

# Governance Policy

## Including Governance Compliance Statement

Approved by Pensions Committee April 2022



## Introduction

This is the Governance Policy and Governance Compliance Statement for the West Sussex Local Government Pension Scheme as required under Clause 55 of the Local Government Pension Scheme Regulations 2013.

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme with 5 million members across over 10,000 employers. The LGPS in England and Wales is administered locally through 90 local pension funds. The scheme regulations are made under the Superannuation Act 1972 and the Public Service Pension Schemes Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament.

West Sussex County Council is the Administering Authority responsible for maintaining and managing the West Sussex Pension Fund on behalf of its stakeholders: the scheme members and employers participating in the Fund.

Flexibility is provided for each Administering Authority to determine their own governance arrangements but how functions in relation to maintaining the fund are delegated must be published along with the frequency of meetings, terms of reference and details of representation and voting rights. Administering Authorities are also required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. This policy statement provides the required information.

This statement sets out the governance in place for the Council's Administering Authority responsibilities only. West Sussex County Council is also an Employer in the West Sussex Pension Fund. A separate governance structure and scheme of delegation is in place in relation to the Council's employer pension responsibilities.

The Statement was last reviewed in April 2022, taking appropriate advice. The Statement is published on the Pension Fund's website.

Where additional information is available, a [hyperlink](#) has been included within the text.

## About the West Sussex Pension Fund

West Sussex County Council is required to maintain a pension fund ('the Fund') for its employees and those of other Scheme Employers within its area. West Sussex County Council therefore administers the Fund for its own employees and those of the seven District and Borough Councils and numerous other bodies. In total there are over 200 separate employers participating in the Fund. The Fund does not provide pensions for teachers, firefighters or police officers, for whom separate arrangements exist but pensions for administrative and support staff for those organisations is provided by the Council.

The role of the County Council's Pensions Committee is to discharge, in relation to the Fund, a fiduciary duty owed to scheme members and employers. In that way members of the Committee act as quasi-trustees when receiving advice and taking a position on pension fund matters including the investment strategy and the minds of each member of the Committee must be informed and led by the Committee's responsibilities collectively to serve the interests of Fund members and employers.

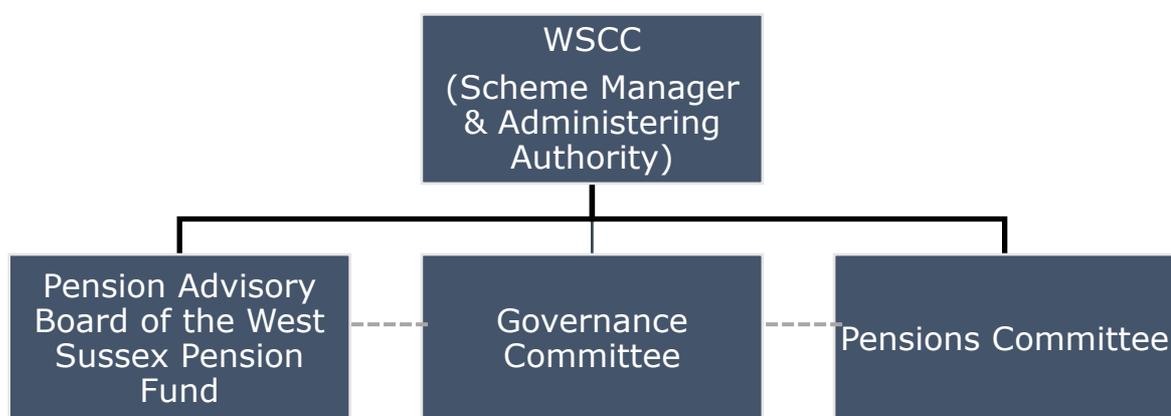
Decisions must be taken in accordance with public law obligations, including the obligations of reasonableness, rationality and impartiality.

The Pensions Committee discharges pension scheme administration responsibilities on behalf of all scheme employers. The responsibilities of individual scheme employers, including the County Council, are dealt with through separate governance arrangement specific to each employer.

