

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Panel & Board
<b>Date:</b>	4 December 2020
<b>Title:</b>	Governance: Good Governance in the LGPS update report
<b>Report From:</b>	Deputy Chief Executive and Director of Corporate Resources

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#### Purpose of this Report

1. The purpose of this report is to provide an update on the review of governance structures in the LGPS being conducted by Hymans Robertson on behalf of the Scheme Advisory Board.
2. The report also appends the Governance Policy Statement, Governance Compliance Statement, Training Policy and Representation Policy for review and approval by the Panel and Board.

#### Recommendations

3. It is recommended that the Pension Fund Panel and Board:
4. Notes the update on the review of governance structures in the LGPS being conducted by Hymans Robertson.
5. Notes how the Pension Fund's existing governance arrangements compare to the recommendations from the Phase II report issued by Hymans Robertson.
6. Reviews and approves the Governance Policy Statement, Governance Compliance Statement, Training Policy, and Representation Policy.

#### Executive Summary

7. In 2019 the consultancy firm Hymans Robertson was appointed by the Scheme Advisory Board (SAB) to facilitate a review of governance structures for the LGPS. To date there have been two phases of the review, leading to

the production of a series of recommendations. The third phase was delayed due to the impact of Covid-19 but is currently underway.

8. The recommendations to date have not yet been translated into statutory guidance, however the Pension Fund has taken the opportunity to review its current governance arrangements against the recommendations from the Phase II report, as set out in Appendix 1.
9. Where the recommendations relate directly to the actions of the Pension Fund, the existing governance arrangements largely meet the proposed requirements however there are opportunities for further enhancements that could be considered by the Pension Fund prior to the implementation of any new guidance.
10. One such enhancement relates to the way the Pension Fund documents its policies on representation and training and specific policy documents have therefore been created for publication on the Pension Fund's website to ensure this information is clearly identified and easily accessible.
11. Other potential enhancements will continue to be developed by officers and will be presented to the Panel and Board at future meetings for consideration.
12. Some of the recommendations relate to external bodies or Phase III of the project and the Pension Fund will therefore need to continue to monitor the review's progress and assess the impact should any new statutory guidance be issued.

### **The Good Governance Review**

13. In 2019 the consultancy firm Hymans Robertson was appointed by the Scheme Advisory Board (SAB) to facilitate a review of governance structures for the LGPS. [Phase I](https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-report/)<sup>1</sup> of the review involved a comprehensive consultation exercise to collect the views of stakeholders, culminating in a report in July 2019. This report was accepted by the SAB and identified that no single governance model was suitable for all funds and that the focus should instead be on outcomes assessed against a governance framework.
14. [Phase II](https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-phase-2-report/)<sup>2</sup> of the review then involved further development of the ideas from Phase I, which was done through two working groups representing all areas

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<sup>1</sup> <https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-report/>

<sup>2</sup> <https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-phase-2-report/>

of the LGPS, as well as The Pensions Regulator and MHCLG. The Phase II report was accepted by the SAB in November 2019 and detailed a series of recommendations under the following headings:

- General (A)
- Conflicts of interest (B)
- Representation (C)
- Knowledge and understanding (D)
- Service delivery for the LGPS function (E)
- Compliance and improvement (F)

15. Phase III will continue this work by looking at how statutory guidance can be used to put the governance framework in place and what KPIs can be used to measure effectiveness. This phase of the review has been delayed due to the impact of Covid-19 on resources and priorities, but the Scheme Advisory Board met in [November 2020](#)<sup>3</sup> and set out a timeline for preparing and agreeing the final recommendations under Phase III of the project.
16. Through all the phases of Hymans' work, officers from the Hampshire Pension Fund have engaged with Hymans, both directly and as part of wider groups to provide their feedback on Hymans' draft proposals, which has been well received.
17. The SAB report in November noted that it is not expected that MHCLG will be devoting time to the good governance project over the next six months or so due to competing priorities, however the Pension Fund has taken the opportunity to review its existing governance arrangements against the recommendations from the Phase II report to identify potential opportunities to enhance its governance framework.

