

## Hampshire Pension Fund – Governance Policy and Compliance Statement

### Hampshire Pension Fund - Governance Policy Statement

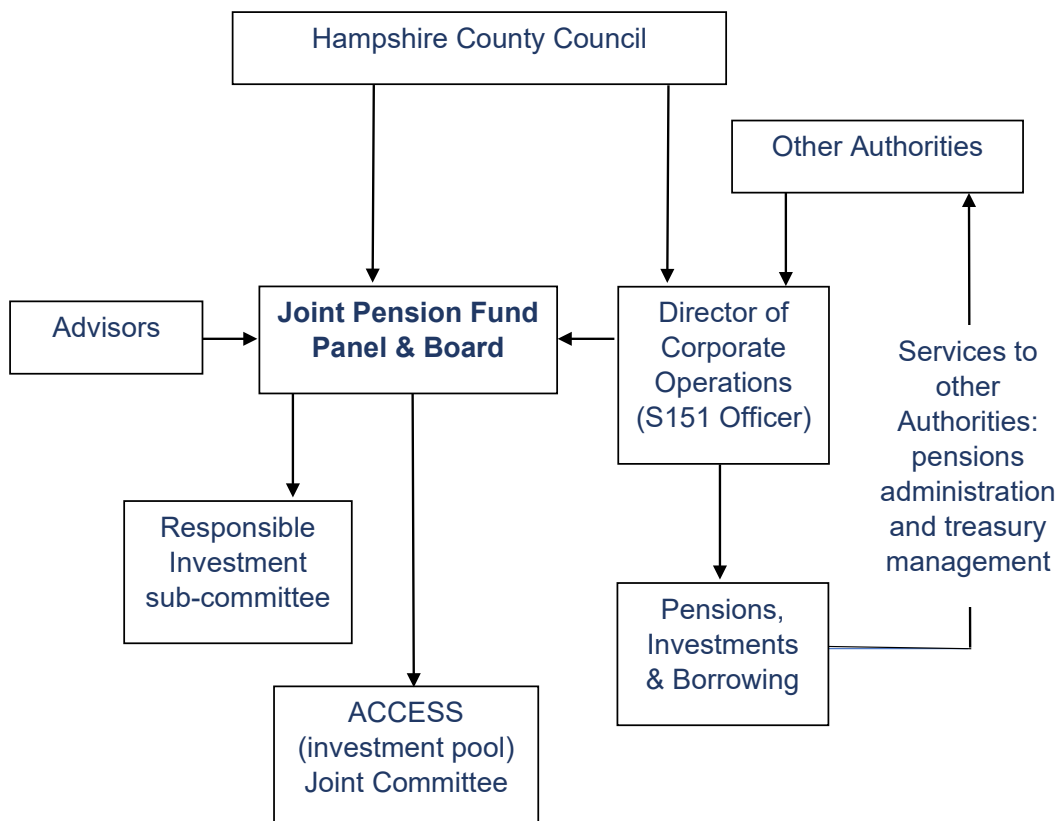
#### Introduction

This statement outlines the governance arrangements for the Hampshire Pension Fund (the Fund), maintained by Hampshire County Council. Section 55 of the Local Government Pension Scheme Regulations 2013 require the Fund to maintain this Governance Policy Statement. The Fund is also required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund’s governance arrangements against several standards set out within guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG), which are shown in Appendix 1.

In accordance with this requirement, what follows is the Fund’s assessment of its compliance with the standards as outlined.

#### Governance of the Fund

The following diagram shows the governance structure of the Fund with Hampshire County Council as the Administering Authority.



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### **Pension Committee**

The County Council, as Administering Authority for the Hampshire Pension Fund, has delegated responsibility for managing administration of benefits and investment strategy the Joint Pension Fund Panel and Board.

The Joint Pension Fund Panel and Board oversees the proper administration and management of the Pension Fund. It is responsible for:

- making suitable custody arrangements for the Fund’s investments,
- considering and approving actuarial valuations every three years and determining the level of employers’ contributions,
- considering changes in pension fund regulations and determining actions required,
- considering and approving strategic advice on investment policy,
- the selection of an investment pool and holding that pool to account,
- selecting the pool sub-funds to invest in,
- appointing external fund managers (for investments held outside of the pool) and advisers,
- monitoring the investment performance of each manager against their target and benchmark, based on statistics prepared by the custodian and Pension Fund officers, and
- the periodic review of the Investment Strategy Statement, the Fund’s Business Plan, its Funding Strategy Statement, this Governance Policy Statement, its Governance Compliance Statement and the Fund’s Communication Policy Statement.

