

Regulatory Background: Governance Policy and Compliance Statement as required under Regulation 55 of The Local Government Pension Scheme Regulations 2013

1. An administering authority must prepare a written statement setting out-
 - a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
 - b) if the authority does so-
 - i the terms, structure and operational procedures of the delegation,
 - ii the frequency of any committee or sub-committee meetings,
 - iii whether such a committee or sub-committee 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 pension boards: establishment).
2. An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.
3. Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
4. An administering authority must publish its statement under this regulation, and any revised statement.

Governance Policy & Governance Compliance Statement

This is the Governance Policy and Governance Compliance Statement for the West Sussex Local Government Pension Scheme as required under Section 55 of the Local Government Pension Scheme Regulations 2013. The County Council is responsible for administering the West Sussex County Council Pension Fund. It has delegated responsibility for this to the Pensions Panel and the Pension Advisory Board.

The Local Government Pension Scheme Regulations 2013 require that the administering authority sets out whether it delegates its functions in relation to maintaining a pension fund, the frequency of meetings, terms of reference and details of representation and voting rights on Committees.

As required by the Regulations, the Statement covers:

- Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
- The frequency of any committee/sub-committee meetings;
- The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
- Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

The Regulations also require that an administering authority must:

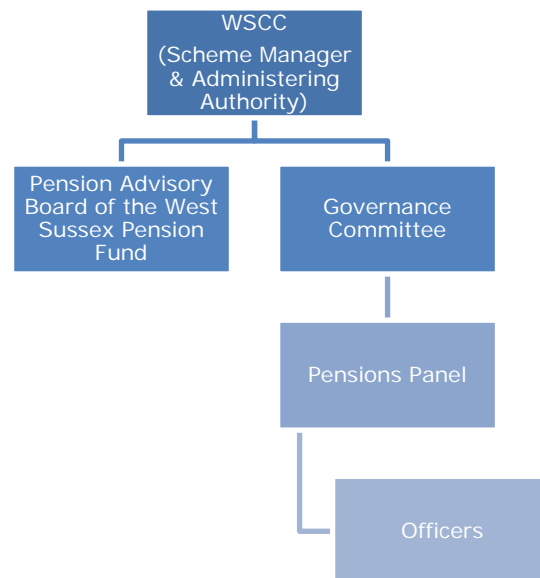
- Keep a statement under review, and make such revisions as are appropriate.
- Consult such persons as it considers appropriate before preparing or revising a statement.
- Publish its statement under this regulation, and any revised statement.

Administering authorities are required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. The response relating to the West Sussex Pension Scheme is set out in this statement.

Where additional information is available, a [hyperlink](#) has been included within the text.

Delegation of functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority.

Under section 102 of the Local Government Act 1972, it is for the administering authority to decide upon the number of members of a committee and their terms of office. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the West Sussex governance structure that is set out below. Further details can be found in the West Sussex Constitution¹.



The role and membership of the Committees / Board identified above have been covered on the following pages.

¹ <http://www2.westsussex.gov.uk/ds/constitution/part3.pdf>

The Role of Officers

The chief officers of West Sussex County Council have certain statutory and formal responsibilities. Executive powers are delegated to named chief officers under scheme of delegation which sets the parameters within which the officers can implement Board and Committee decisions and operate the day-to-day business of the Pension Fund.

Governance Committee

The terms of reference, structure and operational procedures in relation to the use of the delegated powers

The Terms of Reference for Governance Committee include the following items relating to the Pension Fund:

- To exercise the powers and duties of the County Council in relation to the Local Government Superannuation Acts and Regulations made thereunder, including decisions on investment, under the Local Authority (Discretionary Payments) Regulations 1996 and the Local Government Pension Scheme Regulations 1997.
- In relation to the Pension Advisory Board to:
 - a) Approve the job description and remuneration of and oversee the appointment of the independent Chairman of the Pension Advisory Board;
 - b) Review the tenure of membership of a Board member in the event of consistent non-attendance on the advice of the Director of Law, Assurance and Strategy;
 - c) Remove a member of the Board during a term of appointment for reasons other than their ceasing to be eligible.
 - d) To approve the Business Plan and budget of the Pension Advisory Board.

The frequency of any committee/sub-committee meetings

The Committee meets six times per year.

Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

The Committee comprises nine members of the County Council including the Chairman of the Council who is ex-officio Chairman. There are no other organisations or groups represented. The committee is politically proportionate.

