

## Appendix 2

### Cambridgeshire Local Government Pension Scheme (LGPS)

### Governance Policy and Compliance Statement (October 2017)

#### Introduction

This Policy and Compliance Statement details the governance arrangements for the Cambridgeshire Pension Fund, which is maintained by Cambridgeshire County Council, as required by Regulation 53 of the Local Government Pension Scheme Regulations 2013.

Under Regulation 55 of that provision all LGPS Funds are required to produce a Governance Compliance Statement which must be published and revised upon any material change in delegation arrangements.

The statement must set out -

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority:
- (b) if the authority 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 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 that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 53(4)

Each administering authority must –

- (a) keep the statement under review and make such revisions as are appropriate, following a material change,
- (b) in preparing and reviewing the statement, consult such persons as it considers appropriate,
- (c) publish its statement and any revised statement.

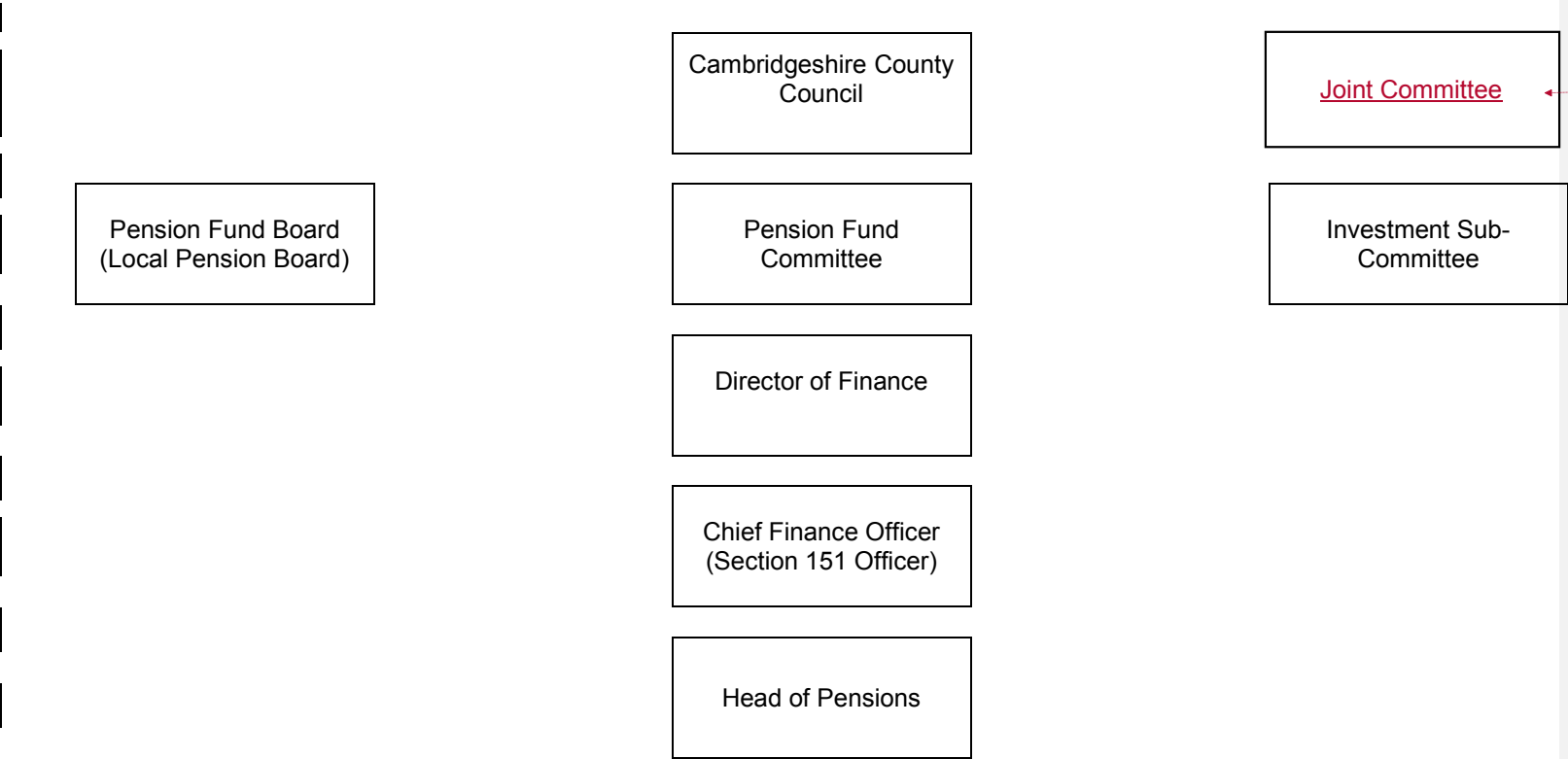
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Governance Structure

