

South Yorkshire Pension Fund

Governance Compliance Statement*- effective April 2015

1. Introduction

1.1 As a statutory public service scheme the LGPS has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement and its contents are determined by law :

1. After consultation with such persons as the Authority considers appropriate they shall prepare and publish a written statement setting out -
 - a) whether they delegate their function or part of their function to a committee, sub-committee or officer,
 - b) if they so delegate –
 - (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 that it does not so comply, the reasons for not complying.
2. The first such statement must be published on or before 1 November 2008
3. The statement must be revised and published following a material change in policy

**(a) This Statement has been prepared by South Yorkshire Pensions Authority (the Authority) to set out the governance policy for the South Yorkshire Pension Fund (the Fund), in accordance with Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).*

2. Governance of the South Yorkshire Pension Fund

- 2.1 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.
- 2.2 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions. One member from each district has been nominated as the Section 41 spokesperson.
- 2.3 The Authority has created two Boards and one Committee to formulate and implement detailed policy.

The Corporate Planning and Governance Board meets at least four times a year. Its objective and terms of reference are -

To secure the Authority's responsibilities in relation to the delivery of the most efficient, effective and economic service

In connection with this:

- Monitor delivery provision of a high quality pensions service
- Commission triennial and interim actuarial valuations and agree the assumptions leading to the setting of employer contribution rates
- Be responsible for liaison with the Actuary
- Set and monitor the admissions policy
- Formulate, review and publish Strategies and Policies on Administering Authority discretions
- Determine, publish and review a:
 - o Funding Strategy
 - o Governance Policy
 - o Communications Strategy
- Determine and maintain an appeals procedure under the scheme's IDRPs
- Management and review of stakeholder relationships, including District Council relationships
- Review of results from stakeholder consultation and using those results to inform priorities and quality of service delivery

- Agree and monitor delivery against Service Level Agreements and reporting issues of major concern to the full Authority
- Determine strategies to implement the priorities set out with the Authority's Corporate Plan
- Determine a work programme for the Board and approve the publication of the Annual Report
- Carry out the following core audit committee functions:
 - a. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
 - b. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
 - c. Be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it
 - d. Approve (but not direct) Internal audit's strategy and plan
 - e. Monitor performance against internal audit's strategy and plan
 - f. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
 - g. Receive the annual report of the Head of Internal Audit
 - h. Consider the reports of external audit and inspection agencies
 - i. Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted
 - j. Review financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit
 - k. To oversee the production of, and approve, the Authority's Statement on Internal Control
 - l. To review and approve the annual Statement of Accounts, focusing on:
 - the suitability of, and any changes in, accounting policies
 - major judgemental issues eg provisions

- m. To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
- Monitor and develop the Authority's risk register and statement of internal control, reporting issues of concern to the full Authority
- Monitor compliance with:
 - FCA
 - Standing Orders and Financial Regulations

and raise any matters of concern with the full Authority

- Respond, on behalf of the Authority, to Department for Communities and Local Government (DCLG) and other government or industry consultation exercises, notifying the Authority of any major issues
- Determine and maintain, as appropriate, employment practices for the Authority's own workforce
- Appoint Professional Advisors in connection with these functions

The Investment Board meets at least four times a year. Its objective and terms of reference are -

To obtain the best financial return in order that the Fund can meet both its immediate and long-term liabilities

In connection with this:

- Development of a work programme for the Board
- Develop the Investment Strategy – medium and long term in accordance with guidelines applied by the Authority, including the commission of asset and liability modelling studies or similar as necessary
- Hold the fund managers to account for delivery of the Authority's Investment Strategy
- Review the overall Fund Performance
- Be aware of industry developments
- Publish and keep under review a Statement of Investment Principles
- Publish and keep under review corporate governance/ responsible investment policies and voting guidelines

- Determine Membership of lobbying and pressure groups etc e.g. LAPFF
- Respond, on behalf of the Authority, to Department of Communities and Local Government (DCLG) and other government or industry consultation exercises, notifying the Authority of any major issues
- Appoint external managers, professional advisors and members of the Investment Advisory Panel and monitor their performance.

The Management Committee meets on an ad-hoc basis as dictated by its business needs. Its terms of reference are -

- To receive urgent reports and make decisions on behalf of the Authority, or its Boards, where, due to tight timescales, it is not possible to refer to the Authority or Boards
- To exercise all the Authority's functions in respect of:
 - Appeals by staff (where a right of appeal exists)
 - Complaints against senior officers

3. Representation

3.1 The Authority's constitution is laid down in Statutory Instrument 1987 No.2110. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 The Corporate Planning and Governance Board is chaired by the Authority's Vice-Chair and contains 6 other Authority Members (including the Chair). Representatives from the trade unions, who are nominated by their regional Secretaries/Organisers, attend as observers.

