



**Staffordshire**  
**Pension Fund**  
Local Government Pension Scheme

Staffordshire Pension Fund

# **Governance Policy Statement**

1 October 2018



## **1. Introduction**

Staffordshire County Council is the administering authority for the Staffordshire Pension Fund (the Fund). Local Government Pension Scheme (LGPS) regulations require all administering authorities to publish a Governance Policy Statement which sets out how the County Council discharges its responsibilities in response to the regulatory requirements.

This statement combines the overall governance arrangements which meet the requirements set out in Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

This statement also takes account of the guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) entitled Local Government Pension Scheme Governance Compliance Statement Statutory Guidance. The basic principles are accountability and transparency and both principles are achieved by setting clear responsibilities and appropriate reporting mechanisms.

Further sources of information are available on the Fund's website [www.staffspf.org](http://www.staffspf.org) including the Annual Report and Accounts, Funding Strategy Statement and Investment Strategy Statement.

## **2. Purpose of the Governance Policy Statement**

The LGPS regulations require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

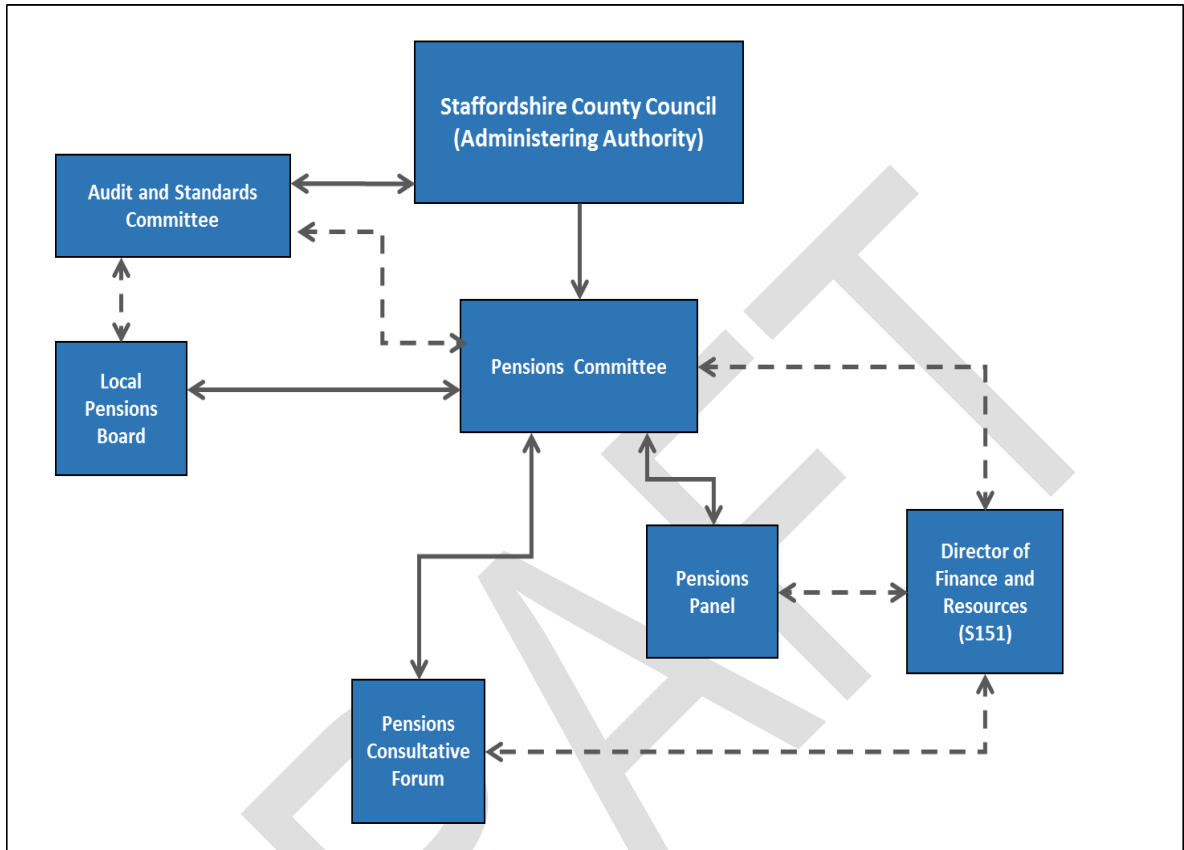
- whether it delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of the delegation;
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- 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
- details of the terms, structure and operational procedures relating to the Local Pension Board.

