

## Suffolk Pension Fund Committee

<b>Report Title:</b>	Governance Policy and Compliance Statement
<b>Meeting Date:</b>	11 July 2016
<b>Chairman:</b>	Cllr Andrew Reid
<b>Director:</b>	Geoff Dobson, Director of Resource Management Tel. 01473 264347
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### **Brief summary of report**

1. This Governance Policy and Compliance Statement report outlines the governance arrangements for the Suffolk Pension Fund as required by Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended).

### **Action recommended**

2. The committee is asked to approve the Governance Policy Statement.
3. The committee is asked to receive the Governance Policy Compliance Statement.

### **Reason for recommendation**

4. The committee is required to review its Governance Policy and Governance Policy Compliance Statement on a regular basis.

### **Alternative options**

5. None

### **Main body of report**

#### **Background**

6. All LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it.
7. Each authority is required to:
  - (a) Keep the statement under review;

- (b) Make appropriate revisions following a material change in respect of any matters mentioned in paragraph 8; and
  - (c) If revisions are made -
    - i) Publish the statement as revised, and
    - ii) Send a copy of it to the Secretary of State.
8. The Statement is required to set out:
- (a) Whether the administering authority delegates their function or part of their function in relation to maintaining a Pension Fund to a committee or an officer of the Council;
  - (b) Where this is the case, details of:
    - i) The frequency of any committee meetings
    - ii) The terms of reference, structure and operational procedures in relation to the use of delegated powers and
    - iii) Whether the committee includes representatives of employing authorities or scheme members, and if so, whether those representatives have voting rights.
  - (c) The extent to which a delegation complies with the guidance given by the Secretary of State and if it doesn't comply the reasons why.

### **Governance of the Suffolk Pension Fund**

9. The Pension Fund Governance Policy Statement (**Appendix 1**) sets out how the Council's statutory responsibilities for the LGPS will be carried out. The Suffolk Pension Fund Committee carries out the Council's responsibilities for the management of the Fund as the administering authority.

### **Pension Fund Committee**

10. The Pension Fund Committee's key responsibilities are:
- (a) The effective and prudent management of the Suffolk Pension Fund.
  - (b) The approval of the Fund's investment strategy and the appointment of the investment managers.
  - (c) The approval of the funding strategy following the triennial actuarial valuation and the determination of the employers' contributions to the Fund.

### **Delegations to the Director of Resource Management**

11. The Director of Resource Management, the Council's responsible financial officer under section 151 of the Local Government Act 1972, is responsible for all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.

## Pension Board

12. The Pension Board's key responsibilities are:
- (a) Assist the Council as scheme manager.
    - i. to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the LGPS;
    - ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    - iii. in such other matters as the LGPS Regulations may specify.
  - (b) Secure the effective and efficient governance and administration of the LGPS of the Suffolk Pension Fund.

## Governance Compliance of the Suffolk Pension Fund

13. The Pension Fund Governance Policy Compliance Statement (**Appendix 2**) sets out how the Council complies with best practice guidelines in regards to the delegation of the Pension Fund.

## Membership of the Committee

14. The attendance of the Pension Fund Committee members for the six committee meetings held during 2015-16 are as follows:

<b>Committee Member</b>	<b>Meetings Attended</b>
Cllr Peter Bellfield*	1
Cllr Andrew Reid	6
Cllr Michael Bond	5
Cllr Peter Byatt*	2
Cllr John Field	6
Cllr Bill Knowles	5
Cllr Bert Poole	4
Cllr Carol Bull	4
Cllr Jenny Antill	5
Mr Steve Warner	5

\*Non attendance due to ill health

15. Suffolk County Council Pension Fund Committee members are able to send a substitute for any committee meeting they are unable to attend. The substitute is fully briefed by a Pension Fund officer to enable them to participate in the meeting.
16. All members of the Pension Fund Committee have voting rights.
17. Committee members must declare any conflicts of interest at each committee meeting which are recorded in the minutes. In addition, all members have to

complete a register of interest declaration form which is available for public inspection.

