

Staffordshire  
COUNTY PENSION FUND

**Governance  
Policy  
Statement**

April 2008

The County Council as Administering Authority has an ambition to meet the highest standards of Governance in respect of the Local Government Pension Scheme and the associated Pension Fund.

This compliance statement sets out how the County Council discharges its governance responsibilities in response to the regulatory requirements.

The basic principles are;

### **accountability and transparency.**

Both are achieved by clear responsibilities and reporting.

This Statement combines the overall governance arrangements which meet the requirements set out in Regulation 31 paragraphs (3) (a) and (3) (b) of The Local Government Pension Scheme (Administration) Regulations 2008 (see relevant extract of regulations in Appendix A). This document was previously published as a separate 'Governance Policy Statement' under Regulation 73A of the Local Government Pension Scheme Regulations 1997.

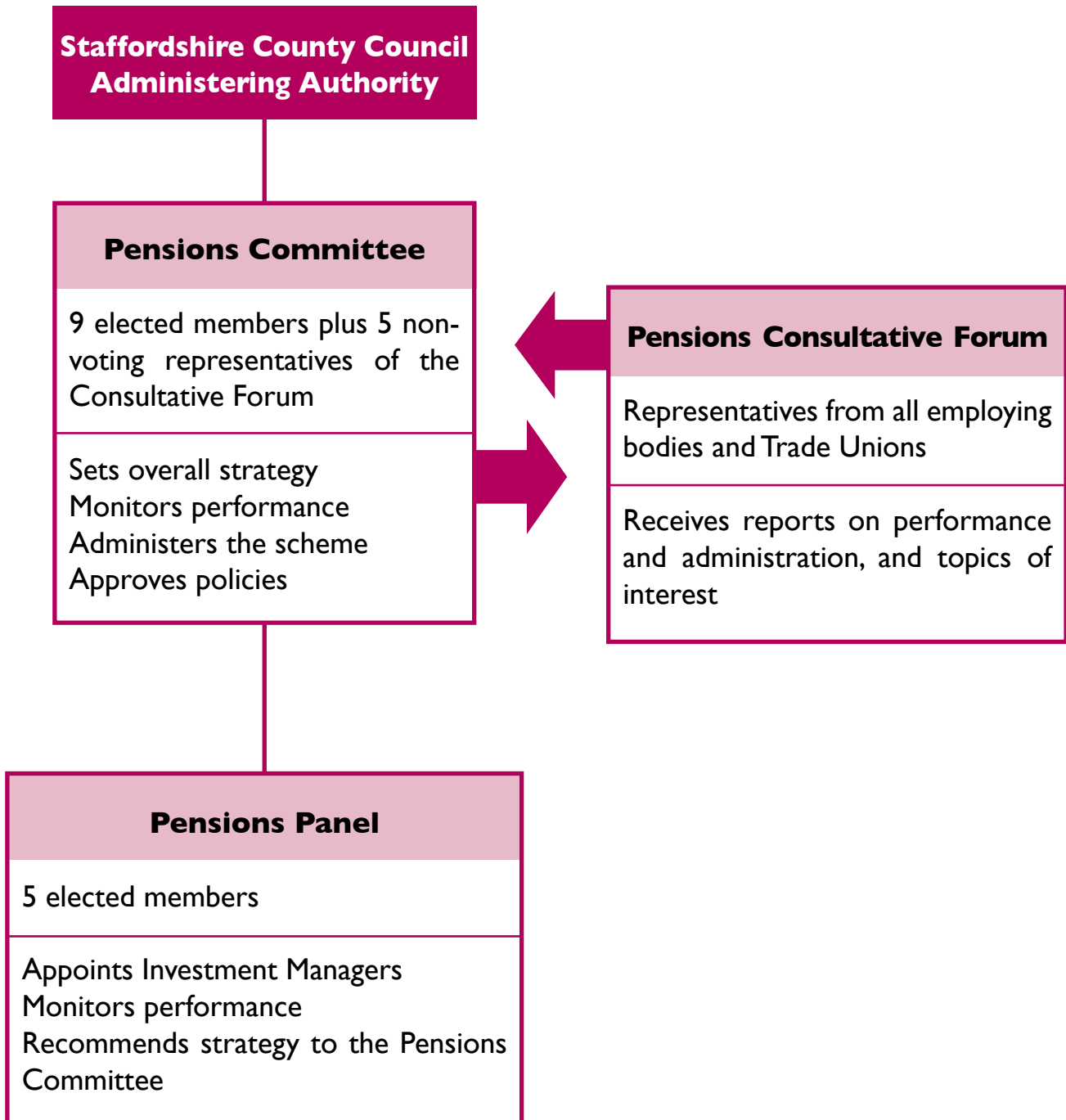
An additional 'Statement of Compliance' to meet the new requirement in respect of Regulation 31 paragraph (3) (c) can be found in Appendix B of this document. The 'Statement of Compliance' contains a concise statement of the Government standard together with a brief explanation of the County Council's position and an assessment of the level of compliance.