### **Review of the Pension Fund's existing governance arrangements**

18. The Pension Fund maintains a Governance Policy Statement to meet the requirements of Section 55 of the Local Government Pension Scheme Regulations 2013.
19. The Pension Fund also publishes a Governance Compliance Statement in line with the requirements of Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended). This is reviewed on an ongoing basis under Regulation 31 of the 2008 Regulations and is presented

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<sup>3</sup> [https://lgpsboard.org/images/PDF/BoardNov2020/Item6PaperD\\_GoodGovernanceProject.pdf](https://lgpsboard.org/images/PDF/BoardNov2020/Item6PaperD_GoodGovernanceProject.pdf)

to the Panel and Board for review as part of the Statutory Statements report elsewhere on the agenda for this meeting.

20. Regulation 31(3)(c) requires the Fund to measure its governance arrangements against standards set out within guidance issued by MHCLG. This is covered in the Governance Compliance Statement and demonstrates that the Pension Fund meets existing governance requirements.
21. The Pension Fund's governance arrangements have now also been reviewed against the recommendations put forward by Hymans Robertson in Phase II of their review of governance arrangements in the LGPS and the current governance arrangements largely address the points raised in the report.
22. Statutory guidance has not yet been issued to reflect these recommendations and the Pension Fund is not therefore compelled to make changes to its arrangements where it has to date taken a different approach to what has been proposed by Hymans Robertson. There are however potential steps that the Pension Fund could take to further enhance its governance in preparation for the future issuance of new statutory guidance. These steps are set out in Appendix 1, alongside a summary of the existing arrangements.
23. One enhancement that the Pension Fund can take immediately relates to scheme representation. The Phase II report recommends that each fund produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
24. The Hampshire Pension Fund is in a strong position with regard to representation given the establishment of the Joint Hampshire Pension Fund Panel and Board, which fully embeds scheme member and employer representatives in the full governance of the Pension Fund. These points are covered within the Pension Fund's existing governance compliance statement, the County Council's constitution ([Part 1: Chapter 8 Pension Fund Panel and Board](#))<sup>4</sup> and the Scheme Member and Employer Representatives Appointments Policy, as well as the Pension Fund's Annual Report. For clarity and ease of reference a separate Representation Policy has however been created containing this information to be published on the Pension Fund's website. The Representation Policy is included at Appendix 2 for review and approval.

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<sup>4</sup> [https://democracy.hants.gov.uk/documents/s10543/Part%201%20-%20Chapter%208%20-%20Pension%20Fund%20Panel%20and%20Board%20-%20November%202017\\_HF000015105486.pdf](https://democracy.hants.gov.uk/documents/s10543/Part%201%20-%20Chapter%208%20-%20Pension%20Fund%20Panel%20and%20Board%20-%20November%202017_HF000015105486.pdf)

25. The Phase II report also makes a similar recommendation on training, suggesting that there should be a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively and for administering authorities to publish a policy setting out their approach to the delivery, assessment, and recoding of training plans to meet these requirements.
26. The Pension Fund Panel and Board currently receives a training report each year explaining how the Pension Fund ensures members of the Panel and Board and officers have appropriate knowledge and skills. Members complete an annual training needs analysis document which is used to inform the training plan that forms part of the training report. Training is also summarised looking backwards and forwards in the Annual Report.
27. The training report presented to the Panel and Board in September 2020 included details of the Pension Fund's policy on training and it is now proposed that this is extracted from the report to form a separate policy document for publication on the Pension Fund's website, to enhance transparency and for ease of reference. The Training Policy is included at Appendix 3 for review and approval and has not changed since being presented to the Panel and Board in September 2020.
28. The Pension Fund's Governance Policy Statement is included at Appendix 4 for review and approval along with the Governance Compliance Statement.
29. Further updates on the Good Governance review and any impact on the Pension Fund's governance arrangements will be brought to the Panel and Board as the need arises.