The Cambridgeshire Pension Fund governance structure is shown below.



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### Scheme of Delegations for the Cambridgeshire Pension Fund

Cambridgeshire County Council has delegated its functions in relation to the maintenance of the Cambridgeshire Pension Fund to its Committees and Local Pension Board as follows:

#### Pension Fund Committee

Power to set the Pension Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

- Funding Strategy – ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund. Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
- Investment Strategy – to determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite and to oversee the delivery of the investment strategy by the ACCESS Joint Committee.
- Administration Strategy – the administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
- Communications Strategy – determining the methods of communications with the various stakeholders including scheme members and employers.
- Discretions – determining how the various administering authority discretions are operated for the Fund.
- Governance – the key governance arrangements for the Fund, including representation.
- Risk Management Strategy – to include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

Authority to approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

Authority to agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.

Authority to consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myners Principles on an annual basis.

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Authority to develop and maintain a training policy for all Pension Fund Committee, Investment Sub-Committee and Pension Fund Board members and for all officers of the Fund, including:

- Determining the Fund's knowledge and skills framework;
- Identifying training requirements;
- developing training plans; and
- monitoring attendance at training events.

Authority to select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.

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Authority to agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

Authority to consider and determine where necessary, alternative investment strategies for participating employers.

Authority to oversee the work of the Investment Sub-Committee and consider any matters put to them by the Investment Sub-Committee.

Authority to set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.

Authority to review and amend strategic investment policies on an appropriate regular basis, in consultation with the Section 151 Officer.

Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

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Production of an annual report for consideration by the Council.

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In relation to pooled asset arrangements under the ACCESS Joint Committee:

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Determining the requirements of the Administering Authority in relation to the provision of services by ACCESS to enable it to execute its investment strategy effectively.

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Receiving and considering reports from the ACCESS Joint Committee in order to ensure that the Fund's investor rights and views are represented appropriately.

Ensuring arrangements are in place to identify and manage the risks and costs associated with investment pooling.

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### Investment Sub-Committee

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Authority to implement the Fund's investment strategy including setting benchmarks and targets for the investment pool operator and reviewing performance against those benchmarks.

Authority to review and maintain the asset allocation of the Fund within parameters agreed with the Pensions Committee.

Authority to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary where this is not undertaken by the ACCESS Joint Committee.

Authority to appoint and monitor and where necessary terminate external advisors and service providers solely relating to investment matters, for example, the Fund Custodian, independent investment advisers, investment consultants and investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to set benchmarks and targets for the Fund's investment managers where this is not undertaken by the ACCESS Joint Committee.

Authority to monitor the risks inherent in the Fund's investment strategy in relation to the Fund's funding level.

Authority to monitor and review:

- Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
- The investment management fees paid by the Fund and to implement any actions deemed necessary;
- The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment providers as necessary;
- The investment provider's adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance with the UK Stewardship Code.

Authority to receive reports from investment providers.

Authority to undertake any task as delegated by the Pension Committee.

**Pension Fund Board (Local Pension Board)**

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**Deleted:** Authority to determine operational matters such as rebalancing and the most appropriate methodology for asset transitions within parameters agreed by the Pension Fund Committee.¶

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Authority to assisting the Administering Authority to secure compliance with:

- the Principal 2013 Regulations;
- other legislation relating to the governance and administration of the LGPS; and
- the requirements imposed by the Pensions Regulator in relation to the LGPS

Authority to assist the Administering Authority in ensuring effective and efficient governance and administration of the LGPS (including funding and investments).

