

Pension Fund Committee 30 November 2017

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Report to Pension Fund Committee

Title:	Terms of Reference & Governance Policy Statement
Date:	30 November 2017
Author:	Finance Director, Resources
Contact officer:	Claire Lewis-Smith, 01296 383424 Julie Edwards, 01296 383910
Electoral divisions affected:	n/a

Summary

To reflect the evolving nature of the Committee, the terms of reference for this Committee have been updated and are submitted for approval.

Recommendation

The Committee are asked to AGREE the revised terms of reference as set out in Appendix 1 prior to Full Council approval.

The Committee are asked to AGREE the Governance Policy Statement as set out in Appendix 2 and the Governance Compliance Statement, Appendix 3.

A. Narrative setting out the reasons for the decision

The Pension Fund Committee's terms of reference, Appendix 1, outlines the governance structures and the functions undertaken by the Committee. It also covers the delegations made to the Finance Director, Resources. The terms of reference remain valid for the operations of the Committee.

Attached at Appendix 2 is the revised Governance Policy Statement. Appendix 3 is the revised Governance Compliance Statement for the Fund which complements the Governance Policy Statement. The Statement requires LGPS Funds to demonstrate their compliance (or not) with best practice principles. A compliance-based approach reinforces the need for pension funds to have well-defined and transparent governance structures. The Statement should then be used in conjunction with other statutory documents, such as the pension fund annual report and audit report, as evidence that the Fund has strong governance procedures in place.

Guidance for development of the document outlines that the Statement must include the following information:



- The delegation arrangements (from the administering authority to a Committee and/or Officers).
- Whether the Committee or Sub-Committee includes representatives of employing authorities (including non-LGPS employers) or members, and if so whether those representatives have voting rights.
- The frequency of any meetings, terms of reference, structure and operational procedures of the delegation.
- The extent to which a delegation complies with CLG guidance and where the Statement does not comply with the guidance, the reason for non-compliance.

The Terms of Reference, Governance Policy Statement and Governance Compliance Statement were updated in 2016. They have been updated to reflect the changing role of the Pension Fund Committee following the implementation of LGPS pooling arrangements and the creation of the Brunel Pension Partnership.

B. Other options available, and their pros and cons

Every Committee must be supported by terms of reference which outline the powers delegated to that Committee. Although the terms of reference have been updated, a change to the role of the Committee is not proposed.

C. Resource implications

There are no future resource implications.

D. Value For Money (VFM) Self Assessment

Not Applicable

E. Legal implications

None

F. Property implications

None

G. Other implications/issues

None

H. Feedback from consultation, Local Area Forums and Local Member views

Not applicable.

I. Communication issues

The terms of reference will be published on the Council's website.

J. Progress Monitoring

The terms of reference will be continuously monitored.

K. Review

The terms of reference will be reviewed triennially.

Background Papers

None

Role and Function

To be responsible for the Council's statutory function as administering authority (also including investment matters) under the Local Government Pension Scheme Regulations and associated legislation under Sections 7, 12 and 24 of the Superannuation Act 1972. The committee will be established under s101 of the Local Government Act 1972.

The Pension Fund Committee will be provided with full-delegated powers to discharge the following functions on behalf of the Council:

- To deal with all matters arising relating to the Buckinghamshire Local Government Pension Scheme;
- To instruct the **Finance Director - Resources** on the management and investment of the Buckinghamshire County Council Pension Fund ("the Pension Fund")
- To constitute a **Local Pension Board** in accordance with the **Buckinghamshire Local Pension Board's** terms of reference.