**REQUIRED CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	No
<b>People in Hampshire live safe, healthy and independent lives:</b>	No
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because actions are required to continue the appropriate governance of the Hampshire Pension Fund.</b>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## EQUALITIES IMPACT ASSESSMENT:

### 1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### 2. Equalities Impact Assessment:

See guidance at <http://intranet.hants.gov.uk/equality/equality-assessments.htm>

Insert in full your **Equality Statement** which will either state:

- (a) why you consider that the project/proposal will have a low or no impact on groups with protected characteristics or
- (b) will give details of the identified impacts and potential mitigating actions

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

### Hampshire Pension Fund governance arrangements

The table below sets out the recommendations from the Phase II report produced by Hymans Robertson as part of the Good Governance in the LGPS review, setting out the Pension Fund's current approach to governance and possible further steps that could be taken depending on the final outcome of the review.

Ref	Recommendation	Current position	Potential further steps
	<b>General</b>		
A1	MHCLG produce statutory guidance	n/a	To be reviewed once guidance is issued
A2	Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund ("the LGPS senior officer")	Carolyn Williamson is the S151 officer and Treasurer for the Pension Fund  Andy Lowe is the Head of Pensions	To be reviewed once guidance is issued. Agreement will be needed on who will be designated "the LGPS senior officer" (the single named officer responsible for delivery of LGPS activity)  Governance Compliance Statement to be updated accordingly.
A3	Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer	Section 55 of the Local Government Pension Scheme Regulations 2013 requires the Fund to maintain a Governance Policy Statement.  The Pension Fund also currently publishes a Governance Compliance Statement in line with the requirements of Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended). This is reviewed on an ongoing basis under Regulation 31 of the 2008 Regulations.	The Governance Compliance Statement will be updated to reflect the new Guidance when issued.  This will be produced annually and will be signed by the relevant officer (depending on the resolution to recommendation A2).

Ref	Recommendation	Current position	Potential further steps
		Regulation 31(3)(c) requires the Fund to measure its governance arrangements against standards set out within guidance issued by MHCLG and this is covered by the statement.	
	<b>Conflicts of interest</b>		
B1	Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential, and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in this guidance	<p>The County Council's constitution (<a href="#">Part 1: Chapter 8 Pension Fund Panel and Board</a>) sets out specific obligations for members of the Panel and Board in addition to those described in the County Council's <a href="#">Members Code of Conduct</a>.</p> <p>In addition, the Governance Policy Statement (last revised December 2019) sets out how the Council manages potential conflicts of interest arising from its dual role as an employer participating in the Fund and the body legally tasked with its management.</p> <p>The Investment Strategy Statement sets out in the RI Policy how all members of the Panel and Board and officers must declare any pecuniary or other registerable interests, including any that may affect the stewardship of</p>	<p>Consider creating a standalone Conflicts of Interest Policy to aggregate documentation that currently spans multiple sources.</p> <p>This document can be reviewed to determine if there are any further LGPS specific potential conflicts of interest highlighted in the Hymans Robertson report that could be covered by the Pension Fund's policy or if additional detail could be provided to cover how potential conflicts of interest are identified, managed and understood by all relevant parties and how a culture which supports transparency and the management and mitigation of conflicts is embedded.</p> <p>Consider how the Pension Fund reviews and reports on the effectiveness of the policy and the systems, controls, processes and record keeping in place</p> <p>Publish on the Pension Fund's website and review annually as part of the Statutory</p>

Ref	Recommendation	Current position	Potential further steps
		the Fund's investments. It also sets out how these are recorded and monitored, and how they can be viewed by the public.	Statements report in December each year.
B2	The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	n/a	To be reviewed once guidance is issued
	<b>Representation</b>		
C1	Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.	<p>Representation is described in the governance compliance statement.</p> <p>Details of the composition of the Panel and Board and voting rights are included in The County Council's constitution (<a href="#">Part 1: Chapter 8 Pension Fund Panel and Board</a>).</p> <p>The role of non-County Council members of the Panel and Board is also described in the Scheme Member and Employer Representatives Appointments Policy.</p> <p>More detail on representation is also included as part of the Annual Report.</p>	<p>Create a separate representation policy to compile existing sources of information covering the Pension Fund's agreed approach to representation and publish this on the Pension Fund's website.</p> <p>Review the policy on an annual basis.</p>