### **Committee Training**

18. The Pension Fund Committee recognises the importance of ensuring that those who are responsible for financial management and decision making with regards to the pension scheme are equipped with the necessary knowledge and skills. The committee has made the Director of Resource Management responsible for ensuring that appropriate training is undertaken by members and officers with responsibilities relating to the Pension Fund.
19. The Committee has adopted the CIPFA Pensions Knowledge and Skills Framework as the basis for assessing its training and development needs. All new committee members are given training on the operation of the Fund and their responsibilities.
20. In addition, the committee approves a formal two year training plan which is designed to cover the Committee's responsibilities. This is reviewed annually and updated to include new topics of interest and any additional training requirements identified.
21. As part of the training plan the Committee has received presentations during the year from the fund's investment managers and advisers:
  - (a) Committee training day:
    - i) Overview of the Government's plans for the LGPS Funds to pool their assets.
    - ii) Global equity overview, risks, portfolio construction, currency risk and hedging.
    - iii) Infrastructure assets and finding suitable assets to invest in.
    - iv) Overview of alternative asset classes which are not currently invested in.
    - v) Overview of Winton's strategy and trend analysis.
    - vi) Passive overseas equities, market caps, RAFI, currency risk and hedging
  - (b) Global custody, securities lending, performance reporting and benchmarking.
  - (c) Proxy voting and environmental, social and governance engagement.
  - (d) Further training on pooling implications for the Suffolk Pension Fund.
  - (e) Overview of collective investment vehicles.
  - (f) Pension Fund administration and benefits paid to scheme members.
  - (g) Currency risk and currency hedging.
22. This is supplemented by external training provided by local government organisations and investment seminars organised by investment managers and industry experts. Committee members and officers have access to the on-line training and reference material contained in the CIPFA Pensions Knowledge and Skills 'tool kit'.

## **Advisers to the Committee**

23. The Pension Fund Committee is advised by the Council's Director of Resource Management. The Pension Fund Committee is assisted by a number of external professional advisers:
  - (a) Hymans Robertson – Investment adviser and actuary
  - (b) Mark Stevens – Independent investment adviser
  - (c) State Street Investment Analytics (SSIA) – Performance analyser
  - (d) Pension Investment Research Consultants (PIRC) – Shareholders voting

## **Systems and internal control**

24. The Council's statement of accounts, including the accounts of the Pension Fund, is subject to external audit by Ernst & Young LLP who produce an audit opinion on the Council's accounts. The auditors produce a separate opinion on the Pension Fund financial statements and an opinion that the Pension Fund annual report is consistent with the Pension Fund accounts.
25. The Pension Fund is also subject to an internal review by the Council's internal auditors on the robustness of the Pension Fund's systems, procedures and controls. A report summarising the outcomes of the internal audit reviews conducted during the year and their overall opinion of the effectiveness of controls with the Pension Fund is in **Appendix 3**.
26. The Head of Audit Services has provided the opinion that the internal control environment provides substantial assurance that the Pension Fund financial and administrative systems are effective.

## **Risk Management**

27. The Pension Fund Committee maintains a risk register for the Pension Fund, which forms part of the Council's corporate approach to risk management. All Pension Fund risks are subject to regular monitoring, with a formal annual review as part of the approval of the Pension Fund's business plan each year. All risks are considered and monitored on the likelihood and potential impact on the Fund.
28. Investment risk and performance is regularly monitored and reviewed by the Council's Officers. The Pension Fund Committee reviews investment performance on a quarterly basis with the assistance of its investment advisers, Hymans Robertson LLP and Mark Stevens.
29. A summary of the key funding risks and the controls that are in place to mitigate them are included in the Funding Strategy Statement (FSS) which is available on the Pension Fund website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)). Third party risks such as payments of contributions are monitored by Suffolk County Council. Assurance over the systems operated by the Fund's investment managers and custodians is maintained by obtaining relevant documentation about their internal control environment such as ISAE340 reports, prepared in accordance with the guidance from the Audit and Assurance Faculty of the ICAEW.

30. A formal review of the robustness of the Pension Fund's accounting systems is undertaken by the Fund's external auditors, Ernst & Young LLP, as part of the annual audit.

### **Accountability to stakeholders**

31. The Pension Fund Annual Report and Accounts is available to all employers in the Pension Fund and published on the Pension Fund's website. The Annual Report is the formal mechanism for reporting on the performance of the Fund to its stakeholders. In addition, the Pension Fund Committee invited all the Fund employers to an annual meeting to receive reports on the activities of the Fund during the year and on any developments relating to the LGPS. The annual meeting for 2015-16 was held on 1 October 2015.
32. The Pension Fund committee consults with the employers whenever any significant changes in the Pension Fund's investment strategy or funding strategy are under consideration. In addition, Pension Fund officers maintain a regular dialogue with individual employers during the year on fund administration issues including regular employer newsletters.
33. Pensioners are kept up to date through the provision of a newsletter informing them of statutory changes to their entitlements. Active and deferred members of the pension scheme are provided with an annual benefits statement.

<b>Sources of further information</b>
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Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended).
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