Transparency in its wider sense is also achieved by good communication and readers might find it helpful to study the separate Communications Policy available on the County Council's website ([www.staffordshire.org](http://www.staffordshire.org)).

Further sources of information can also be found on the Staffordshire web including the Annual Report and Accounts, Funding Strategy Statement and Statement of Investment Principles.

## Basic Structure

### Governance Arrangements



The diagram of the structure is underpinned by the delegation set out in the County Council's constitution that determines the roles and responsibilities of the Pensions Committee and Pensions Panel.

## Article 9A – Pensions Committee

### 9A.1 Pensions Committee

- (a) The County Council will appoint a Pensions Committee with full delegated powers to discharge the following functions on behalf of the Council:-
  - (i) to deal with all matters arising under Section G in Table 2 of Appendix I (Functions relating to Local Government Pensions);
  - (ii) to constitute a Pensions Panel of five members of the Committee with full delegated powers to deal as and when appropriate with the matters referred to in Article 9A.3.
- (b) The Pensions Committee will have the terms of reference referred to in Article 9A.2.

### 9A.2 Pensions Committee – Terms of Reference

The following are the terms of reference of the Pensions Committee:-

- (a) To decide and set from time to time:-
    - (i) the strategic asset allocation and objectives of the Staffordshire County Council Pension Fund (“the Pension Fund”);
    - (ii) the strategic benchmarks for the performance of the Pension Fund against which the actual performance is to be measured;
    - (iii) the strategic targets against which the performance of the Pensions Panel and Fund Managers is to be measured;
    - (iv) the arrangements for consultation with the stakeholders that have an interest in the affairs of the Pension Fund.
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- (b) To review at not more than yearly intervals the performance of the Pension Fund and the Pensions Panel 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.
  - (c) To approve and keep under review the Statement of Investment Principles and Funding Strategy Statement.
  - (d) To maintain a Communication Strategy.
  - (e) To approve the Pension Fund Annual Report and Accounts.
  - (f) To receive a report at least annually on pensions administration activities.
  - (g) To approve and keep under review the Fund's Additional Voluntary Contribution (AVC) arrangements.
  - (h) To approve the formal Actuarial Valuation.
  - (i) To approve the admission of employing organizations to the Fund where there is discretion to do so.
  - (j) To have due regard to the advice of the Chief Finance Officer and to the advice of Consultants appointed by the Committee for the purpose (the appointment of whom may be made by the Committee on such terms and conditions and for such duration as the Committee may consider appropriate) with expertise in either or both of the following fields:-
    - (i) actuarial matters and Risk/Liability assessment;
    - (ii) investment Strategy and Allocation.
  - (k) To monitor from time to time the advice received from Consultants.
  - (l) To have regard to the advice of the Pensions Panel on matters referred to the Committee for consideration by the Panel and to call for advice from any Adviser or Manager who could have been asked by the Pensions Panel to give the Panel advice.
  - (m) If the Pensions Committee shall disregard the advice of Consultants given under Article 9A.2 their reasons for so doing shall be recorded in the minutes of the Committee.
  - (n) To deal with any other matters arising in respect of Local Government Pensions.
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### 9A.3 Pensions Panel