Terms of Reference

To agree and ensure the continual review of:

1. The strategic asset allocation and objectives of the Pension Fund in terms of investment return and risk exposure,
2. The **Investment Strategy Statement**,
3. The strategic benchmarks for the performance of the Pension Fund against which the actual performance is to be measured,
4. To agree the appointment and termination of:
 - **The Actuary**
 - **Firms or individuals** to provide investment and actuarial advice for the Fund
5. On a quarterly basis, review the performance of **the Pension Fund** against the objectives, benchmarks and targets set and to consider if, and to what extent, any change may be necessary to ensure the efficient and effective performance of the Pension Fund. This may include:
 - Reviewing the allocation of the assets of the Pension Fund and the generic selection of asset portfolios in order to meet the objectives of the Pension Fund.
 - **To review decisions Brunel Pension Partnership may take on behalf of the Pension Fund or as to the exercise of voting rights;**

- Reviewing the Pension Fund Risk Register (every six months).
7. On an annual basis (or more frequently as required by the Committee), review the performance of the Pension Fund and the Brunel Pension Partnership against the strategic objectives, benchmarks and targets set by them and to consider if, and to what extent, any change may be necessary to ensure the efficient and effective performance of the Pension Fund.
 8. To approve the Pension Fund Annual Accounts and Governance Compliance Statement.
 9. Review the formal Actuarial Valuation and to consider if, and to what extent, any change may be necessary to ensure the efficient and effective performance of the Pension Fund.
 10. To consider the admission of employing organisations to the Fund where there is discretion to do so and as escalated by the Finance Director - Resources.
 11. To have due regard to the advice of the Finance Director - Resources and to the advice of Consultants appointed by the Committee. If the Pension Fund Committee shall disregard the advice of Consultants, its reasons for so doing shall be recorded in the minutes of the Committee.
 12. To receive auditor reports as appropriate and seek assurance that any action points arising are implemented.
 13. To deal with any other matters arising in respect of Local Government Pensions.

Reporting

1. Minutes of the Committee will be reported to Council under the existing County Council Committee framework.
2. Detailed performance reports will remain confidential items on Committee agenda as will any other item deemed as such by the Chairman although the Committee aims to operate as transparently as feasible.
3. The Chairman shall consult with the County Council's Monitoring Officer (and that of any relevant partner organisation) where any Member misses three Committee meetings in a row (to include formal training sessions).

Membership

Comprises nine members as follows:

- Six Elected Members from Buckinghamshire County Council
- One Elected Co-Opted Member from Milton Keynes Council
- One Elected Police and Crime Commissioner (PCC) or deputy PCC from Thames Valley Police
- One Elected Co-Opted Member chosen by the four District Councils in Buckinghamshire in consultation with the Chairman.

Members have Quasi-Trustee status and consequently substitutions are not permitted.

The quorum for this Committee is 4 Members.

Frequency

Five meetings will be scheduled each year, additional meetings may be scheduled. Formal Committee meetings are supplemented by Committee Training Days.



Buckinghamshire County Council Pension Fund Governance Policy Statement – November 2017

Background

1. Regulation 55 of the Local Government Pension Scheme regulations 2013, requires pension fund administering authorities to prepare and publish a governance policy statement which covers:
 - whether the administering authority delegates its functions in relation to the pension fund to a committee, a sub-committee or an officer of the Council; and where this is the case, details of:
 - the frequency of any committee's meetings;
 - the terms of reference, structure and operational procedures in relation to the use of delegated powers;
 - whether the committee includes representatives of employers or scheme members; and if so, whether they have voting rights.
2. This policy statement sets out the County Council's arrangements for discharging its responsibilities for pension fund matters.

Governance of Buckinghamshire Pension Fund

3. The current arrangements for the discharge of the County Council's responsibilities for pension fund matters are set out below.
4. Under the County Council's constitution, the County Council has delegated responsibility for decision-making on pension fund investments to the Pension Fund Committee. The Pension Fund Committee consults within the advisory framework and the Finance Director (Resources) before making decisions within the scope of their delegated powers. The Committee receives professional advice from an investment consultant and an independent adviser on investment strategy and other investment matters.
5. The terms of reference for the Pension Fund Committee are to agree:
 - the overall investment objective for the Fund;
 - the Fund's Investment Strategy Statement;
 - the Fund's asset allocation policy;
 - the appointment of firms to provide investment and actuarial advice for the Fund;
 - any other matters relating to the management and investment of the Pension Fund, as requested.

Reporting



6. The Chairman reports annually to the Cabinet and the Council on the discharge of the Committee's delegated responsibility and the performance of the Fund.