## The Administering Authority

The County Council as Administering Authority is responsible for managing and administering the LGPS on behalf of its members. It can delegate that function to a Committee and can decide on the number of members of a Committee, their terms of office and the Committee's terms of reference. The County Council may therefore be referred to as the Scheme Manager.

Management of the pension fund is a non-executive function, which means that, by law, it cannot be the responsibility of the council's cabinet or executive members. This is reflected in the West Sussex governance structure that is set out below. Further details can be found in the [West Sussex Constitution](#).



## The Role of Officers

[Senior officers](#) of West Sussex County Council have been delegated certain statutory and formal responsibilities as part of the administrative responsibilities of the Council. Specific functions are delegated to named senior officers under the [scheme of delegation](#) which sets the parameters within which the officers can take decisions and operate the day-to-day business of the Pension Fund on behalf of the Council.

The County Council, under its [Constitution](#), has determined that the Director of Finance and Support Services and the Director of Law and Assurance both have responsibility to manage the scheme operationally and advise the County Council in the discharge of the responsibilities of the County Council as Scheme Manager in relation to the Local Government Pension Scheme.<sup>1</sup>

The specific responsibilities for the Director of Finance and Support Services in relation to the LGPS are set out in [Part 3 of the Council's Constitution](#) (Section No. 258 and 268) and summarised below:

- Taking any necessary action between the meetings of the Pensions Committee to implement the policy determined by the Committee in consultation with the chairman of the Committee.
- Admitting to the West Sussex County Council Pension Fund those organisations which are eligible for scheduled employer status under the Local Government Pension Scheme Regulations where the County Council has no discretion to refuse admission.
- Considering and determining requests for admission to the West Sussex County Council Pension Fund by those admission bodies that meet the definition in the Local Government Pension Scheme Regulations.
- Considering and determining whether to terminate an admission agreement and the management of exiting employers.
- All routine matters arising under the applicable Regulations

The Director of Law and Assurance also has responsibility to hear and determine any pension appeal or dispute requiring resolution ([Part 3 of the Council's Constitution](#)).

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<sup>1</sup> Inclusion of "the scheme operationally" added for clarity of role

## Governance Committee

Under the [County Council's Constitution \(Appendix 7\)](#) its Governance Committee has responsibility "to make arrangements for the discharge of the County Council's function as Scheme Manager and the exercising of the powers and duties of the County Council in its capacity as Administering Authority in relation to the Local Government Superannuation Acts and Regulations made thereunder and in particular to arrange for the discharge of those responsibilities through a formally constituted committee to be named the Pensions Committee".

In relation to legal requirement for a the Pension Advisory Board, the Governance Committee's Terms of Reference include to:

- a) Approve the job description and remuneration of and oversee the appointment of the independent Chairman of the Pension Advisory Board;
- b) Review the tenure of membership of a Board member in the event of consistent non-attendance on the advice of the Director of Law and Assurance;
- c) Remove a member of the Board during a term of appointment for reasons other than their ceasing to be eligible.
- d) Approve the Business Plan and budget of the Pension Advisory Board

The Governance Committee does not directly discharge any of the functions of the Council as Scheme Manager but, as it has the legal ability to do so in default of the Pensions Committee acting for whatever reason, the Committee's governance arrangements within the [Constitution](#) are set out below:

Frequency of meetings	Six times per year
Representatives of scheme employer and scheme members	Nine members of the County Council. There are no other scheme employer or member groups represented. The Committee is politically proportionate.
Voting rights	All members may vote.
Area of responsibility	Governance Committee's responsibility in relation to the Local Government Superannuation Acts and Regulations made thereunder relates to the County Council as an employer participating in the Scheme. It does not discharge the Council's responsibilities as administering authority.