In its role as the Pension Board for the Hampshire Pension Fund the Pension Fund Panel and Board is responsible for assisting Hampshire County Council as the Administering Authority of the Hampshire Pension Fund to secure compliance with the regulations and any other legislation relating to the governance and administration of the LGPS, for securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator and for ensuring the effective and efficient governance and administration of the Fund.

The membership of the committee is as follows (all members have full voting rights):

- 9 county councillors,
- 3 employer representatives (representing unitary councils, district councils and other employers), and
- 3 scheme member representatives (representing active, deferred and pensioner members).

### **Officers and Advisers**

Pension investment, funding and administration are complex areas and the Fund recognises the need for Joint Pension Fund Panel and Board members to receive appropriate and timely advice and training. The main areas of support from officers are as follows:

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- High level advice on the management of the Pension Fund from the Director of Corporate Operations (also S151 Officer).
- Legal administrative advice from the Monitoring Officer and Hampshire Legal Services.
- Financial and technical advice from the Senior Responsible Officer who is the lead senior support officer and has direct responsibility for implementing funding, investment and administration strategy; budget and service delivery; risk management and compliance through a team of professionally qualified staff.
- Independent assurance on the Fund's risk management, governance and internal control processes from the Southern Internal Audit Partnership.

Clarity of roles and responsibilities is documented in role profiles for officers working for the Pension Fund and a scheme of delegation is in operation for decision making.

A range of external specialist advisors are appointed, covering areas such as:

- investment strategy and asset allocation,
- funding strategy and employer covenant review and other actuarial matters,
- specialist legal advice concerning investments and pension administration, and
- corporate governance and responsible investment issues.

### **Investment Pooling**

In response to the 2015 revised LGPS Investment Regulations Hampshire is a member of the ACCESS (A Collaboration of Central Eastern and Southern Shires) pool. ACCESS is managed by a Joint Committee; whose members are the chairmen of the 11 Administering Authorities in the ACCESS pool. The ACCESS Joint Committee is responsible for appointing (via recommendation to the member authorities) and managing the Pool Operator and for recommending to the Administering Authorities the strategic plan for transition of assets that are to become Pool Assets.

### **Conflicts of interest**

The Joint Panel and Board's Terms of Reference set out the process for managing conflicts interest for the committee members. All Panel and Board members must before becoming a member of the Panel and Board declare any potential conflict of Interest to the Monitoring Officer of the County Council and have an ongoing obligation to report any new potential conflicts. A Panel and Board member should disclose any Conflict of Interest in any business of the Panel and Board and may not participate in any discussion of, vote on or discharge any function in relation to the matter.

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The County Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived Conflict of Interest arises and that all of the Fund's employers are treated fairly and equitably.

The Fund achieves this in the following ways:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund actuary and is opened to consultation with all Fund employers before being formally adopted by the Joint Pension Panel and Board.
- The Fund also has an Admissions Policy which details its approach to admitting new employers to the Fund. This includes its approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted into the Fund.
- The Fund's Administration Strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This policy has been opened to consultation with all the Fund's employers and is operated in a consistent fashion across all the employer base.

The administration of the scheme and investment management arrangements are delivered by Hampshire Pension Services, which also delivers pension administration services to other pension schemes. The appropriate service standards and budget/charges are agreed with each scheme to ensure that sufficient resources are available to meet the requirements of all customers and that they receive transparent reports on the service levels that they have received.

### **Sufficiency of resource**

The Joint Pension Fund Panel and Board agrees an annual business plan which sets out the actions required in order to deliver all aspects of the management of the Fund. Delivery of the business plan drives the Fund's budget setting process, with decisions around recruitment, procurement and specialist support being made with reference to the requirements of the business plan. The Joint Panel and Board reviews the Fund's operational performance and approves the annual budget. Where necessary additional spend can be authorised by the Joint Panel and Board. Actual spend is monitored by officers and reported to the Committee and published in the annual report and accounts.

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The County Council follows best practice as set out in the Local Government Pensions Committee circular '*Principles of Good Practice for the Management of Local Government Pension Schemes*'. The Fund recognises the importance of monitoring and reporting how it delivers its administration objectives. Performance against KPIs is reported to the Joint Panel and Board twice a year and in the Fund's Annual Report. This reporting includes the extent of any backlogs that may develop over time as well as remedial action that is being taken to address them.