Ref	Recommendation	Current position	Potential further steps
	<b>Skills and training</b>		
D1	Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	Training is covered in the annual Training Report to the Panel and Board and in the section of the Annual Report on training. This explains how the Pension Fund ensures members of the Panel and Board and officers have appropriate knowledge and skills.	Review the Pension Fund's approach when the requirements are finalised at the end of the Good Governance project and update anything as necessary.
D2	Introduce a requirement for S151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding <sup>5</sup>	The S151 officer carries out CPD training each year including relevant LGPS training.	Review CPD plans if a specified set of requirements is established
D3	Administering authorities must publish a policy setting out their approach to the delivery, assessment, and recoding of training plans to meet these requirements.	The Pension Fund's Training Policy forms part of the annual training report as reported to the Panel and Board in September 2020.  Members complete an annual training needs analysis document which is used to inform the training plan. The training plan is covered in the Training Report to the Panel and Board. Training is	Separate the Training Policy from the training report and publish this on the Pension Fund's website.  Consider whether to review the Training Policy annually when preparing the training report or alongside the review of the Fund's statutory statements.

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<sup>5</sup> This applies to the S151 officer of the administering authority and also S151 officers of employer bodies.

Ref	Recommendation	Current position	Potential further steps
		summarised looking backwards and forwards in the Annual Report.	
D4	CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for S151 officers and to consider including LGPS training within their training qualification syllabus	n/a	To be reviewed once guidance is issued
	<b>Service delivery for the LGPS function</b>		
E1	Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.	<p>The Pension Fund has a scheme of delegation.</p> <p>The Governance Policy Statement sets out the roles of the Pension Committee, officers and advisors.</p> <p>Officer role profiles document roles and responsibilities</p>	<p>Consider combining extracts from existing documentation to create a roles and responsibilities matrix.</p> <p>Publish the roles and responsibilities matrix on the Pension Fund's website.</p> <p>Include the annual review of this matrix as part of the Statutory Statements report in December each year.</p>
E2	Each administering authority must publish an administration strategy	The Pension Fund publishes an annual administration strategy.	Continue to publish an annual administration strategy.
E3	Each administering authority must report the fund's performance against an agreed	The Annual Report currently includes performance statistics against various administration metrics.	Update the reporting to reflect the set of indicators when agreed.

Ref	Recommendation	Current position	Potential further steps
	set of indicators designed to measure standards of service		
E4	Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year. <sup>6</sup>	<p>The forward budget is presented to the Panel and Board for consideration and sign off having first been reviewed by senior officers, having given consideration to activity identified in the business plan.</p> <p>The forward budget is accompanied by a narrative report explaining the key assumptions being made in setting the budget.</p> <p>The Panel and Board sign off includes confirmation that the resources and budget are sufficient to deliver the service.</p>	<p>Consider whether any further narrative or indicators could usefully be provided as part of the budget setting process.</p> <p>The Governance Compliance Statement may need to be amended to include confirmation that the administering authority has approved the budget required to deliver the pensions function to the required standard, to be signed off by the LGPS senior officer (dependent on the outcome of recommendation A2).</p>
E5	Each administering authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market	Where appropriate Pensions Services staff structure includes specific role profiles to reflect the specialist nature of pensions to best aid the recruitment and retention of staff. Pensions	Current pay and recruitment policies are felt to be appropriate but are kept under review.

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<sup>6</sup> Required expenditure should be based on the business plan and deliverables for the forthcoming year not a simple update of the prior year's budget to cover inflation.

Ref	Recommendation	Current position	Potential further steps
	supplements, relevant to the needs of their pension function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.	Services can utilise market supplements when appropriate within existing Council policies.	
	<b>Compliance and improvement</b>		
F1	Each administering authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts. <sup>7</sup>	n/a	To be reviewed once guidance is issued
F2	LGA to consider establishing a peer review process for LGPS Funds	n/a	To be reviewed once guidance is issued

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<sup>7</sup> Guidance to be created by MHCLG before this can happen therefore no proposed action at this stage for the Pension Fund

## Hampshire Pension Fund – Representation Policy

### The Pension Fund Panel and Board<sup>8</sup>

The County Council has appointed a combined Pension Fund Panel and Board for Hampshire and delegated to it responsibility for its statutory functions as the administering authority for the Hampshire Pension Fund and its responsibilities in respect of operating a Pension Fund Board for Hampshire.

