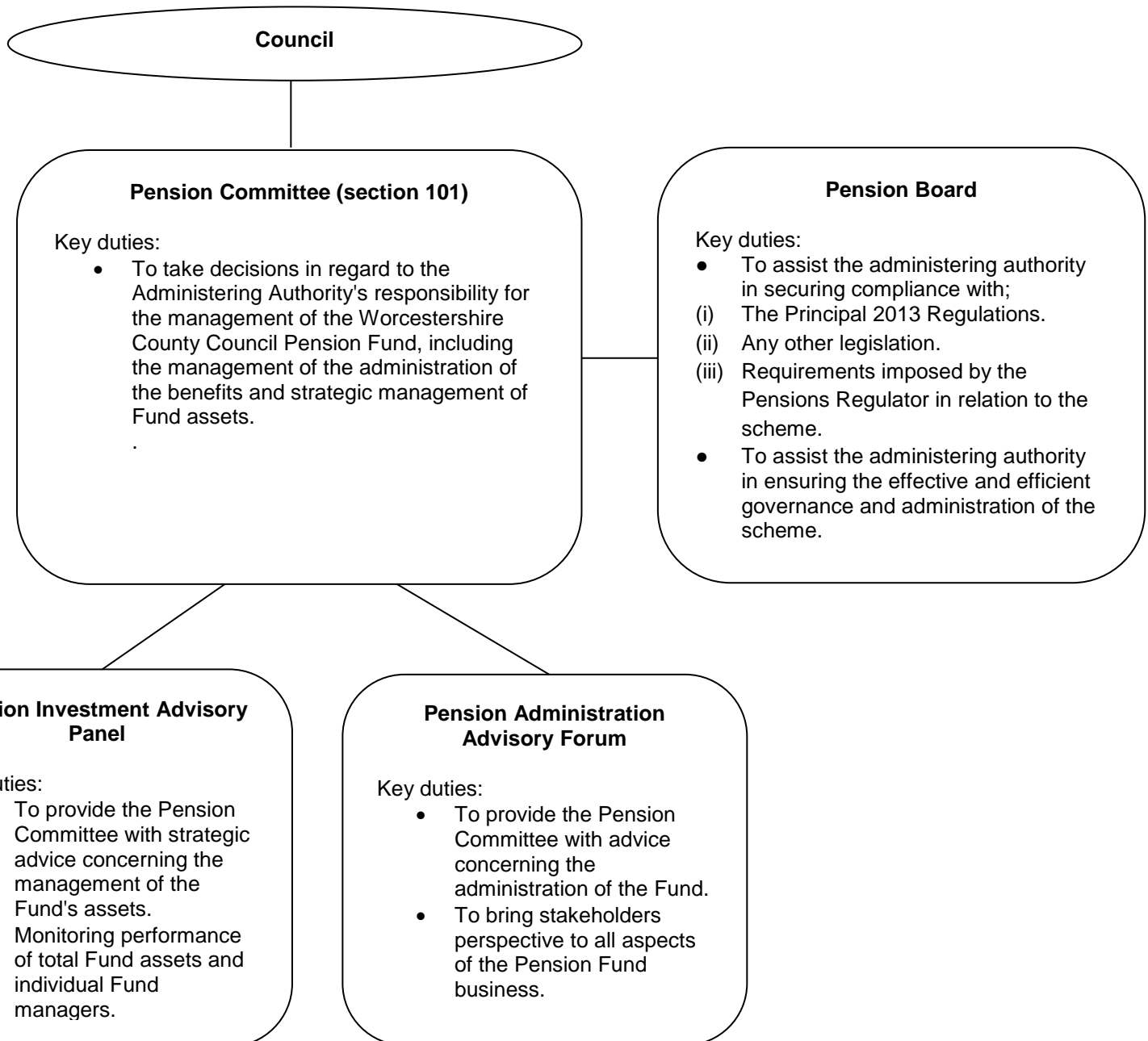


Worcestershire County Council Pension Fund Governance Policy Statement

Governance Structure



This statement has been prepared by Worcestershire County Council (the Administering Authority) to set out the governance policy strategy for the Worcestershire County Council

Pension Fund (the Scheme), in accordance with Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended).

1. Introduction

1.1 The Worcestershire County Council Pension Fund administers the Local Government Pension Scheme for its own employees and employees and those of over 140 other Scheme Employers in the administrative area of Herefordshire and Worcestershire, with 20,000 contributing members, 14,100 pensioners and beneficiaries and a further 14,200 deferred pensioners.