3.3 The Investment Board is chaired by the Authority's Chair and contains 6 Authority other members (including the Vice Chair). Representatives from the trades unions, who are nominated by their regional Secretaries/Organisers, attend as observers.

3.4 The Management Committee is chaired by the Authority's Chair (who is also the Section 41 representative for Rotherham MBC) and contains the other Section 41 representatives.

3.5 Both the Boards and the Committee have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

4.1 Myners' first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority undergo the Local Government Employers' fundamentals training and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues, such as hedge funds, private equity, bonds etc.

4.2 In the CIPFA guidelines relating to the governance regulations, it states that ...

"As things stand, Section 7 of the Superannuation Act 1972 does not permit the Secretary for State to make regulations which impact on the constitution and membership of local authority committees. The ODPM has advised that there are no plans at present to amend local government law to change the provision regarding the composition of investment or pension committees. This must be a matter for individual fund administering authorities to consider, reflecting local circumstances and choice. But in exercising that choice, the ODPM advise it is important that authorities recognise the desirability of achieving an effective and comprehensive level of stakeholder representation within the LGPS nationally.

The challenge for pension fund panels is to find ways of engaging those people with an interest in decisions made without undermining the operation of the panel. The Funding Strategy Statements will encourage greater emphasis on consultation and if local authority employers contributing to the fund do not have representation on the panel or committee, be it voting or non-voting, then there would be a need to demonstrate they were being engaged in other ways. For example by the holding of

- *Bi-lateral discussions, or similar forums, involving employers and other stakeholders*
- *An annual general meeting for all employers;*
- *A triennial meeting between all employers and the actuary to discuss the results of the actuarial valuation"*

4.3 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation of the Authority provides the appropriate balance between accountability and inclusion as required by best practice with members having full voting rights as a matter of course.

5. Arrangements Outside of Formal Governance

5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website.

5.2 The Authority holds an annual meeting, usually in October, to which members and employers are invited. The venue moves to a different area of the county each year to encourage a greater attendance. Transport to and from the venue

is provided from other district centres and refreshments are provided at the end of the event. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions.

- 5.3 The Authority has established, with effect from 1 April 2015, a Local Pension Board in accordance with Regulatory requirements.
- 5.4 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to LGPC Circulars whenever these are published so that they can view the national perspective as well as the local view.
- 5.5 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Service normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.
- 5.6 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

6. Comparison Against "Best Practice" Principles

- 6.1 The Authority is required to make a statement as to 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.
- 6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

APPENDIX

Principle A – Structure

		Compliant*
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.	Yes
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.	Mainly
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's statutory constitution provides automatic district council representation. It is not practical for the many non-local authority employers, whose activities are diverse, to be separately represented. Trades unions representatives attend meetings of the

Authority and Boards. The Local Pension Board operates outside the formal Authority structure but is intrinsically linked with it.

Principle B – Representation

		Compliant*
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, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Mainly
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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Independent advisors are appointed as necessary.

Principle C - Selection and role of lay members

		Compliant*
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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via the LGPC 3-day programme

Various ad-hoc training events are held when new topics are introduced or when cyclical issues require consideration by inexperienced Members (e.g. Triennial Valuation).

Principle D – Voting

		Compliant*
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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's statutory constitution provides full voting rights to all Members.

TU attendees at the Investment and CP&G Boards are not given voting rights

Principle E – Training/Facility time/Expenses

		Compliant*
a)	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.	Yes
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.	Yes
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	Mainly

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction and in-house training events are made available to all members of the Authority, its Boards and Committees. In addition, all Authority members are required to undertake the Fundamentals course provided by LGE within the first year of their appointment.

Members are offered individual training plans. Records of training received are logged.

Principle F – Meetings (frequency/quorum)

		Compliant*
a)	That an administering authority's main committee or committees meet at least quarterly.	Yes
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.	Yes
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 can be represented	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority and its Boards meet at least quarterly. In addition annual forums are held for both fund employers and Scheme members

Principle G - Access

		Compliant*
a)	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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H – Scope

		Compliant*
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority has created an Investment Board and a Corporate Planning & Governance Board to reflect the specialist nature of the business they deal with. A review of the effectiveness of the governance arrangements is undertaken by the Authority.

Principle I – Publicity

		Compliant*
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.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The arrangements are published on the website and also within the annual report.

Webcasting of Authority meetings and annual forums provide stakeholders with a direct view of governance arrangements in action.