### Composition

The Pension Fund Panel and Board includes within its membership:

- Nine elected members from the Administering Authority.
- Three employer representatives appointed in accordance with the Hampshire Pension Panel and Board Appointment Policy approved by the Pension Fund Panel and Board from time to time.
- Three scheme Member representatives appointed in accordance with the Hampshire Pension Panel and Board Appointment Policy approved by the Pension Fund Panel and Board from time to time.

The Administering Authority members will be appointed by Hampshire County Council. The nomination process for the employer and scheme member representatives is contained in the Appointments Policy and they will be appointed by the County Council in accordance with that Policy.

Employer representatives and scheme member representatives should remain as members of the Pension Fund Panel and Board during their appointed term of office unless in the opinion of the County Council they are not adequately performing their role, they become incapable of acting, they cease to represent their constituency, they resign by giving written notice to the Proper Officer of the County Council, a replacement member is nominated by their relevant nominating body or they are removed from the Panel and Board pursuant to Paragraph 6.8<sup>9</sup>.

Each employer and scheme member representative should endeavour to attend all Panel and Board meetings during the year and are required to attend at least 4 meetings each year.

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<sup>8</sup> See [https://democracy.hants.gov.uk/documents/s10543/Part%201%20-%20Chapter%208%20-%20Pension%20Fund%20Panel%20and%20Board%20-%20November%202017\\_HF000015105486.pdf](https://democracy.hants.gov.uk/documents/s10543/Part%201%20-%20Chapter%208%20-%20Pension%20Fund%20Panel%20and%20Board%20-%20November%202017_HF000015105486.pdf)

<sup>9</sup> of [Part 1: Chapter 8 of Hampshire County Council's constitution](#) – conflicts of interest

## **Appointment of Substitute Members**

### Allocation

As well as allocating seats on the Pension Fund Panel and Board, the County Council will at the Annual General Meeting of the County Council in each year appoint a designated Substitute Member for each Scheme and Employer member of the Pension Fund Panel and Board.

### Powers and duties

Substitute Members will have all the powers and duties of the designated Scheme and employer Members of the Board.

### Substitution

Substitute members may attend meetings in that capacity only:

- to take place of the designated Scheme and Employer Member for whom they are the designated substitute;
- where the member for whom they are the designated substitute will be absent for the whole of the meeting;
- after notifying the Chief Executive 5 working days before the meeting of the intended substitution.

## **Voting rights**

All members of the Panel and Board, including all the Employer and Scheme Member representatives shall have full voting rights.

Any independent advisers appointed by the Panel and Board are invited to attend all meetings of the Pension Fund Panel and Board but independent advisers will not be a member of the Pension Fund Panel and Board and have no voting rights.