## **3. Governance of the Staffordshire Pension Fund**

Overall responsibility for managing the Fund lies with the full Council of Staffordshire County Council in its role as administering authority. Under the County Council's Constitution, further delegations for the management, administration and investment

of the Fund are made to the Pensions Committee, the Pensions Panel and the Director of Finance and Resources and his Staff.

### Governance Structure of the Staffordshire Pension Fund



In all areas of the Governance Structure, the 7 Principles of Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership) are widely acknowledged and practiced; both within the decision-making framework and within day to day activities.

#### **4. The Pensions Committee**

The Pensions Committee has full delegated powers to deal with all functions relating to Local Government Pensions on behalf of Staffordshire County Council, including the management of the administration of benefits and the strategic management of the Funds' assets.

The Pensions Committee is made up of:

9 Elected Councillor Members; and

6 non-voting representatives from the Pensions Consultative Forum representing the following categories:

- Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)
- Contractors (1)
- Other Scheduled Bodies (1)
- Trade Unions (2)
- Pensioner Recipients (1)

The Pensions Committee principally fulfils its role by.

- Approving and keeping under review the Investment Strategy Statement and Funding Strategy Statement;
- Maintaining a Communication Strategy;
- Approving the Pension Fund Annual Report and Accounts;
- Receiving a report, at least annually on pensions administration activities;
- Approving and keeping under review the Fund's Additional Voluntary Contribution (AVC) arrangements;
- Approving the formal Actuarial Valuation;
- Approving the admission of employing organisations to the Fund where there is discretion to do so;
- Dealing with any other matters arising in respect of Local Government Pensions; and
- Appointing a Pensions Panel of five Members of the Committee.

In making its decisions, the Pensions Committee is obliged:

- To have due regard to the advice of the Director of Finance and Resources and to the advice of Consultants appointed by the Committee for the purpose (the appointment of whom may be made by the Committee on such terms and conditions and for such duration as the Committee may consider appropriate) with expertise in either or both of the following fields:-
  - Actuarial matters and Risk/Liability assessment
  - Investment Strategy and Allocation;
- To monitor from time to time the advice received from those Consultants; and
- To have regard to the advice of the Pensions Panel on matters referred to the Committee for consideration by the Panel and to call for advice from any Adviser or Manager who could have been asked by the Pensions Panel to give the Panel advice.

If the Pensions Committee shall disregard the advice of Consultants their reasons for so doing shall be recorded in the minutes of the Committee.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Over time, as assets move into pooled structures the Pensions Committee will also become responsible for:

- The selection, appointment and dismissal of an investment pooling operator to manage the assets of the Fund;
- Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy effectively;
- Receiving and considering reports and recommendations from the Joint Committee and Practitioners Advisory Forum, established to oversee the pool, to ensure that the Fund's investor rights and views are represented effectively;
- Identifying and managing the risk associated with investment pooling;
- Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling; and
- Ensuring the responsible investment, corporate governance and voting policies of the Fund are delivered effectively.

## **5. The Pensions Panel**

Each year, the Pensions Committee will constitute a Pensions Panel of 5 Elected Councillor Members of the Committee, with full delegated powers (and voting rights in accordance with the County Council's Constitution) to deal as and when appropriate to the following investment matters:

- The structure of the investment management arrangements necessary to achieve the effective management of the Pension Fund to meet the objectives set by the Pensions Committee;
- The selection, appointment and dismissal of, and the monitoring of the performance of, the Investment Managers of the Pension Fund;
- The allocation of the assets of the Pension Fund and the generic selection of asset portfolios in order to meet the objectives set by the Pensions Committee;
- The monitoring of the performance of the Pension Fund and its portfolios on a regular and routine basis across all sectors of investment and management, and the reporting arrangements to Panel that may be required from time to time for this purpose;
- The monitoring of the performance and effectiveness of the investment pooling operator to ensure it is providing an effective means of delivering the investment strategy (e.g. types of assets and style of investment management) and it is meeting the objectives that have been set (including requirements in relation to responsible investment);
- To agree from time to time any restrictions to be placed on any one or more Managers of the Pension Fund as to particular classes of authorised investment or decisions they may take on behalf of the Pension Fund or as to the exercise of voting rights.