1.2 The Local Government Pension Scheme (Amendment) (no.2) Regulations 2005 SI 2005/3199 provides the statutory framework from which the Administering Authority is required to prepare a Fund Governance Statement. The regulations require that an Administering Authority after consultation with such persons as they consider appropriate, prepare, maintain and publish a written statement setting out:

- Whether the administering authority delegates their function or part of their function in relation to maintaining the pension fund to a committee, a sub-committee or an officer of the administering authority;
- The frequency of any committee or sub-committee meetings;
- The terms of reference, structure and operational procedures of the delegation;
- Whether the committee or sub-committee includes representatives of employing authorities (including non-scheme employers) or members, and if so, whether those representatives have voting rights.

1.3 This statement has been prepared by Worcestershire County Council in consultation with appropriate interested persons.

2. Administrative Arrangements

2.1 On 1 April 1998 Worcestershire County Council was constituted and vested, under section 16 of the Hereford and Worcester (Structural, Boundary and Electoral Changes) order 1996 (Statutory Instrument 1996 No 1867), with the rights and liabilities of the former pension fund Hereford and Worcester County Council. Therefore, the Council is the appropriate Administering Authority to maintain the Fund.

2.2 As the statutory Administering Authority and Scheme Manager for the Fund, Worcestershire County Council is responsible for ensuring effective stewardship of the Fund's affairs. Worcestershire County Council has established a Pension Committee to discharge the Council's responsibility for the management of the administration of the Fund.

2.3 Worcestershire County Council has also established a Pension Investment Advisory Panel to provide the Pension Committee with strategic advice concerning changes to the Fund's asset allocation, the termination and appointment of investment managers and Independent Financial Advisers.

2.4 A Pension Administration Advisory Forum has also been established to provide wider stakeholder representation and communication in matters relating to the Fund. The Pension Committee has overall responsibility for the management of the administration of the Fund, as set out in the Scheme of Assignment of Responsibility for Functions, however the Pension Committee takes advice from the Pension Administration Advisory Forum to enable the Pension Committee to discharge its responsibility effectively.

3. Pension Committee

3.1 The Pension Committee discharges the responsibilities of the Council as Administering Authority of the Fund pursuant to Section 101 and Regulations under Section 7 of the Superannuation Act 1972.

- 3.2 The Pension Committee discharges the responsibilities for management of the administration of the Fund. However it will take views from the Pension Administration Advisory Forum to enable it to discharge its duties effectively.
- 3.3 The Pension Committee discharges the responsibilities for the strategic management of the Fund's assets. However, it will take strategic advice from the Pension Investment Advisory Panel to enable it to discharge its duties effectively. The dates of Pension Committee meetings will be synchronised with those of the Pension Investment Advisory Panel to ensure investment decisions are reviewed without unnecessary delay.
- 3.4 The Council appoints the Chairman and Vice-Chairman of the Pension Committee. The Chairman of the particular meeting has a second or casting vote in the case of equality of votes.
- 3.5 The Pension Committee is a formal committee of the Council and comprises a total of 8 voting members:
- 5 Worcestershire County Councillors
 - 1 co-opted Councillor as nominated by Herefordshire Council (being the second largest employer in the Fund)
 - 1 co-opted voting employer representative and
 - 1 co-opted voting employee representative from a relevant Union.

The 5 County Councillor members are formally appointed by the Head of Legal and Democratic Services in accordance with political balance requirements from time to time and the nominations of the relevant Group Leaders, and the 3 co-optees are co-opted by the Chairman of the Committee.

[Note - as of 12 February 2015, the political balance of the 5 County Councillors to be appointed to the Pension Committee is: Conservative 3, Labour 1, and (tbc) either 2013 or Independent Group 1]

- 3.6 The Pension Committee will be advised by on an ad hoc basis by an Independent Financial Adviser and the Fund's Actuary.
- 3.7 Pension Committee Terms of Reference:

The Pension Committee will meet at least quarterly or otherwise as necessary to take decisions on:

- Changes to the Statement of Investment Principles, including the strategic benchmark for asset allocation, Investment Manager benchmarks and Investment Manager targets.
- The termination and appointment of Investment Managers and associated professional service providers.
- The termination and appointment of the Fund's Independent Financial Adviser, Performance Measurement Consultant, Global Custodian and Actuary.
- The Pensions Administration Strategy Statement, Policy Statement on Communication Strategy, Policy Statement on Governance Strategy, Funding Strategy Statement and Governance Compliance Statement.
- The Triennial and Interim Actuarial Valuations.
- The approval of the Pension Fund Annual Report and Accounts.
- The approval of the Pension Fund annual and triennial budgets.
- Key outstanding risks as identified in the Pension Fund Risk Register.
- The Pension Administration Advisory Forum arrangement and regular Forum reports, which consider and address outstanding member and employer issues and concerns.
- The Pension Investment Advisory Panel arrangement and regular Advisory Panel reports, which monitor performance of the Fund's assets.
- Requests for admission of qualifying Community and Transferee Bodies wishing to join the Fund.