## **Scheme Member and Employer Representatives**

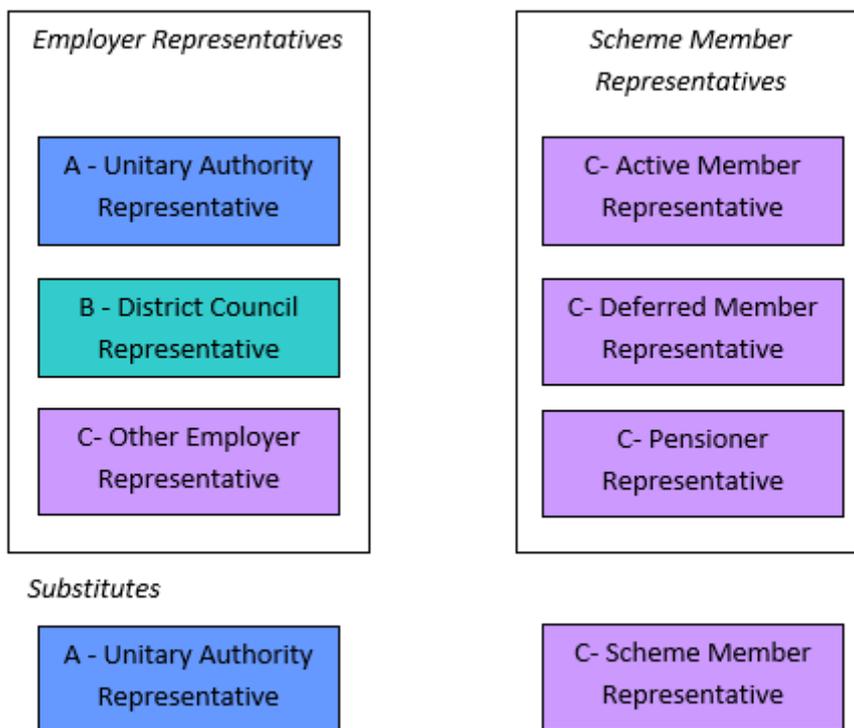
The objective of the Scheme Member and Employer Representatives Appointments Policy is that the Hampshire Pension Fund has Scheme Member and Employer Representatives who are most able to contribute to the governance of the Pension Fund and represent the broadest range of the Pension Fund's scheme members and employers.

## Role of the Employer and Scheme Member Representatives

As members of the Hampshire Pension Fund Panel and Board, Employer and Scheme Member Representatives will be part of the committee responsible for the administration of the Local Government Pension Scheme (LGPS) in Hampshire and securing compliance with the Local Government Pension Scheme Regulations. The Employer and Scheme Member Representatives will be charged with ensuring that the views of the employers/scheme members that they represent are considered in the decisions made in discharging the Panel and Board's responsibilities.

## Application and Nomination Routes

In order to achieve the aim of having a broad representation of the Pension Fund's scheme members and employers the representative roles will be categorised as follows, with different appointment processes (A to C) for each, which are set out below.



### A – Unitary Authority Representative

Each Unitary Authority of Southampton City Council and Portsmouth City Council will nominate an elected member to serve as their representative on the Panel and Board. The representative seat will rotate between the two cities each year

(from September to August), with the city with the non-serving representative fulfilling the role of substitute Employer Representative.

Unitary Authority Representatives shall serve on the Panel and Board for as long as they continue to be an elected member of the city they are representing and they continue to receive the Unitary Authority's nomination.

**B – District Council Representative**

The Hampshire and Isle of Wight Local Government Association (HIOWLGA) will nominate an elected member from one of the 11 District Council's in Hampshire to serve as their representative on the Panel and Board.

The District Council Representative can serve for a maximum of 8 years as long as they remain an elected member of a District Council in Hampshire and continue to receive the nomination of HIOWLGA.

**C – Other Employer Representative and Scheme Member Representatives**

Applications will be sought by the Hampshire Pension Fund for the other representative roles on the Panel and Board. Prospective applicants will be asked to completed a written application which will be assessed by officers of the Pension Fund and shortlisted applicants will be invited to interview as a final stage of the application process.

To meet the aim of ensuring broad representation from employers and scheme members priorities will be assigned in appointing to the following roles:

- An Employer Representative from one of the large constituent groups amongst the Fund's employers, such as the education sector or community admission group.
- A Scheme Member Representative from each of the three groups of members:

<b>Representing</b>	<b>Representative will be</b>
Active members	Working for an employer in the Pension Fund and contributing to the Fund
Deferred members	Not yet retired and in receipt of a pension but who has previously contributed to the Fund
Pensioners	In receipt of a pension from the Fund

A representative selected through an application process can serve for a 4 year term as long as they can continue to represent the employer/ scheme member group from which they originally came. At the end of their 4 year term an Employer or Scheme Member Representative can apply again, and if successful serve a maximum one further 4 year term.

### **Criteria for the selection of Employer or Scheme Member Representatives**

Within the priorities for representation from Employer and Scheme Member Representatives the following criteria will be used in the application process to select representatives:

- Able to represent either all employers or all scheme members.
- Has the capacity to be a member of the Pension Fund Panel and Board.
- Excellent communication and listening skills and the ability to work as part of a group.
- Good analytical skills, an aptitude for taking on new information and a commitment to continuous personal development.
- Highly numerate, ideally with a background in the Financial Sector.
- An awareness of pension fund and investment issues.
- Has no conflict of interest in holding or having held a senior management post at the Administering Authority, or a role in administering the Pension Fund; either currently or in the last 5 years.