The Pensions Panel will review regularly and make recommendations to the Pensions Committee on the following:

- Strategic Asset Allocation;

- Strategic Benchmarks;
- Strategic Performance Targets;
- The performance of Investment Fund Managers;
- The Investment Strategy Statement and the Funding Strategy Statement;
- Legislative, financial and economic changes which impact on the investment activity of the Fund;
- Responsible Investment (RI) considerations; and
- The advice from Advisers appointed by the Panel.

The Pensions Panel shall have regard to the advice of the Director of Finance and Resources and to the advice of the Independent Advisors, or other service providers, appointed by the Panel for the purpose (the appointment of whom may be made by the Panel on such terms and conditions and for such duration as the Panel may consider appropriate) with expertise in any one or more of the following fields:-

- Tactical Asset Allocation/Investment Strategy Implementation;
- Equities/Stocks/Shares/Securities (whether in UK or Overseas);
- Property;
- Bonds and Gilt-edged Investments;
- Alternative Investments e.g. Private Equity, Private Debt; and
- Manager Selection and Performance Monitoring

In addition, the Pensions Panel may make recommendations to the Pensions Committee on any matter, whether or not it falls within the powers delegated to the Pensions Panel.

## **6. The Local Pensions Board**

The role of the Local Pensions Board is defined by the Public Service Pensions Act 2013. The Board aims to assist the administering authority in ensuring the effective and efficient governance and administration of the Pension Fund including:

- Securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the Fund;
- Securing compliance with requirements imposed in relation to the Fund by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

The Local Pensions Board comprises 6 representatives with equal representation from Employer Bodies and Scheme Membership.

As well as meeting sufficiently regularly to discharge its duties and responsibilities effectively, all Board representatives have an open invitation to attend all meetings of the Pensions Committee and Pensions Panel, in an observer capacity.

## **7. Pensions Consultative Forum**

The Pensions Consultative Forum, consisting of representatives from all Scheme Employers in the Fund, as well as Trade Unions, meets at least annually (for an Annual General Meeting (AGM)). The Forum's 6 nominated representatives also attend the quarterly meetings of the Pensions Committee in a non-voting capacity.

The AGM provides a formal means for communication and consultation about the activities and governance of the Staffordshire Pension Fund, and will typically:

- receive the Annual Report and Accounts of the Fund;
- consider a report on the assets, liabilities and the solvency of the Fund;
- consider a report of the investment arrangements of the Fund;
- consider an account of the performance of the investment arrangements of the Fund;
- discuss the principles and practices of the interaction between the administering authority and Participating Bodies regarding the Fund; and
- consider any other business that is consistent with the purpose and objectives of the meeting.

Outside of the AGM, the Forum is also used as a means of consultation with Scheme Employers; for example, this may include consultation on changes to the Funding Strategy Statement or the Investment Strategy Statement.

A recent addition to the Fund's Governance arrangements includes an Employer Focus Peer Group. The group will consist of about 15 representatives from a cross section of the Fund's Scheme Employers and will be used for more regular engagement for the purposes of delivering appropriate training and timely information via Employer Focus Newsletters.

## **8. The Director of Finance and Resources**

The Director of Finance and Resources and his staff are responsible for all matters of Fund administration, including recording each member's years of service and calculating and paying out pensions. They are also responsible for all administration and accounting functions that relate to the investment of the Fund's assets.

Under the County Council's Constitution (Appendix 1 Table 4), the Director of Finance and Resources may:

- Take any decision relating to the investment or management of the Pension Fund which is within the framework of the strategic or policy decisions of the Pensions Committee or the Pensions Panel; and

- After taking advice from Independent Advisers appointed by the Pensions Panel, take any decisions relating to the investment and management of the Pension Fund which cannot reasonably await the next meeting of the Pensions Committee or the Pensions Panel.

There is also a Finance and Resources Directorate sub-scheme of delegation which further delegates some practical elements of the day to day running of the Fund to the Head of Treasury and Pensions and Pensions Services staff.

## **9. LGPS Central (LGPSC)**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. As a result of this, the Staffordshire Pension Fund has joined with 8 other LGPS Funds across the Midlands (Partner Funds) to form an asset pool, known as LGPS Central.