## Pensions Committee

Under the [County Council's Constitution \(Appendix 7\)](#) responsibility for the discharge of the Administering Authority responsibilities for the LGPS sits with the Pensions Committee and as such the Pensions Committee is responsible for exercising the powers and duties of the County Council in its capacity as Administering Authority. The Terms of Reference in the [Constitution](#) are:

- a) Appointment of professional and specialist investment advisers and managers on a consultancy basis.
- b) Consideration of the recommendations of the advisers and managers including the Fund's investment strategy.
- c) Determination of the Pension Fund's investment strategy and oversight of the delivery of the strategy.
- d) Consideration of and response to the recommendations of the LGPS ACCESS Joint Committee.<sup>2</sup>
- e) Consideration of and response to key scheme governance, funding and administration issues, including responses to statutory consultations.
- f) Monitoring the Fund's performance.
- g) Ensuring that arrangements are in place for consultation and communication with stakeholders as necessary.
- h) Establishing member groups to review aspects of investment strategy or to undertake work on key themes and to report back to the Committee.
- i) Consideration of the work of the Regulation, Audit and Accounts Committee with regards to the Pension Fund accounts, internal and external auditors' reports, development and operation of risk management and approval of changes to anti-fraud and corruption strategy.
- j) To appoint a substitute representative for the ACCESS Joint Committee.

Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest. The fiduciary duty to employers, taxpayers and scheme beneficiaries must always be treated as their first and primary concern and put before the interests of individuals, groups or sectors represented on the Committee.<sup>3</sup>

An independent Adviser is appointed by the Committee to support the Pensions Committee through reviewing investment activity, giving advice on investment matters and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Committee meetings.

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<sup>2</sup> Following the requirement of LGPS to pool investments announced in the 2015 Summer Budget, some investments have transitioned to the operator of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires). The responsibility for appointing (and, when necessary, dismissing) Investment Managers within ACCESS sits with the Operator. The primary governance function of the ACCESS pool is the Joint Committee, which is made up of the chairs of each of the eleven Pension Committees within the ACCESS arrangement.

<sup>3</sup> In line with reference to role within Governance Compliance Statement Statutory Guidance (2008)

The governance arrangements for the Committee are in the [Constitution](#) and summarised below:

Frequency of meetings	Four times per year. The frequency of any member groups established to undertake work on key themes will be determined at the time based on the remit of the group.
Representatives of scheme employer and scheme members	Ten members, seven councillors from the County Council plus representatives from the larger employers (District/Borough Councils and Scheduled Bodies) and a scheme member representative. <sup>4 5</sup>
Voting rights	All representatives on the Pensions Committee are entitled to vote.
Arrangements to enable the discharge of functions	Members are required to acquire and maintain an appropriate level of expertise, knowledge and skills as set out by the Chartered Institute of Public Finance and Accounting (CIPFA) in order to remain members of the Committee. Regular training and guidance are provided. The Committee can make decisions without reference to the full Council or Governance Committee. The Pension Fund's Business Plan sets out in more detail how the Terms of Reference are applied.

<sup>4</sup> This usually includes the Council's Cabinet Member for Finance, although not formally required.

<sup>5</sup> It is not part of the Administering Authority's remit to administer the selection process for the borough and district, scheduled body or scheme members sitting on the Pensions Committee or to ensure their attendance at meetings, unless they wish to do so. Notwithstanding this as far as possible, employer representatives are expected where possible to have a democratic mandate in addition to the mandate from their appointing body.

## Pension Advisory Board

Under the Public Service Pensions Act 2013 all Administering Authorities have a Local Pension Board to assist the Scheme Manager in their compliance with the Pension Regulators Code of Practice on the governance and administration of public service pension schemes.

Under its Terms of Reference within the [County Council's Constitution \(Appendix 7\)](#) the Pension Advisory Board is responsible for assisting West Sussex County Council as Scheme Manager;

- a) To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- b) To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- c) In such other matters as the scheme regulations may specify.

