

Lancashire County Pension Fund

**Governance Policy Statement –
Updated May 2016**

Lancashire County Council as
administering authority of
Lancashire County Pension Fund

Contents

| | |
|---|----|
| Introduction | 2 |
| Purpose of the Governance Policy Statement | 2 |
| Governance of the Lancashire County Pension Fund | 3 |
| The Pension Fund Committee | 3 |
| Investment Panel | 7 |
| Compliance with Good Practice in Engagement and Representation | 16 |
| Pension Board of the Lancashire County Pension Fund | 18 |
| Appendix 'A' | 26 |
| Lancashire County Pension Fund Governance Compliance Statement: | |

Lancashire County Pension Fund

Governance Policy Statement (Updated as at May 2016)

Introduction

1. This is the Governance Policy Statement of Lancashire County Pension Fund, administered by Lancashire County Council, the administering authority. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement under regulation 55 of the LGPS Regulations 2013.
2. This statement has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of the Governance Policy Statement

3. The regulations regarding governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting 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)
4. Certain functions set out in the statement are not specific to the Pension Fund but are the wider responsibility of the County Council as an employing authority and are included within the statement for completeness.

Governance of the Lancashire County Pension Fund

5. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the council's constitution. The Pension Fund Committee reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Pension Fund.

The Pension Fund Committee (Non-executive committee)

Composition and role:

1. The Pension Fund Committee ("the Committee") comprises fourteen County Councillors and seven voting co-optees representing the following organisations:
 - a. One co-optee representing the Further and Higher Education sector in Lancashire;
 - b. One co-optee from Blackburn with Darwen Council;
 - c. One co-optee from Blackpool Council;
 - d. Two co-optees representing Trade Unions; and
 - e. Two co-optees representing the Lancashire Borough and City Councils.
2. The role of the Committee is to:
 - a. Fulfil the role of Scheme Manager, as set out in regulations, of the Lancashire County Pension Fund ("the Fund" or "LCPF");
 - b. Establish policies in relation to investment management, which shall include meeting with the Investment Panel to consider future Investment policy for the Fund;
 - c. Monitor and review investment activity and the performance of the Fund; and
 - d. present an annual report to the Full Council on the state of the Fund and on the investment activities during the preceding year.
3. The Committee shall meet at least quarterly, or otherwise as necessary, with the Investment Panel in attendance.
4. Meetings of the Committee shall be open to the public, but the public may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Procedure Rules set out at Appendix 'H' to the County Council's Constitution.

General:

5. To exercise Lancashire County Council's responsibility for the management of the Fund, including the administration of benefits and strategic management of Fund assets and liabilities.
6. To determine which pension related functions and responsibilities should be exercised under a Scheme of Delegation to the Head of the LCPF, the Director of Financial Resources (S.151 Officer) and the Director of Governance, Finance and Public Services.

7. To review governance arrangements and the efficient and effective use of external advisors to ensure good decision-making.
8. To appoint a minimum of two suitable persons to an Investment Panel through a sub committee convened for that purpose.
9. To establish sub-committees and panels as necessary to undertake any part of the Committee's functions.
10. To receive an annual report from the Lancashire Local Pensions Board on the nature and effect of its activities.

Policies (other than Investment, Administration and Funding – see below):

11. To approve the following key policy documents:
 - a. A rolling 3 Year Strategic Plan for the Fund;
 - b. The Statement of Investment Principles
 - c. Governance Policy Statement;
 - d. Governance Compliance Statement;
 - e. Pension Fund Annual Report;
 - f. Communication Policy statement;
 - g. Internal Dispute Resolution Procedure;
 - h. Death Grant Procedure;
 - i. Bulk Transfer Payment Policy;
 - j. Commutation policy (small pensions);
 - k. Transfer policy;
 - l. Abatement policy; and
 - m. Any other discretionary policies as required under LGPS regulations

Investment:

12. To determine the strategic asset allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd (LPPL).
13. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered
14. To submit an annual report to the Full Council on the performance and state of the Fund and on the investment activities during the year.
15. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.
16. To have overall responsibility for investment policy.