LGPS Central Limited is the Company formed by the Partner Funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the Partner Funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

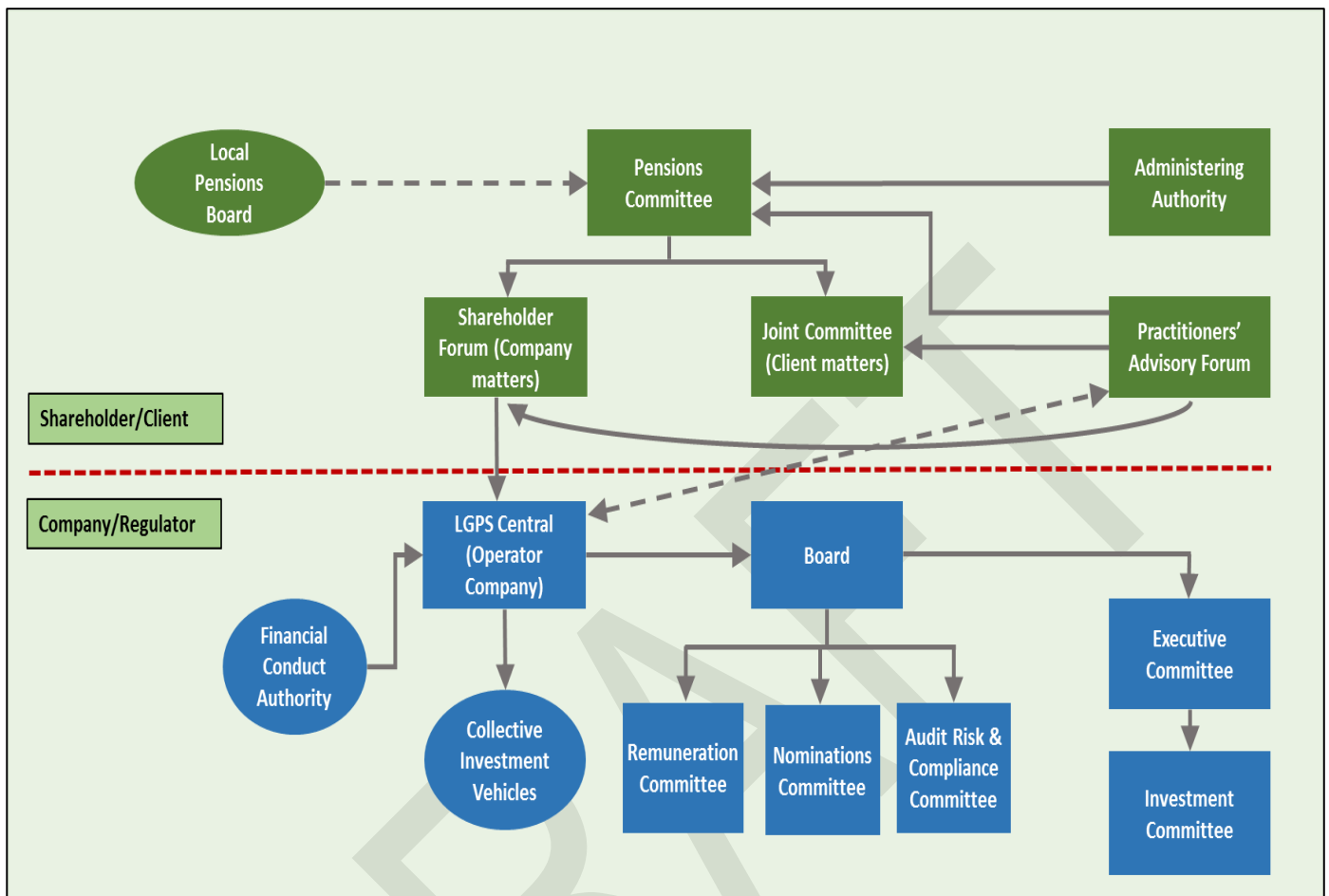
It is important to note that the Councils of each of the Partner Funds retain their core duties and responsibilities as the administering authorities of their respective LGPS Funds.

Asset allocation decisions remain with the Partner Funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the Operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the Pool's assets currently remains with the Partner Funds. The Operator is responsible for selecting the custodian for the assets in the ACS; the Partner Funds are responsible for selecting the custodian for the remaining assets.