### **Approval of appointments**

As a committee of Hampshire County Council all appointments to the Pension Fund Panel and Board via all three of the routes above (A, B and C) will be approved by the County Council according to its constitution.

## Hampshire Pension Fund – Training Policy

1. As an administering authority of the Local Government Pension Scheme (LGPS), Hampshire County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
2. It therefore seeks to appoint individuals who are both capable and experienced and will provide and arrange training for relevant officers and members. The training is designed to enable officers and members to acquire and maintain an appropriate level of expertise, knowledge, and skills.
3. A formal training plan is prepared each year to identify and meet the training needs of the Panel and Board, both as a group and as individuals, and is based upon the recommendations of the CIPFA Pensions Finance Knowledge and Skills Framework.
4. The Deputy Chief Executive and Director of Corporate Resources of the County Council is responsible for ensuring that policies and strategies are implemented. Pension Fund Panel and Board members training is evaluated, recorded and reported as part of the Fund's Annual Report each year.
5. Each individual officer's training needs are assessed annually and training plans prepared for each section and department within the County Council. The actual training provided is evaluated each year to assess its effectiveness against the aims and objectives identified prior to the training event. In addition, professional finance staff in the Corporate Resources Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.
6. It is a legal requirement, as set out under section 248A of the Pensions Act 2004, that every individual who is a member of a Local Pension Board must:  
be conversant with:
  - the rules of the scheme, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
  - any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme; and

have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

7. The Myners principles codify the best practice in investment decision-making for pension fund management. The principles require pension fund trustees to consider how the principles apply to their own fund and report on a 'comply or explain' basis. Training is a key factor within Principle 1 which covers effective decision-making:
  - trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation
  - trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.
8. The Government also requires LGPS funds to publish a Governance Policy Statement which includes a section on Training. A Governance Compliance Statement is also required which sets out the Pension Fund's compliance with the following principle on Training, Facility, Time, and Expenses:
  - 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
  - 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
  - that the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.
9. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a guide to the requirements for the Governance Compliance Statements in the context of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework (2007)'. The CIPFA guide links the principle in paragraph 11 above to the Framework's principles of:
  - performing effectively in clearly defined functions and roles, and
  - developing the capacity and capability of the governing body to be effective.
10. The CIPFA guide includes the further comment that the principle in paragraph 11 is aimed at making sure that all those serving on committees,

sub-committees and panels receive levels of training that are appropriate to their needs and that suitable arrangements are made to ensure that this is properly resourced in terms of both time and finance.

11. The Panel and Board fully endorse the importance placed on training in these principles. With this training plan and the training logs maintained by all Panel and Board members, the Hampshire Pension Fund is in full compliance with this principle.
12. CIPFA have also published a Code of Practice on Public Sector Pensions Finance Knowledge and Skills, which Hampshire Pension Fund has adopted. This requires policies and procedures to be in place for the effective acquisition and retention of the relevant knowledge and skills for those in the organisation responsible for financial administration and decision making.
13. The policies and procedures will be guided by reference to the CIPFA Pensions Finance Knowledge and Skills Framework, which gives technical guidance for elected representatives and officers on the knowledge required.
14. The Code of Practice also requires an annual statement on how these policies and procedures have been put into practice, from 2012/13 onwards. A disclosure was included in the Annual Report and Accounts 2012/13 and will continue going forward.