- (a) The Pensions Panel constituted under Article 9A.1(a)(ii) will consider and as appropriate deal under delegated powers with the following matters:-
    - (i) the structure of the management arrangements necessary to achieve the effective management of the Pension Fund to meet the objectives set by the Pensions Committee under Article 9A.2(a);
    - (ii) the selection, appointment and dismissal of, and the monitoring of the performance of, the Managers of the Pension Fund;
    - (iii) the allocation of the assets of the Pension Fund and the generic selection of asset portfolios in order to meet the objectives set by the Pensions Committee under Article 9A.2(a);
    - (iv) the monitoring of the performance of the Pension Fund and its portfolios on a regular and routine basis across all sectors of investment and management and the reporting arrangements to Panel may require from time to time for this purpose;
    - (v) to agree from time to time any restrictions to be placed on any one or more Managers of the Pension Fund as to particular classes of authorised investment or decisions they may take on behalf of the Pension Fund or as to the exercise of voting rights;
  - (b) The Pensions Panel will review regularly and make recommendations to the Pensions Committee on the following matters:-
    - (i) strategic asset allocation
    - (ii) strategic benchmarks
    - (iii) strategic performance targets
    - (iv) the performance of fund investment managers
    - (v) the Statement of Investment Principles and the Funding Strategy statement
    - (vi) legislative, financial and economic changes which impact on the investment activity of the Fund
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- (vii) the advice from advisers appointed by the Panel.
- (c) The Pensions Panel shall have regard to the advice of the Chief Finance Officer and to the advice of Independent Advisers appointed by the Panel for the purpose (the appointment of whom may be made by the Panel on such terms and conditions and for such duration as the Panel may consider appropriate) with expertise in any one or more of the following fields:-
  - (i) Tactical Asset Allocation/Investment Strategy Implementation;
  - (ii) Equities/Stocks/Shares/Securities (whether in UK or Overseas)
  - (iii) Property
  - (iv) Bonds and Gilt-edged Investments
  - (v) Manager Selection and Performance Monitoring;and to the advice of any one or more Managers of the Pension Fund as the Panel may request.
- (d) The Pensions Panel may make recommendations to the Pensions Committee on any other matter whether or not it falls within the delegated powers available to the Pensions Panel.

The Chief Finance Officer may:-

- (i) after taking such advice from a Consultant or Adviser retained under the provisions of Article 9A as may in the circumstances be appropriate, take any decision relating to the investment or management of the Pension Fund which cannot reasonably await the next meeting of the Pensions Committee or the Pensions Panel (as the case may be); and
- (ii) take any decision relating to the investment or management of the Pension Fund which is within the framework of the strategic or policy decisions of the Pensions Committee or the Pensions Panel (as the case may be).

## ***Stakeholders Pensions Consultative Forum – Terms of Reference***

To meet half yearly with employers/employee representatives to discuss the Pension Fund. The purpose of the meeting is to provide a forum for communication and consultation about the activities and governance of the Staffordshire County Council Pension Fund as follows:

- to consider a report on the assets, liabilities and solvency of the fund,
  - to discuss the Funding Strategy Statement,
  - to discuss the Statement of Investment Principles,
  - once each year, to receive the Annual Report and Accounts of the Fund,
  - to consider a report of the investment arrangements for the Fund,
  - to consider an account of the performance of the investment management arrangements of the fund,
  - to discuss the principles and practices of the interaction between the Administering Authority and Participating Bodies regarding the Fund,
  - to consider any other business that is consistent with the purpose and objectives of the meeting.
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## ***Representation***

The Pensions Committee has 9 elected County Council members.

The Pensions Panel has 5 elected County Council members.

They each have voting rights in accordance with the County Council constitution.

The Pensions Committee also includes 5 non voting representatives from the Pensions Consultative Forum as follows;

Two Trades Union Representatives;

Two representatives from larger employing bodies;

One representative from smaller employing bodies.

The Pensions Forum decides representation from time to time.

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## Appendix A

### Legislative Background

Staffordshire County Council is the Administering Authority for the Local Government Pension Scheme in Staffordshire and is required to publish a statement in order to comply with Regulation 31 of The Local Government Pension Scheme (Administration) Regulations (2008 No. 239) which states;

#### **Pension funds: governance compliance statement**

31. — (1) This regulation applies to the written statement prepared and published by an administering authority under regulation 73A of the 1997 Regulations.
- (2) The authority must—
- (a) keep the statement under review;
  - (b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in paragraph
- (3) The matters are—
- (a) whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
  - (b) if it does so—
    - (i) the terms, structure and operational procedures of the delegation,
    - (ii) the frequency of any committee or sub-committee meetings,
    - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying.
- (4) In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.
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## Appendix B

### GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

<b>Principle</b>	<b>Explanation of approach</b>	<b>Compliance</b>
<b>STRUCTURE</b> The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	The Pensions Committee is clearly responsible for these areas under the terms of reference contained in the Council's Constitution. Details are included in the main body of this document.	Full
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Representatives of employing bodies and employees are included as non voting representatives of the main Committee through the Employer's Forum as follows; Trades Unions x 2 Larger Employing bodies x 2 Smaller Employing bodies x 1	Full
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not relevant to the governance structure in Staffordshire.	Full
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.	Not relevant to the governance structure in Staffordshire.	Full
<b>REPRESENTATION</b> That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include :-  i) employing authorities (including non-scheme employers, e.g., admitted bodies);	Includes representatives of the Employer's Forum as mentioned above comprising:  Larger Employing bodies x 2 Smaller Employing bodies x 1	Full