The principal functions of the Pension Advisory Board in the Constitution are:

- a) Seeking assurance that due process is followed with regard to Pensions Committee decisions.
- b) Considering the integrity and soundness of Pensions Committee decision making processes
- c) Seeking assurance that administration performance is in compliance with the Administration Strategy
- d) Considering the effectiveness of communication with employers and members including the Communication Strategy
- e) Considering and commenting on Internal Audit recommendations
- f) Consideration of External Auditor reports

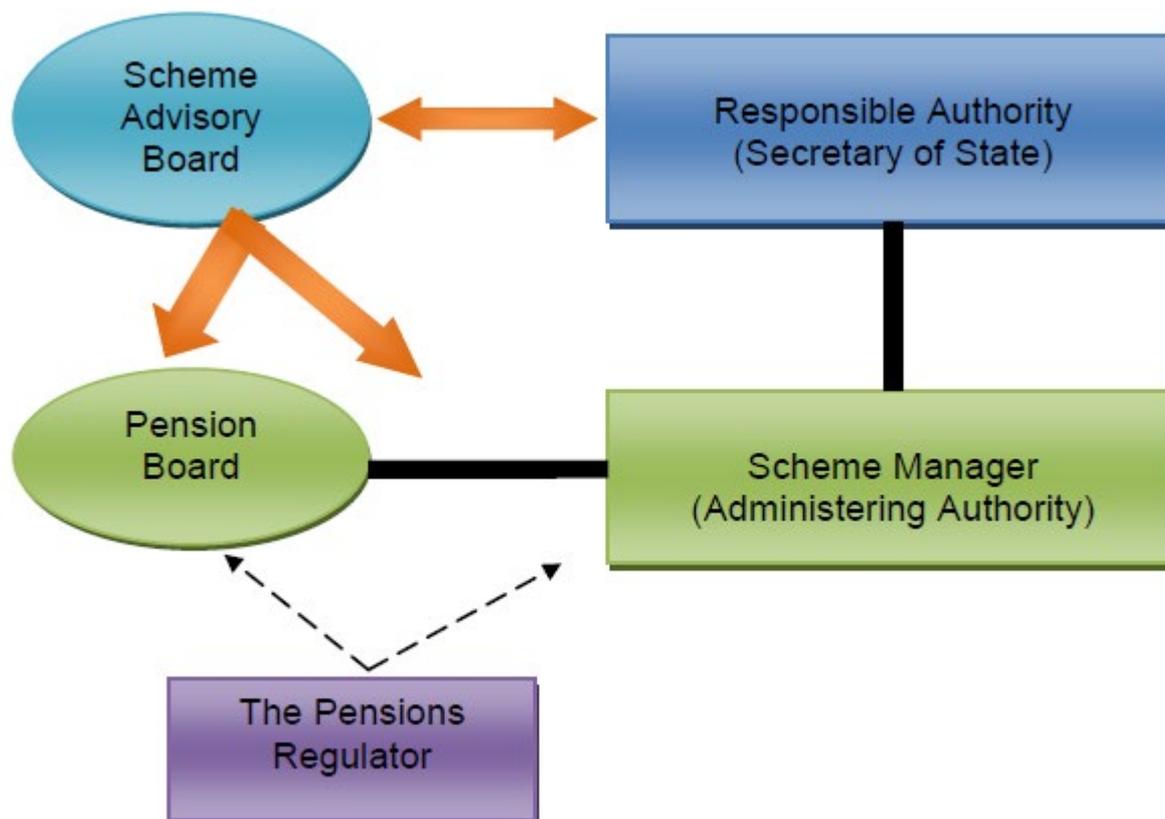
Any complaint or allegation of breach of due process brought to the attention of the Pension Advisory Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

Governance of the Advisory Board is within the [Constitution](#) and summarised below:

Frequency of meetings	Four times per year.
Representatives of scheme employer and scheme members	Seven members comprising three employer representatives (to represent all employers within the Scheme), three scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner)) and an independent person (to act as Chairman).
Voting rights	Employer and scheme member representatives can vote. The Independent Chairman cannot vote.
Other information	A member must attend at least two meetings per year. The Pension Regulator's Code of Practice must be complied with.

## National Framework

In addition to the arrangements in place by the Administering Authority there are a number of parties who have a role in governance of the LGPS nationally. The reference to Pension Board is the Pension Advisory Board.