The formation of LGPS Central Limited on 1 April 2018 will begin to have an impact on the roles of the Staffordshire Pensions Committee and the Pensions Panel. However, changes will be gradual as the transfer of the management activity to the new company progresses. Consequently, the existing Governance arrangements and Terms of Reference need to run concurrently with new terms required to facilitate changes.



## Governance Structure of LGPS Central



The governance structure of LGPS Central will allow Partner Funds to exercise control (both individually and collectively) over the pooling arrangements; not only as investors in the ACS but also as shareholders of the operator company.

The **LGPS Central Joint Committee** has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the Joint Committee consists of one elected member from each Council within the LGPS Central pool. The first meeting of the Joint Committee took place on 23 March 2018 and at that meeting it was agreed that a Trade Union representative would be appointed as a non-voting member of the Joint Committee to represent the scheme members across the Councils' pension funds.

Staffordshire's representative on the LGPS Central Joint Committee is the Chair of the Pensions Panel.

The primary role of the **Shareholders' Forum**, is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the Shareholding Councils within the LGPS Central pool. The Shareholders' Forum is independent of the Company and its meetings are distinct from Company meetings, however, members of the Shareholders' Forum represent the Councils at Company Meetings. The Councils as individual investors in the Company have in place local arrangements to enable their Shareholder representatives to vote at Company meetings.

The Staffordshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other Partner Funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the Company's Shareholder Agreement and Articles of Association. Other matters, not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

Staffordshire's representative on the Shareholders Forum is the Chair of the Pensions Committee.

The **Practitioners' Advisory Forum (PAF)** is a working group of officers appointed by the Shareholding Councils within the LGPS Central pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. PAF will also report back to Partner Fund's Pensions Committees on matters requiring their attention.

Staffordshire's representatives on PAF are the Director of Finance and Resources and the Head of Treasury and Pensions.

Terms of Reference have been approved for the Joint Committee, the Shareholders' Forum and the Practitioners' Advisory Forum. These are "live" documents which are likely to evolve as the practical day to day experience of working within the LGPS Central pool evolves.

## 10. Governance Compliance Statement

LGPS Regulations require Pension Fund's to issue a statement confirming the extent to which their governance arrangements comply with guidance issued by the Secretary of State. The statement below confirms the mechanism in place to satisfy each requirement.

Principle	Explanation of Approach	Compliance
<b>STRUCTURE</b>		
The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	The Pensions Committee is clearly responsible for these areas under the terms of reference contained in the Council's constitution. Details are included in the main body of this document.	FULL
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.	Representatives of employing bodies and employees are included as non-voting representatives of the Pensions Committee through the Pensions Consultative (Employers) Forum as follows: <ul style="list-style-type: none"> <li>• Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)</li> <li>• Contractors (1)</li> <li>• Other Scheduled Bodies (1)</li> <li>• Trade Unions (2)</li> <li>• Pensioner Recipients (1)</li> </ul>	FULL
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	The Pensions Panel meets quarterly. Minutes from the Pensions Panel meetings are presented to the Pensions Committee. Six members of the Pensions Consultative Forum are co-opted onto the Pensions Committee, as non-voting members.	FULL
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member of the secondary committee or panel.	The five members of the Pensions Panel are also voting members of the Pensions Committee and meet quarterly.  Six members of the Pensions Consultative Forum are co-opted on to the Pensions Committee.	FULL

Principle	Explanation of Approach	Compliance
<b>REPRESENTATION</b>		
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>a) Employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>b) Scheme members (including deferred and pensioner scheme members);</p> <p>c) Independent professional observers; and</p> <p>d) Expert advisors (on an ad-hoc basis).</p>	<p>a) and b)</p> <ul style="list-style-type: none"> <li>• The following are co-opted on to the Pensions Committee: Local Authorities / Offices of the Police and Fire Commissioner Staffordshire (1)</li> <li>• Contractors (1)</li> <li>• Other Scheduled Bodies (1)</li> <li>• Trade Unions (2)</li> <li>• Pensioner Recipients (1)</li> </ul> <p>c) The Committee does not include an independent professional observer as the value add, given the likely cost, is unclear. However, professional independence is evidenced in a number of other ways, including:</p> <ul style="list-style-type: none"> <li>• The Director of Finance providing impartial and independent advice;</li> <li>• Auditors using the new Chartered Institute of Public and Accountancy (CIPFA) template to give an independent view of the overall governance of the Fund;</li> <li>• The Fund being visibly accountable through the wide range of information published, including Annual Reports, Investment Strategy Statement, Funding Strategy Statement, Governance Policy Statement and Communications Policy; and</li> <li>• The 6 non-voting members, including the Pensioner Representative, of the Pensions Consultative Forum operating as independent observers.</li> </ul> <p>d) Expert advisors attend the Pensions Committee as required for the nature of the main decisions. For example, the Actuary attends when the valuation is being considered, and the main Investment Consultant attends when the Strategic Asset Allocation decision is being made. The Investment</p>	<p>FULL</p> <p>b) non-compliant for reasons explained</p>