Principle	Explanation of approach	Compliance
<b>REPRESENTATION</b>		
ii) scheme members (including deferred and pensioner scheme members);	2 x Trades Union representatives are included on the Committee.	Full
iii) independent professional observers, and	<p>The Committee does <b>not</b> include an independent observer and does not intend to appoint one. It would cost a fee and it is not clear what they would add;</p> <ul style="list-style-type: none"> <li>a) The Director of Finance already provides impartial and independent advice.</li> <li>b) Auditors using the new CIPFA template would give an independent view of the overall governance of the Fund.</li> <li>c) The fund is visibly accountable through the wide range of information published including Annual Reports, Statement of Investment Principles, Funding Strategy, Governance, and Communications.</li> <li>d) The 5 non voting members of the Employers Forum arguably already operate as independent observers.</li> <li>e) The Pensions Panel has two independent advisors as well as a main investment consultant.</li> </ul>	Non Compliant for reasons explained

Principle	Explanation of approach	Compliance
<b>REPRESENTATION Continued</b>		
<p>iv) expert advisors (on an ad-hoc basis).</p>	<p>Expert advisors attend the Committee as required for the nature of the main decisions. For example, the Actuary attends when the valuation is being considered and the main Investment Consultant attends when the Strategic Asset Allocation decision is being made. Two independent advisors regularly attend the Pensions Panel meeting.</p>	<p>Full</p>
<p>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.</p>	<p>All members are treated equally in terms of access to papers and to training that is given as part of the Committee process. However, to date, the Forum members have not undertaken formal training whereas new members of the Committee automatically attend the three day LGC Trustee Training Fundamentals course. This position will be reviewed with a view to providing formal training.</p>	<p>Partial moving to full compliance</p>
<b>SELECTION AND ROLE OF LAY MEMBERS</b>		
<p>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.</p>	<p>The elected members are aware of their status role and function (which is set out in the constitution). The five members of the Forum are aware of their role although there is no formal written 'agreement'.</p>	<p>Partial</p>

Principle	Explanation of approach	Compliance
<p><b>VOTING</b></p> <p>The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>The policy is that co-opted members do not have voting rights because they are not members of the Administering Authority which has the responsibility in law to administer the scheme. In considering a report on the respective voting/non voting roles elected members concluded that non voting role was appropriate which allowed the forum representatives to represent their own views to help the Committee and also to act in an independent scrutiny role. The only pressure for voting rights comes from the Trades Unions nationally. There is no local pressure from employing bodies for voting rights.</p>	<p>Compliant for reasons explained.</p>
<p><b>TRAINING/FACILITY TIME/EXPENSES</b></p> <p>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.</p>	<p>This falls within the County Council's normal approach to member expenses. Co-opted members do not receive expenses. Training has been referred to above.</p>	<p>Full</p>
<p>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.</p>	<p>The policy applies equally to all elected members. However, unelected co-opted representatives do not receive expenses from the Administering Authority.</p>	<p>Partial</p>
<p><b>MEETINGS (FREQUENCY/QUORUM)</b></p> <p>That an administering authority's main committee or committees meet at least quarterly.</p>	<p>Meets quarterly.</p>	<p>Full</p>

Principle	Explanation of approach	Compliance
<p><b>MEETINGS (FREQUENCY/QUORUM)</b> That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p>	<p>Not applicable.</p>	<p>Full</p>
<p>That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented</p>	<p>Not applicable. However, in addition there two meetings per year of the Employers Forum to which all employing bodies are invited.</p>	<p>Full</p>
<p><b>ACCESS</b> That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p>Everyone has the same access.</p>	<p>Full</p>
<p><b>SCOPE</b> That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p>	<p>The terms of reference are; set out under the constitution; wide ranging; and cover all aspects of investment and administration.</p>	<p>Full</p>

Principle	Explanation of approach	Compliance
<p><b>PUBLICITY</b></p> <p>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.</p>	<p>The Governance Statement is published and available on the internet.  <a href="http://www.staffordshire.gov.uk/yourcouncil/humanresources/retirement/pensionfundinvestment/">http://www.staffordshire.gov.uk/yourcouncil/humanresources/retirement/pensionfundinvestment/</a>                      The main direct stakeholders (employing bodies, and staff (via Trades Unions) are part of the Employer Forums that take place twice per year. Employing bodies in turn are accountable to Council Tax payers and other interested parties. As a result the Governance Policy covers all the main stakeholders. It is arguable that retired pensioners are not specifically included although they do receive an annual newsletter. Contact details are provided in the Communications Strategy and in the Annual report as well as on the web site so other interested parties can find out more if they wish.</p>	<p>Full</p>

## Appendix C

### Contact Details

#### Technical and Pensions

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