### **Joint Committee**

The Joint Committee shall exercise functions delegated by the Council, these functions include:

- The procurement, appointment and management of the operator for assets pooled under the joint arrangement;
- The appointment of professional advisors as required for the effective management of asset pools pooled under the joint arrangement;
- Functions related to the management of pooled assets;
- Functions concerning pool aligned assets; and
- Functions relating to the development of the annual business plan and budget relating to the management of assets pooled under the joint arrangement.

Authority to decide, in consultation with the Pensions Committee, the specification of services and functions that the operator will be required to deliver, including the sub-funds and classes of investments required to enable the Council to execute its investment strategy.

Authority to agree the method and process for the procurement and selection of the operator and to select an operator.

Responsibility for reviewing the performance of the operator and making arrangements to ensure that the Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:

- a) The performance of the operator against its contractual requirements and any other performance measures such as any Service Level Agreements (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;
- b) Sub-fund investment performance;
- c) Investment and operational costs;
- d) Performance against the strategic business plan agreed by Councils

Responsibility for making decisions on the termination or extension of the operator contract.

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Authority to determine any other action to be taken to manage the operator contract including the giving of any instruction or the making of any recommendation to the operator including, but not restricted to, recommendations on investment managers (within any regulatory constraints that may apply).

Authority to appoint such professional advisors on such terms as the committee sees fit. Any procurement of advisors must comply with the Constitution of the Host Authority.

Functions in relation to management of Pool Assets, including making recommendations to the Council on the strategic plan for the transition of assets that are to be pooled.

Functions in relation to pool aligned assets, including reporting to the Council's about pool aligned assets (including proposals concerning the migration of investments – such as passive investments via life fund policies – to become Pool Aligned Assets).

Authority and duties related to business planning and budgeting of joint arrangements, including:

- 1) Reporting to the Council (through the Pensions Committee) about the annual strategic business plan for the Pool;
- 2) Determination of the budget necessary to implement that plan and meet the expenses of undertaking the specified functions;
- 3) Responsibility for reviewing the structure of the pooled arrangements and making recommendations to the Council about:
  - a) The future of the pool,
  - b) Any changes to the inter authority agreement; and
  - c) The merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the council party to the inter authority agreement.

Responsibility for reviewing the pool at least eighteen months prior to the expiry of each operator contract.

### **Statutory Functions –**

Each authority is responsible for assigning the roles of Monitoring Officer and Chief Financial Officer to specific posts within their structures. These roles may be designated to LGSS officers but this need not be the case. For this reason, the powers and duties associated with these roles have been separated from those allocated to LGSS Officer.

The posts to which these roles are designated are set out in each authority's articles.

### **Director of Finance**

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Responsibility for the operational management of the Shared Services within the remit of the Pensions Service and in accordance with the requirements of the Pension Committee and Investment Sub-Committee, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions.

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### Chief Finance Officer (Section 151 Officer)

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To determine all future applications to join CCC's superannuation fund as an admitted body after consultation with the Chairman/woman of the Pension Committee.

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To determine any applications to CCC for recommencement of the payment of a widow's pension.

To determine future applications to CCC for the early payment of deferred pension rights.

To exercise discretion as to whom any lump sum death grant should be paid from the CCC Pension Fund.

Detailed implementation of the investment strategy as determined by the Pension Fund Committee and the issuing of any instructions to investment managers consistent with the strategy or required as a matter of urgency to safeguard CCC's/the Fund's position.

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To agree any whole fund parameters and assumptions used by the Actuary for the triennial valuation and the phasing of any changes to employer contribution rates after consultation with the Chairman/woman of the Pension Fund Committee.

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### The Pension Fund Committee

The Pension Fund Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	6	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council.
All other Local Authorities, Police and Fire	2	4 years	Nominations determined by a leaders/chief executives group. Selection will be linked to the election cycle. Details of the process to be agreed by the Chairman/woman.
All other employers	1	4 years	Nominations to be determined by eligible employers. Details of the process to be agreed by the Chairman/woman.
Active Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible active members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Deferred and Pensioner Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible deferred and pensioner members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Total	11		

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The Chairman/woman and Vice Chairman/woman of the Pension Fund Committee shall be elected by the Pension Fund Committee.