## Hampshire Pension Fund - Governance Policy Statement

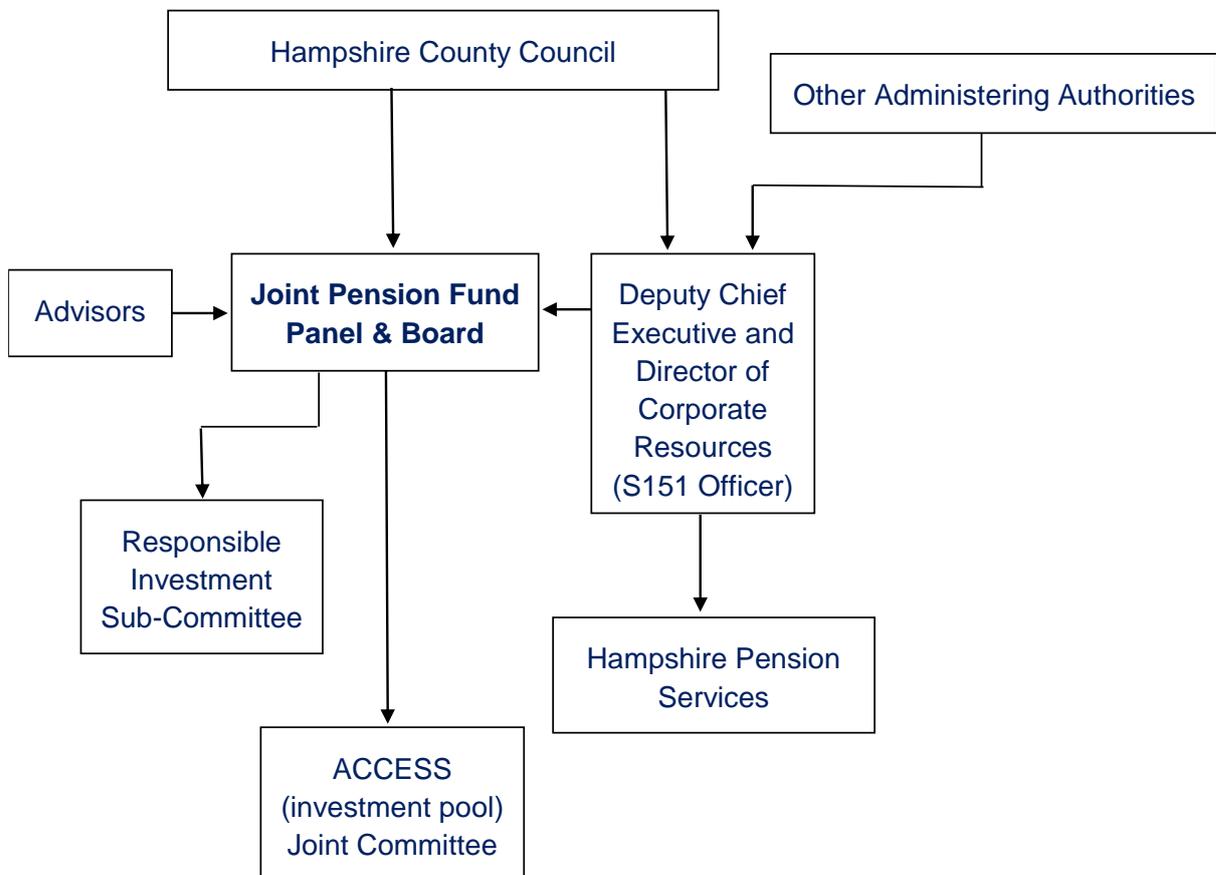
### Introduction

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 a number of 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.



### **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 Advisors**

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:

- High level advice on the management of the Pension Fund from the Deputy Chief Executive and Head of Corporate Resources (also S151 Officer).
- Legal administrative advice from the Monitoring Officer and Hampshire Legal Services.
- Financial and technical advice from the Head of Pension Services 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.

The 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 in to 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 of the employer base.

The administration of the scheme and investment management arrangements are delivered by Hampshire Pensions 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.

The County Council follows best practice as set out in the LGPC 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 are 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 an annual benefit statement are produced, showing scheme benefits at 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.

### 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 Learning 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 session 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.
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	Full compliance.	The RI sub-committee is made up of members of the Joint Pension Fund Panel and Board

## Appendix 4

Ref.	Principles	Compliance	Comments
	secondary committee or panel.		
<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 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.	
<b>D 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.

Ref.	Principles	Compliance	Comments
<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.
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.

## Appendix 4

Ref.	Principles	Compliance	Comments
<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.