	<p>Consultant and two independent Advisors regularly attend the Pensions Panel meeting.</p> <p>All members are treated equally in terms of access to papers and to training that is given as part of the Committee process.</p> <p>Additionally, new members of the Committee are automatically offered attendance on the three day LGC Trustee Training Fundamentals course.</p>	
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<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>SELECTION AND ROLE OF LAY MEMBERS</b>		
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.	The elected members are aware of their status, role and function (which are set out in the constitution).	FULL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>VOTING</b>		
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	<p>Voting rights remain with Elected Members (County Councillors) on the main Pensions Committee because the Council retains legal responsibility as the administering authority. Outside of their delegated powers, neither the Pensions Panel nor the Local Pensions Board have any independent voting rights, but they do make recommendations to the Pensions Committee.</p> <p>The Pension Consultative Forum does not have voting rights as they are not members of the administering authority. However, the 6 members of the Forum who attend the Pension Committee will bring the perspectives of all</p>	FULL

	stakeholders to the main Committee.	
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<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>TRAINING / FACILITY TIME / EXPENSES</b>		
That in relation to the way the 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	This falls within the County Council's normal approach to member expenses.  Co-opted members do not receive expenses.  Training has been referred to above.	FULL
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.	The policy applies equally to all elected members. However, unelected co-opted representatives do not ordinarily receive expenses from the administering authority.	PARTIAL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>MEETINGS (Frequency / Quorum)</b>		
That an administering authority's main committee or committees meet at least quarterly.	The Pensions Committee meets quarterly.	FULL
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.	The Pensions Panel meets quarterly. In addition, the Fund invites all its Employers to attend meetings twice a year. One such meeting is the Fund's AGM with the other being an Employer Training Day. The Employers also select 5 members to attend the Pensions Committee as non-voting representatives, therefore, bringing the stakeholders perspective to the Fund's governance arrangements.	FULL
That administering authorities who do not include lay members in their formal governance	Not applicable	Not applicable

arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		
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<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>ACCESS</b>		
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.	All members of the Pensions Committee, Pensions Panel and Pensions Board have the same access.	FULL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>SCOPE</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	The terms of reference are: <ul style="list-style-type: none"> <li>• set out under the constitution; and</li> <li>• cover all aspects of investment, administration and benefits and the wider issues of governance.</li> </ul>	FULL

<b>Principle</b>	<b>Explanation of Approach</b>	<b>Compliance</b>
<b>PUBLICITY</b>		
That administering authorities have published details of their governance arrangements in such a way that the 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.	The Governance Policy Statement is published and available on the internet: <a href="http://www.staffspf.org.uk/Governance/Policies.aspx">http://www.staffspf.org.uk/Governance/Policies.aspx</a>  The main direct stakeholders (employing bodies and staff (via Trades Unions)) are part of the Pensions Consultative Forum that meets twice a year.  Employing bodies are in turn accountable to Council Tax payers and other interested parties. As a result the	FULL

	<p>Governance Policy Statement covers all the main stakeholders.</p> <p>It is arguable that retired pensioners are not specifically included, although they do receive an annual newsletter.</p> <p>Contact details are provided in the Communications Policy and in the Annual Report, as well as on the website, so other interested parties can find out more if they wish.</p>	
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## 11. To Contact Us or for Further Information

In writing or in person at:

Treasury and Pension Fund  
Staffordshire County Council  
2 Staffordshire Place  
Tipping Street  
Stafford ST16 2DH.

Email us: [pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)

Telephone us: on 01785 278222

You can also visit our website at:

[www.staffspf.org.uk](http://www.staffspf.org.uk)