Membership

7. The membership of the Pension Fund Committee is:
 - Six elected members from Buckinghamshire County Council;
 - One elected member from Milton Keynes Council;
 - One elected Police and Crime Commissioner (PCC) or Deputy PCC member from Thames Valley Police;
 - One elected member chosen by the four District Councils in Buckinghamshire;

Members have Quasi-Trustee status and consequently no substitutions are permitted.

8. The Fund's investment consultants and independent adviser advise on investment strategy and other investment matters.

Operational Procedures

9. The Pension Fund Committee has five regular meetings scheduled each year. At four of the meetings the Committee receives a report on the investment performance of the fund in the quarter, the fund's longer term performance. The Committee meets to review the Fund's investment performance in relation to targets.
10. Procedures for communicating with employers contributing to the Pension Fund are set out in the Communication Policy Statement.

Knowledge and Skills Policy Statement

11. This organisation recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
12. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension fund's decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.





**Buckinghamshire County Council Pension Fund
Governance Compliance Statement
November 2017**

1. Introduction

- 1.1 This is the Governance Compliance Statement of the Buckinghamshire Pension Fund which operates as part of the Local Government Pension Scheme and is administered by Buckinghamshire County Council (the Council).
- 1.2 This statement has been prepared as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. Governance Arrangements

- 2.1 Under the terms of the Council's Constitution, the functions of the Council as Administering Authority of the Pension Fund are delegated to the Pension Fund Committee and are excluded from the delegation of authority to the Cabinet and other Committees. The Pension Fund Committee is supported by officers of the Council, investment consultants and an independent adviser. Governance arrangements are outlined in the Governance Policy Statement.
- 2.2 The Pension Fund Committee meets five times a year and its members act in a quasi-trustee capacity. Under the Constitution, it is responsible for administering, investing and managing the Fund. Further meetings can be arranged if required. Terms of reference are available on the Council's website at:
- <http://democracy.buckscc.gov.uk/mgConvert2PDF.aspx?ID=11106>
- 2.3 The purpose of the Local Pension Board is to assist the administering authority in its role as a scheme manager of the Scheme. This covers all aspects of governance and administration of the LGPS, including funding and investments. Such assistance is to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme and any requirements imposed by the Pensions Regulator in relation to the Scheme. The Board must also ensure the effective and efficient governance and administration of the Scheme and help the administering authority, including undertaking work requested by the administering authority. Meetings are held three times a year. The Terms of Reference were adopted at the Board's first meeting and are available on the Council's website.

3. Functions and Responsibilities

- 3.1 The Pension Fund Committee approves the Pension Fund's Funding Strategy, the Investment Strategy Statement, the Governance Policy Statement and the Communications Policy. Other key responsibilities of the Committee include:
- Policy approval
 - Appointing Advisers Monitoring Fund performance

- Monitoring Scheme Governance

3.2 The Funding Strategy sets out the aims and purpose of the Fund and the responsibilities of the administering authority as regards funding the scheme. Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to formulate, publish and maintain an Investment Strategy Statement.

3.3 The Investment Strategy Statement required by Regulation 7 must include:-

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

3.4 The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

3.5 The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. The Pension Fund also has a Governance Policy Statement which outlines many of the frameworks identified within this document. Additionally, an administering authority discretions document has been developed stating those discretions found within the scheme that it has adopted. All documentation is published at www.buckscc.gov.uk/pensions

3.6 The Pension Administration Strategy is an important tool in managing and improving the administrative performance of the Fund. It formally sets out the requirements of both Buckinghamshire County Council as the Administering Authority and participating employers/third party payroll providers in the Fund in a single document within one framework, a formal review is undertaken every three years.

4. Representation

4.1 The Pension Fund Committee has 9 members as follows:

- Six Elected Members from Buckinghamshire County Council
- One Elected Co-Opted Member from Milton Keynes Council
- One Elected Police and Crime Commissioner (PCC) or Deputy PCC from Thames Valley
- One Elected Co-Opted Member chosen by the four District Councils in Buckinghamshire

Members have Quasi-Trustee status and consequently substitutions are not permitted.