### **Engagement**

In addition to the representation of scheme members and employers (described above) on the Joint Pension Fund Panel and Board, the Fund carries out a range of activities that are designed to engage employers and scheme members that are set out within the Fund's Communication Strategy and include:

#### **Employers:**

- An Annual Employer Meeting which provides an opportunity for employers to receive updates from the Hampshire Pension Fund and the LGPS and related issues.
- A regular electronic newsletter to keep employing authorities up to date with the latest regulation changes and proposals, as well as any changes in administration. Ad hoc email communication is also sent to advise employers of any changes or information they should be aware of or would find useful.
- The Fund's audited accounts and accompanying Annual Report are published on the website every year.
- Regular employer training days, and offer targeted training on request from employers, in addition to dealing with queries via phone or email.
- The Employer Services team, within Pension Services is available to provide pension support on issues such as outsourcing services or workforce restricting.

#### **Scheme members**

- The website is the prime source of information on the pension scheme and ensures timely, up-to-date and easy-to-access information for all our stakeholders.
- Scheme members can register to access the Member Portal, which is a secure area of the website in which they can view their annual benefit statements and update their personal information.
- A general query call centre is available during office hours and a general email address for all queries.
- Each year annual benefit statements are produced, showing scheme benefits on 31 March, and made available to all current and deferred members via the Member Portal.
- A newsletter is sent to pensioners each year in March and April.

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### Training

The Joint Pension Fund Panel and Board use the *CIPFA Pensions Finance Knowledge and Skills Framework for Elected Representatives and Non-Executives in the Public Sector*, and the *CIPFA Technical Knowledge and Skills Framework for Local Pension Boards*, in order to ensure they meet the requirements set out in the guidance referenced in the regulations. Members individually complete a Training Needs Analysis each year based on this framework. The results are analysed and any gaps identified are addressed as part of the Panel and Board’s ongoing training plan. Details of the training sessions delivered to the Joint Pension Fund Panel and Board are reported in the Fund’s Annual Report

Pension Fund officers will attain the knowledge and understanding they need to be effective and to challenge and act effectively within the decision making responsibility placed upon them. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual’s annual appraisal.

### Hampshire Pension Fund - Governance Compliance Statement

This statement shows how Hampshire County Council as the administering authority of the Hampshire Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance	Comments
<b>A</b>	<b>Structure</b>		
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance.	Hampshire County Council’s constitution sets out the functions of the Joint Pension Fund Panel and Board.
b.	That representatives of participating LGPS employers, admission 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.	Full compliance.	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.

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<b>Ref.</b>	<b>Principles</b>	<b>Compliance</b>	<b>Comments</b>
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Full compliance.	A Responsible Investment (RI) Sub-committee has been established that reports to the Joint Pension Fund Panel and Board
d.	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.	Full compliance.	The RI sub-committee is made up of members of the Joint Pension Fund Panel and Board
<b>B</b>	<b>Representation</b>		
a.	<p>That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>• employing authorities (including non-scheme employers, e.g., admission bodies)</li> <li>• scheme members (including deferred and pensioner scheme members)</li> <li>• where appropriate, independent professional observers, and</li> <li>• expert advisers (on an ad-hoc basis).</li> </ul>	Full compliance.	<p>The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.</p> <p>The Fund's independent adviser attends Joint Pension Fund Panel and Board meetings. Independent professional observers are not regarded as appropriate.</p>
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
<b>C</b>	<b>Selection and role of lay members</b>		
a.	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.	Full compliance.	



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<b>Ref.</b>	<b>Principles</b>	<b>Compliance</b>	<b>Comments</b>
<b>D</b>	<b>Voting</b>		
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance.	All representatives on the Joint Pension Fund Panel and Board have full voting rights, but the Panel and Board works by consensus without votes often being required.
<b>E</b>	<b>Training/facility time/expenses</b>		
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance.	Full training and facilities are made available to all members of the Joint Pension Fund Panel and Board.
b.	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.	Full compliance.	
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance.	A training plan has been prepared for the Joint Pension Fund Panel and Board, and training logs are maintained for individual Panel and Board members.
<b>F</b>	<b>Meetings (frequency/quorum)</b>		
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance.	
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Full compliance.	The RI sub-committee meets twice a year.



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<b>Ref.</b>	<b>Principles</b>	<b>Compliance</b>	<b>Comments</b>
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance.	The Joint Pension Fund Panel and Board includes lay members. An Annual Employers Meeting of the Pension Fund is held and road shows are arranged for employers.
<b>G</b>	<b>Access</b>		
a.	That, subject to any rules in the County Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
<b>H</b>	<b>Scope</b>		
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance.	The Joint Pension Fund Panel and Board deals with Fund administration issues as well as Fund investment.
<b>I</b>	<b>Publicity</b>		
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance.	The County Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.