval from the Director of Finance for any expenditure it wishes to make.

13. Core Functions of the Local Pension Board

- 13.1 The first core function of the Local Pension Board is to assist the Scheme Manager in securing compliance with the Regulations, any other legislation relating to the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme.
- 13.2 The second core function of the Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme.
- 13.3 In support of its core functions the Local Pension Board may request information from the Pension Fund Board with regard to any aspect of the Scheme Manager function. Any such request should be reasonably complied with.
- 13.4 The Local Pension Board may make recommendations to the Pension Fund Board. This recommendations should be given due consideration and a response made to the Local Pension Board within a reasonable period of time.

14. Reporting Arrangements

- 14.1 The Local Pension Board should report to the Surrey Pension Fund Board in the first instance.

- 14.2 On receipt of a report from the Local Pension Board, the Surrey Pension Fund Board should consider and respond to the Local Pension Board within a reasonable period of time.
- 14.3 Where the Local Pension Board is satisfied that there has been a breach of regulation which is reported to the Surrey Pension Fund Board and is not been rectified within a reasonable period of time the Local Pension Board has a duty to escalate this perceived breach
- 14.4 The appropriate internal route for escalation is the Strategic Finance Manager, Pension Fund and Treasury.
- 14.5 The Local Pension Board may report concerns to the LGPS Scheme Advisory Board subsequent to the internal route for escalation.
- 14.6 Local Pension Board members are subject to the requirement to report breaches of law to the Pension Regulator under the Act and the Code,

15. Local Pension Board Review Process

- 15.1 The Local Pension Board will undertake each year a formal review process to assess how well it and the members are performing with a view to seeking continuous improvement in the Local Pension Board's performance.

16. Advisors to the Board

- 16.1 The Board may be supported in its role and responsibilities through the appointment of advisors and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisors to the Board and on such terms as it shall see fit to help better perform its duties including:
- i) any Governance Advisor
 - ii) the Fund's Actuary;
 - iii) the Fund's Administrator;
 - iv) the Fund's Legal Advisor;
 - v) the Fund's Investment Manager(s);
 - vi) the Fund's Investment Advisor(s);
 - vii) the Fund's Employer Covenant Advisor;
 - viii) the Scheme Manager;
 - ix) other advisors as approved by the Scheme Manager.

17. Code of Conduct

- 17.1 The Scheme Manager will approve a **Code of Conduct and Conflict of Interests Policy** which will be adopted by the Local Pension Board and which members of the Local Pension Board will need to abide by.

18. Data Protection and Freedom of Information

- 18.1 The Local Pension Board and its members will need to comply with the Scheme Manager's Data Protection and Freedom of Information Policy.

19. Accountability

19.1 The Local Pension Board will be collectively and individually accountable to the Scheme Manager and to the Pensions Regulator.

20. Acceptance and Review of Terms of Reference

20.1 These Terms of Reference will be reviewed on each amendment to those parts of the Regulations covering Local Pension Boards.