4.2 The Local Pension Board has 8 members comprising of 4 employer representatives and 4 scheme member representatives

5. Stakeholder Engagement

5.1 A triennial meeting of the Pension Fund, called the 'Pensions General Meeting', is held in November/December in the year of the Fund valuation (the year prior to when the revised contribution rates from the valuation are due to come into effect), to which all employer representatives and scheme members are welcome. The purpose of the meeting is to report on investment performance and current issues of concern to the Fund stakeholders.

5.2 Mechanisms used to involve stakeholders include:

- Communication with Scheme Employers
- Dedicated Employer Liaison Officers and Communications Officer
- Training Events
- Meetings with the Actuary and the Auditors
- Meetings with Advisors
- Meetings with Brunel Pension Partnership
- Buckinghamshire Finance Officers meetings
- The annual report for the Pension Fund
- Scheme member newsletters/updates

6. Review and Compliance with Best Practice

6.1 This statement will be kept under review and will be revised and published annually or following any material change in the Governance Policy Statement of the Pension Fund.

6.2 The Pension Fund is regularly audited and no material findings have arisen from either our internal or external auditors.

6.3 The Regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This statement is confirming that all the above mentioned mechanisms are in place and are effective and embedded. Any breach of our Governance Policy would be outlined in this document and reported to the Chairman of the Pension Fund Committee. A summary of our compliance with recommended good practice is outlined below.

Responsible Officer: Claire Lewis-Smith, Principal Pensions Officer
(Governance & Employer Liaison)

Good Practice Requirement	Met/Not Met	Evidence
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.	Met	Pension Fund Committee (PFC) Terms of Reference
That representatives of LGPS Scheme employers 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.	Met	PFC Terms of Reference and Buckinghamshire Pension Board (BPB) Terms of Reference
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Met	The BPB meets three times a year after two meetings of PFC. Board minutes go to PFC and vice-versa
Representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) Scheme employers (including non-local government employers, e.g., admitted bodies); ii) Scheme members (including deferred and pensioner scheme members), iii) Independent professional observers, and iv) Expert advisors (on an ad-hoc basis).	Met	Key stakeholders on PFC or the BPB as from Terms of Reference i) PFC and BPB ii) BPB iii) PFC and BPB iv) PFC and BPB
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.	Met	All PFC members and advisers get all papers except where it concerns them. BPB members are provided with relevant training as required under The Pensions Regulator's Code of Practice 14
Selection and role of lay members		
That committee or panel members are made fully aware of the status, role and function they are	Met	This is set out in the Committee's terms of reference.

required to perform on either a main or secondary committee.		
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.	Met	Voting rights are not specifically noted in the PFC Terms of Reference. However under section 4 (Membership) there are 9 members and under section 4.5 it is noted that members have Quasi-Trustee status and therefore no substitutions are permitted. Section 4.6 confirms the Quorum is 4 members. The BPB has 4 employer representatives and 4 scheme member representatives. The Terms of Reference confirms the Quorum is 4 Board members, comprising of at least 2 employer and 2 scheme member representatives. Substitutions are permitted.
Training/facility time/expenses		
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.	Met	Training for PFC members is undertaken annually as detailed by the PFC training plan. This organisation has adopted the key recommendations of the <i>Code of Practice on Public Sector Pensions Finance Knowledge and Skills</i> . Reimbursement of Expenses is defined in BCC constitution. Training for BPB members is undertaken in accordance with The Pensions Regulator's Code of Practice 14.
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.	Met	Reimbursement of expenses is defined in BCC Constitution.
Meetings (frequency/quorum)		
That an administering authority's main committee or committees meet at least quarterly.	Met	PFC Terms of Reference.
That an administering authority's secondary committee or panel meet at least twice a year and	Met	BPB Terms of Reference.

is synchronised with the dates when the main committee sits.		
Access		
That subject to any rules in the council 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.	Met	Confirmed that this applies by Member Services.
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Met	PFC forward plan requires senior Pension officers to attend meetings to discuss and raise issues outside usual scope of Pension Fund Investment.
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.	Met	All non-confidential agendas, papers and minutes are on BCC external website. This includes Terms of Reference, Customer Charter and Governance Compliance Statement.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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of the Local Government Act 1972.

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