Elected members have legal responsibilities for the prudent and effective stewardship of LGPS pension funds and, in more general terms, have a clear fiduciary duty to participating employers, local tax payers and scheme beneficiaries, in the performance of their functions. Although there is no one single model in operation throughout the 89 fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority, as is the case for West Sussex.

Pensions Panel

The terms of reference, structure and operational procedures in relation to the use of the delegated powers

As illustrated in the diagram above, the Pensions Panel is a sub-committee of the Governance Committee.

The Terms of Reference for the Pensions Panel are set out below:

- To be responsible to the Governance Committee for:
 - a) Appointment of professional and specialist investment advisers and managers on a consultancy basis.
 - b) Consideration of the recommendations of the advisers and managers including the Fund's investment strategy.
 - c) Determination of and overseeing the County Council's investment policy.
 - d) Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations.
 - e) Overseeing the management of the Pension Fund investments.
 - f) Monitoring the Fund's performance.
 - g) Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary.
 - h) Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Panel.

Under the Constitution, Members of the Pensions Panel are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by CIPFA in order to remain members of the Panel.

The Pension Fund's Business Plan sets out in more detail how the Terms of Reference are applied.

The frequency of any committee/sub-committee meetings

The Pensions Panel meets formally each quarter.

The frequency of any member groups established to review aspects of investment strategy or to undertake work on key themes and to report back to the Panel will be based on the remit.

Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual committee structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations. It is against this background that the Fund has included representatives from the major employers (District Councils and Scheduled Bodies) on the Pensions Panel, as well as an employee representative.

The Pensions Panel comprises seven members of the County Council and three representative members. This traditionally includes the Cabinet Member for Finance, although not formally required.

All representatives on the Pensions Panel are entitled to vote.

It is not part of the Administering Authority's remit to administer the selection process for the borough and district, scheduled body or employee members sitting on the Pensions Panel or to ensure their attendance at meetings, unless they wish to do so. Notwithstanding this as far as possible, employer representatives are expected where possible to have a democratic mandate in addition to the mandate from their governing body or equivalent.

It should be noted that representatives on the Pensions Panel are not appointed to represent their own local, political or private interest. The fiduciary duty to employers, taxpayers and scheme beneficiaries must always be put before the interests of individuals, individual groups or sectors represented on the Panel.

The term of office of representative members will be equivalent to the length of the election cycle of the body of which they are an elected member. The usual maximum length of representative members will be three terms.

If a member fails to attend three consecutive meetings of the Panel, the presumption is that the Chairman of the Pensions Panel will request a change of membership.

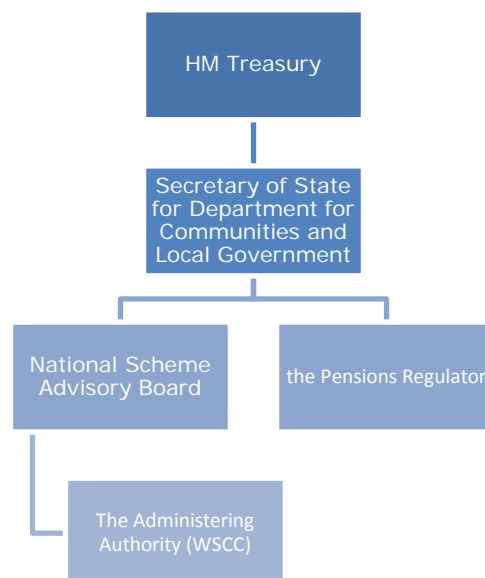
Pension Advisory Board of the West Sussex Pension Fund

The terms of reference, structure and operational procedures in relation to the use of the delegated powers

The Public Service Pensions Act (2013) required all Administering Authorities to introduce a Local Pension Board to assist the Scheme Manager.

The Pension Advisory Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

In addition to the local structure, the Pension Advisory Board is accountable to the Pensions Regulator and the National Scheme Advisory Board. This is illustrated below:



The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti- fraud and corruption policy operated by the administering authority which operate to include all of the functions of the Council and its advisers).

The role of the Pension Advisory Board is set out below:

- Assist West Sussex County Council as Scheme Manager;
- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- In such other matters as the scheme regulations may specify.

The principal functions of the Pension Advisory Board shall include:

- Seeking assurance that due process is followed with regard to Pensions Panel decisions.
- Considering the integrity and soundness of Pensions Panel decision making processes

- Seeking assurance that administration performance is in compliance with the Administration Strategy
- Considering the effectiveness of communication with employers and members including the Communication Strategy
- Considering and commenting on Internal Audit recommendations
- Consideration of External Auditor reports

Any complaint or allegation of breach of due process brought to the attention of the Pension Advisory Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

The frequency of any committee/sub-committee meetings

The Board will meet at least three times per year. One meeting will be the Annual General Meeting.

Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

The Pension Advisory Board consists of five members:

- two employer representatives (to represent all employers within the Scheme)
- two scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner))
- an independent member (to act as Chairman)

The employer and scheme member representatives can vote. The Independent Chairman cannot vote.

The term of office for employer and scheme member representatives is 4 years. This can be extended following reselection up to a maximum of three terms.

Pension Advisory Board members must meet key attendance and training requirements to retain their membership during this period.

A member must attend at least two meetings per year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the Governance Committee on advice from the Director of Law, Assurance and Strategy.

The Pension Regulator's Code of Practice must be complied with.

The members of the Board other than the Chairman shall be appointed by the Chairman with advice from the Director of Finance, Performance & Procurement and the Director of Law, Assurance and Strategy. Nominations will be invited with a view to maximising the opportunity for all scheme members and employers to participate in nominating or seeking nomination for the other panel appointments. All regular communications, such as the pension newsletters and the website will be used to promote the opportunity and invite participation in nomination and approval of candidates through an open and transparent process.

The Chairman will be the independent member appointed for an initial term of 2 years by the Governance Committee, from a short list of nominees drawn up by the Director of Finance, Performance and Procurement and the Director of Law, Assurance and Strategy.

Governance Compliance Statement

Administering authorities are required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. The Fund's response is set out below:

Structure	
The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	Response: Pensions Panel is a delegated committee of Governance Committee and has clear terms of reference.
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	Response: Membership of the Pensions Panel includes a District Council, Scheduled Bodies and Employee representative.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Response: Members of the Pensions Panel also sit on Governance Committee.
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.	Response: Members of the Pensions Panel also sit on Governance Committee.
Representation	
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include <ul style="list-style-type: none"> ▪ employing authorities ▪ scheme members (including deferred and pensioner scheme members) ▪ where appropriate, independent professional observers ▪ expert advisers (on an ad hoc basis)² 	Response: Pensions Panel includes a District Council, Scheduled Bodies and Employee representative. The role of the independent adviser includes governance compliance monitoring and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Panel meetings.
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.	Response: District Council, Scheduled Bodies and Employee representative all receive the same meeting papers and training as the Administering Authority representatives and have full opportunity to contribute to the decision making process. All members can vote.
Selection and Role of Lay Members	
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.	Response: This is explicitly covered in the Fund's Governance Policy Statement.
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the	Response: Declarations of Interest are required at each Pensions Panel meeting and recorded on the minutes for that meeting.

² The guidelines envisage 'an independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover the independent observer would be ideally placed to carry out independent assessments of compliance against the Myrners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on the next steps, together with other benchmarks that the fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effect and what should be done to mitigate them and whether the costs of so doing are proportionate. It is accepted however, that certain fund authorities may have devised, or wish to devise other ways of ensuring the effective scrutiny of their decision-making and performance and it should therefore be borne in mind that the appointment of an independent observer is not to be taken as an absolute requirement in this guidance, provided that authorities are satisfied that their alternative arrangement would match the sort of standards rehearsed in the NAPF's follow-up report on the Myrners Principles (recommendation 7 – trustees should periodically undertake formal assessments of their own performance and that of the Board) and the government's response to it published in March 2008.'

agenda.	
Voting	
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.	Response: All members can vote.
Training / Facility Time / Expenses Voting	
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.	Response: The Council is committed to introductory and ongoing training of Panel and Board members. In addition to the LGE Trustee Training, which is offered to all Panel and Board members, training sessions are arranged following Panel and Board meetings which cover specific investment or governance issues.
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.	All training undertaken and planned is reported annually in the Training Register which is appended to the Business Plan and Annual Report.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Response: A formal training plan will be developed for Pension Panel members.
Meetings	
That an administering authority's main committee or committees meet at least quarterly.	Response: The Governance Committee meets quarterly.
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.	Response: The Pensions Panel meets quarterly.
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	Response: District Council, Scheduled Bodies and Employee representative attend all Pensions Panel meetings. The Fund's Communication Policy Statement sets out arrangements for representations to be made by all key stakeholders.
Access	
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Response: District Council, Scheduled Bodies and Employee representative receive all Panel papers, documents and advice consider at the meetings.
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Response: The Pensions Panel terms of reference include non investment issues.
Publicity	
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.	Response: The Fund's Governance Policy Statement is published on the Fund's website.