Full Council may appoint substitute members to the Pension Fund Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee is supported in the execution of its responsibilities by staff from LGSS Pensions (a shared service formed from the joint partnership of

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Cambridgeshire County Council and Northamptonshire County Council). The Committee is also supported by professional advisers such e.g. the Fund Actuary.

The Board meets four times a year with an additional Annual General Meeting in July. Additional Task and Finish Groups can meet as necessary to consider and report on matters that require further consideration.

### The Investment Sub-Committee

The Investment Sub-Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	4	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council. Details of process to be agreed by the Chairman/woman.
All other employers	2	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	Determined by non-Cambridgeshire County Council employer representatives on the Committee. Details of process to be agreed by the Chairman/woman.
Scheme members	1	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	By agreement between active and deferred pensioner representatives on the Committee. Details of the process to be agreed by the Chairman/woman.
Total	7		

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All Investment Sub-Committee members shall be drawn from Pension Fund Committee membership. The Chairman/woman and Vice Chairman/woman of the Investment Sub-Committee shall be the Chairman/woman and Vice Chairman/woman of the Pension Fund Committee respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee may appoint substitute members to the Investment Sub-Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

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The Investment Sub-Committee is supported in the execution of its responsibilities by an institutional investment adviser.

The Investment Sub-Committee meets four times a year.

In addition special meetings of the Investment Sub-Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

### **The Pension Fund Board (Local Pension Board)**

The Pension Fund Board is composed as follows:

Representing	No.	Term of Office	Method of Appointment
Scheme Employers	3	4 years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council. One representative appointed via an open and transparent selection process.
Scheme Members	3	4 years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

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The Pension Fund Board has no decision making powers.

The Chairman/woman and Vice Chairman/woman of the Board shall be elected

There are no substitute members.

The Pension Fund Board meets at least twice per year.

The Pension Fund Board reports its activities at the end of each financial year to full Council.

### **The Joint Committee**

The Committee consists of one elected councillor appointed by each Council. The member so appointed must, at the time of the appointment, be an elected councillor serving as a member of the Committee of a Council which discharges the duties the functions of that Council as pension administering authority.

Each Council may appoint a substitute. Any substitute must meet the eligibility requirements in paragraph 1. The substitute may attend any meeting of the Joint Committee or any of its sub-Committees in place of that authority's principal member

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if notice that the substitute will attend is given to the Secretary of the Joint Committee by the Council concerned.

The Joint Committee meet at least four times each year.

The quorum of a meeting is at least 8 members who are entitled to attend and vote.

Each elected member has one vote.

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### Governance Compliance Statement

This section sets out the extent to which Cambridgeshire Pension Fund governance arrangements are compliant with the latest guidance issued by the Secretary of State for Communities and Local Government;

Principle	Not Compliant	Partially Compliant	Fully Compliant
<b>A. Structure</b>			
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.			✓
(b) 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.			✓
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓
<b>B. Representation</b>			
(a) 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)			✓
(ii) scheme members (including deferred and pensioner scheme members)			✓
(iii) independent professional observers			✓
(iv) expert advisers			✓
(b) 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.			✓
<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			✓
(b) that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

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<b>D. Voting</b>			
(a) 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.			✓
<b>E. Training/Facility time/Expenses</b>			
(a) that in relation to <del>the</del> 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.			✓
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.			✓
<b>F. Meetings (frequency/quorum)</b>			
(a) that the Administering Authority's main committee or committees meet at least quarterly.			✓
(b) that an Administering Authority's secondary committee of panel meet at least twice a year and is synchronised with the dates when the main committee sits.			✓
(c) 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 be represented.			N/A
<b>G. Access</b>			
(a) that subject to any rules in the councils 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.			✓
<b>H. Scope</b>			
(a) that administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.			✓
<b>I. Publicity</b>			
(a) 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.			✓

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