- **Responsible Authority (Secretary of State):** Under the Public Services Pensions Act 2013 each pension scheme covered by the act must have a 'Responsible Authority' which is the person who may make regulations for that scheme. In the case of the LGPS, the Responsible Authority is the Secretary of State.
- **Scheme Advisory Board:** This has responsibility for providing advice to the Secretary of State, at the authority's request, on the desirability of changes to the Local Government Pension Scheme. The Secretary of State must have regard to such advice.
- **The Pensions Regulator:** The Regulator has oversight of aspects of the governance and administration of public service pension schemes, including knowledge and understanding required by pension board members, conflicts of interest and representation and reporting breaches of the law. The powers of the Regulator have not been extended to cover areas such as the funding and investment of Funds but the Regulator does have a range of enforcement powers.

## Governance Compliance Statement

Administering authorities are required to report the extent of compliance against a set of best practice governance principles laid down in statutory guidance. The Fund's response is set out below. For the purpose of the review, "lay members" are considered to be those who are not elected County Councillor members in line with Government's Statutory Guidance (2008).

### Structure

Principle	Response
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>Compliant</b> The Pensions Committee is a delegated committee and has clear and comprehensive terms of reference.
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.	<b>Compliant</b> Membership of the Pensions Committee includes a District Council, Scheduled Bodies and scheme member representatives.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>Not applicable</b> There is no secondary Committee.
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>Not applicable</b> There is no secondary Committee.

### Representation

Principle	Response
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include <ul style="list-style-type: none"> <li>▪ employing authorities</li> <li>▪ scheme members (including deferred and pensioner scheme members)</li> <li>▪ where appropriate, independent professional observers</li> <li>▪ expert advisers (on an ad hoc basis)</li> </ul>	<b>Compliant</b> Pensions Committee includes a District Council, Scheduled Bodies and a scheme member representative.  The role of the independent adviser includes governance compliance monitoring and offering a practical approach to address and control risk. The Independent Adviser attends all Pension Committee meetings.  Expert advisers attend Pension Committee meetings as appropriate.

<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><b>Compliant</b> District Council, Scheduled Bodies and scheme member representative all receive the same meeting papers and training as the Administering Authority representatives and have full opportunity to contribute to the decision making process. All members can vote.</p>
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### Selection and Role of Lay Members

Principle	Response
<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><b>Compliant</b> This is explicitly covered in the County Council’s Constitution, included as an agenda item at first meeting following a County Council election and included in this Governance Policy Statement.</p>
<p>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.</p>	<p><b>Compliant</b> Declarations of Interest are required at each Pensions Committee meeting and recorded on the minutes for that meeting.</p>

### Voting

Principle	Response
<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><b>Compliant</b> Except for the Chairman of the Pension Advisory Board all members can vote. The Chairman of the Pension Advisory Board does not have voting rights in accordance with <a href="#">statutory guidance</a>.</p>

### Training / Facility Time / Expenses

Principle	Response
<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>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><b>Compliant</b> The Fund maintains a Training Strategy which applies to Pension Committee and Board members and officers. All expenses are reimbursed.</p>

That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	<p><b>Compliant</b></p> <p>The Pension Fund has a published Training Strategy for Pension Committee and Board members and officers. Training is reported as part of each Committee and Board meeting.</p>
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### Meetings

Principle	Response
That an administering authority's main committee or committees meet at least quarterly.	<p><b>Compliant</b></p> <p>The Pensions Committee meets quarterly.</p>
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><b>Not applicable</b></p> <p>There is no secondary Committee.</p>
That an administering authority who does 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><b>Not applicable</b></p> <p>The Pensions Committee includes lay members.</p>

### Access

Principle	Response
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	<p><b>Compliant</b></p> <p>District Council, Scheduled Bodies and scheme member representative receive the same papers, documents and advice.</p>

### Scope

Principle	Response
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<p><b>Compliant</b></p> <p>The Pensions Committee terms of reference include non investment issues.</p>

### Publicity

Principle	Response
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><b>Compliant</b></p> <p>The Fund's Governance Policy Statement is published on the Fund's website.</p>