- Key pension policy discretions that are the responsibility of the Administering Authority.
- 3.8 All elected members and voting co-optees of the Pension Committee are subject to the Worcestershire County Council Code of Conduct for Members, and must therefore register and keep updated their Disclosable Pecuniary Interests as required by the law and Code and disclose potential conflicts of interest as required by that Code.
- 3.9 Members of the Pension Committee are expected to hold the appropriate knowledge and skills to discharge their responsibility effectively – see Section 8.
- 3.10 The responsibility for advising the Pension Committee is delegated to the Chief Financial Officer.
- 3.11 Members of the Pension Committee have equal access to Pension Committee agenda papers and associated appendices in accordance with the legislation and constitutional Rules relating to access to information for committees. Formal meetings of the Committee will take place in public unless it has resolved to move into exempt session in accordance with the applicable access to information provisions.

4. Pension Board

Please see separate Pension Board Terms of Reference document.

5. Pension Investment Advisory Panel

- 5.1 The Pension Investment Advisory Panel provides the Pension Committee with strategic advice concerning changes to the Fund's asset allocation, the termination and appointment of Investment Managers and Independent Financial Advisers. It is not a decision-making body or formal committee, and will not normally meet in public.
- 5.2 The Chief Financial Officer appoints the members of the Pension Investment Advisory Panel, which comprises of:
- four County Councillors
 - the Chief Financial Officer
 - the Principal Accountant – Pension Fund and
 - one employee representative.

The composition of the Pension Investment Advisory Panel is intended to reflect the abilities and knowledge of the individuals in matters relating to the investment of the Fund's assets rather than political representation. All members of the Panel are entitled to vote if necessary for the Panel to fulfil its role and provide advice to the Pension Committee regarding the administration of the fund's assets.

The Chairman of the Panel is appointed from amongst its members by the Chairman of the Pensions Committee.

5.3 Terms of reference:

The Pension Investment Advisory Panel will meet at least quarterly or otherwise as necessary to produce strategic advice to the Pension Committee on:

- Changes to the Statement of Investment Principles, including the strategic benchmark for asset allocation, Investment Manager benchmarks and Investment Manager targets.
- The termination and appointment of Investment Managers and associated professional service providers.
- The termination and appointment of the Fund's Independent Financial Adviser, Performance Measurement Consultant and Global Custodian.

The Pension Investment Advisory Panel will also:

- Monitor performance of total Fund assets and individual Investment Managers.
 - Monitor compliance with the Statement of Investment Principles.
 - Monitor performance of the Independent Financial Advisor.
- 5.4 The Pension Investment Advisory Panel is advised by an Independent Financial Adviser who attends all meetings.
- 5.5 Active Equities Investment Managers report to the Pension Investment Advisory Panel bi-annually, whilst the Fund's Bond Manager reports annually. Further monitoring meetings with Investment Managers are undertaken by officers of the Administering Authority and the outcomes reported to the Pension Investment Advisory Panel.
- 5.6 One of the regular quarterly meetings will include an annual meeting to consider the Fund's full year's performance.
- 5.7 The Fund's Statement of Investment Principles (SIP) sets out the arrangements in place for the management of the investments of the Worcestershire County Council Pension Fund.
- 5.8 The day to day management of the Fund's investments is divided between external Investment Managers, operating in accordance with mandates set out in the Statement of Investment Principles.
- 5.9 The Chairman of the Panel may attend the Pension Committee to ensure flow of information between the 2 bodies.
- 5.10 Members of the Pension Investment Advisory Panel must not have a conflict of interest and are required to provide the Chief Financial Officer with such information as the Chief Financial Officer reasonably requires for the purposes of ensuring no conflict of interest exists prior to appointment to the Pension Investment Advisory Panel and on an ongoing annual basis.
- 5.11 Members of the Pension Investment Advisory Panel are required to hold the appropriate knowledge and skills to discharge their responsibility effectively.

6. Pension Administration Advisory Forum

- 6.1 The Pension Administration Advisory Forum provides the Pension Committee with advice concerning the administration of the Fund. It is neither a decision-making body nor formal committee, and will not normally meet in public. No voting rights apply to the Pension Administration Advisory Forum as the purpose of the Forum is to provide transparency of information to scheme employers and for scheme employers to provide advice to, and raise concerns with, the employer representative.
- 6.2 The Pension Administration Advisory Forum comprises
- all Fund employers who wish to attend following invitation by the Administering Authority
 - the Fund's Actuary (ad hoc basis)
 - the Administering Authority's Pensions Manager and HR Service Centre Manager
 - and the employer representative and employee representative of the Pension Committee.
- 6.3 Terms of reference:

The Forum will meet at least twice a year or otherwise as necessary to:

- Discuss an Annual Administration Report and respond to any issues raised by employers.
- Discuss Government Consultations relating to the administration and benefits of the LGPS.
- Discuss the outcomes of the triennial/interim valuations and respond to any issues raised by employers.

- Discuss the minutes and updates from the Pension Committee and ensure flow of information between the Pension Committee and the Forum.
 - To advise on service delivery to all stakeholders.
 - To bring stakeholders perspective to all aspects of the Pension Fund business.
 - To ask the Administering Authority and the Pension Committee to consider topics which affect the Pension Fund.
- 6.4 All Fund employers are invited to attend the Pension Administration Advisory Forum along with the Fund's Actuary, Administering Authority officers and the employer and employee representatives on the Pension Committee.
- 6.5 Other meetings are held as required between Administering Authority officers and employers to discuss important issues such as discretionary policies and regulatory changes.
- 6.6 The Administering Authority also communicates with the Fund's membership through newsletters, road shows and presentations.
- 6.7 The Fund's Policy Statement on Communication Strategy explains in more detail engagement with all stakeholders.

7. Delegation

- 7.1 The day to day administration of, and investment decisions for, the Worcestershire County Council Pension Fund are delegated to the Chief Financial Officer.
- 7.2 The Chief Financial Officer may authorise other officers to exercise on his/her behalf those functions delegated to him/her.
- 7.3 The Chief Financial Officer has delegated responsibility for the following responsibilities concerning the management of the administration of the Fund including:
- Preparing and maintaining a Pensions Administration Strategy Statement, Policy Statement on Communication Strategy, Policy Statement on Governance Strategy, Funding Strategy Statement and Governance Compliance Statement.
 - Provision of data for the Triennial and Interim Actuarial Valuations. The Chief Financial Officer will also negotiate over actuarial assumptions, set the appropriate funding target and associated recovery period.
 - Preparing the Pension Fund Annual Report and Accounts.
 - Preparing the Pension Fund annual and triennial budgets.
 - Preparing and maintaining a Pension Fund Risk Register and monitoring key outstanding risks.
 - Overseeing and administering the Pension Administration Advisory Forum arrangement and review regular Forum reports to consider and address outstanding member and employer issues and concerns.
 - Administering the Pension Investment Advisory Panel arrangement and reviewing regular Advisory Panel reports to monitor performance of the Fund's assets.
 - Deciding upon requests for admission of qualifying Community and Transferee Bodies and Scheduled and Designated Bodies wishing to join the Fund.
 - Deciding upon key pension policy discretions that are the responsibility of the Administering Authority.
 - Executing documentation relating to the implementation of new and existing investment mandates, Independent Financial Advisers, Performance Measurement Consultant, Global Custodians, Actuaries and any other associated professional service providers.
 - Quarterly monitoring of Investment Managers' performance for managers not presenting to the Pension Investment Advisory Panel.
 - The effective discharge of the pensions administration function, including the payment of pensions and collecting and reconciling of contribution income.
 - Maintaining the Fund's accounting records.

- Preparing and maintaining the Statement of Investment Principles, including implementing changes to the strategic benchmark for asset allocation.
- Implementing and maintaining a knowledge and skills training plan for members of the Pension Committee and Pension Investment Advisory Panel.
- Advising the Pension Committee.
- Implementing and maintaining the cash flow strategy for the Fund, which includes the transfer of cash to the Fund's Global Custodian to ensure cash is fully invested when available and the transfer of cash from the Global Custodian to pay pension liabilities as they fall due.

8. Knowledge and Skills

- 8.1 The Administering Authority has regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in creating a knowledge and skills policy for the Worcestershire County Council Pension Fund, to ensure all those involved in the decision-making process receive relevant training in order to obtain the appropriate knowledge and skills to discharge their responsibilities effectively.
- 8.2 Committee members and appropriate Administering Authority officers complete an annual knowledge and skills self-assessment form. These are used to prepare annual training plans and a log of training undertaken is maintained by the Administering Authority. The annual training plans include a programme of external and internal training events designed to meet the requirements both of new members of the committee and the ongoing needs of existing members. These events are reported formally to members on an annual basis. Individual reports to authorise attendance by members at these events are put to the Chief Financial Officer on an event by event basis.

9. Further information

Additional information on the activities of the Pension Fund can be found in the Annual Report and Accounts, which is available on the Worcestershire County Council's website at: http://www.worcestershire.gov.uk/downloads/download/697/pension_fund_annual_report

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