Administration:

17. To approve the Annual Administration Report
18. To approve the Pensions Administration Strategy Statement

19. To monitor the performance of the pensions administration function.

Funding:

20. To approve the Funding Strategy Statement which shall include the Fund's policy in respect of:

the Funding Target;
the collection of employee contributions;
the collection of employer contributions;
the collection of additional employer contributions; and
Admissions and Terminations.

21. To approve Scheme Funding Advice.
22. To review ongoing funding updates for potential cash contribution implications.

Procurement:

23. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external support, including:
- a. an external corporate governance adviser;
 - b. an external Fund custodian;
 - c. external performance measurement advisers;
 - d. the Fund Actuary; and
 - e. the Fund's AVC Provider.

Training:

24. To approve the annual Training Plan for members of the Pension Fund Committee and actively participate in training opportunities.

Local Pensions Partnership Ltd (LPPL):

LPPL was formed in partnership between the County Council and the London Pensions Fund Authority (LPFA) to carry out certain pension functions such as investment activity and administration on behalf of the two partner authorities. The relationship between the County Council and LPFA is governed by a number of agreements one of which (the Shareholders Agreement dated 6 April 2016) reserves certain key matters for the determination of the County Council and LPFA rather than LPPL (the "Reserved Matters"). References to delegated powers relating to LPPL address the Reserved Matters. Unless stipulated, any reference to the "Agreement" is a reference to the Shareholders Agreement dated 6 April 2016.

Incorporation or winding up of subsidiaries:

25. To approve, with the exception to the formation of vehicles which are necessary for any transactional, operational or tax efficiency reasons in the sole opinion of the Board, any incorporation of any new subsidiary of LPPL or any of its Group Companies or any liquidation or winding up of LLP or any of its Group Companies. Any acquisition of any shares in any company, whether through subscription or transfer, such that the company concerned becomes a Subsidiary of LPPL or any Group Company.

Merger/acquisition of any business undertaking:

26. To approve the amalgamation or merger with any company, association, partnership or legal entity or the acquisition of any business undertaking of any other person.

Financial and Business:

27. To approve any Strategic Plan for LPPL or make any material changes to any Strategic Plan after its approval.
28. To approve any extension of the activities of LPPL outside the scope of the Business or close down any business operation.
29. To receive the annual accounts of LPPL.
30. To approve the establishment, provision or amendment of any pension scheme.
31. To give or take any loans, borrowing or credit (other than normal trade credit in the ordinary course of business) in excess of £1,000,000 or cause the aggregate indebtedness of LPPL to exceed £5m.

Shares, shareholder loans and constitutional:

32. To pay or declare any dividend (other than as expressly provided for in the Shareholder agreement) or other distribution to the Shareholders or redeem or buy any Shares or otherwise reorganise the share capital of LPPL.
33. To admit any person whether by subscription or transfer as a member of LPPL save as provided for in the Shareholder Agreement.
34. To approve any name change of LPPL.

Control, management, directors and employees:

35. To approve the remuneration policy of LPPL Non-Executive Directors.

36. To approve the appointment or removal of any statutory director of LPPL otherwise than in accordance with the Shareholder Agreement and the Articles of LPPL.
37. To enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, LPPL being managed otherwise than by its directors or controlled otherwise than by its shareholders.
38. To approve the move of the central management and control of LPPL or LPPL's tax residence outside of the UK.

Contract with related parties

39. To enter into or vary any contracts or arrangements with any of the Shareholders or Directors or any person with whom any Shareholder or Director is connected (whether as director, consultant, shareholder or otherwise) save as anticipated in the various agreements between the County Council, LPFA and LPPL entered into on the 6 April 2016.
40. To approve the commencement or the taking of steps to commence any insolvency proceedings under any law relating to insolvency anywhere in the world unless LPPL is at the relevant time unable to pay its debts as they fall due or the value of its assets is less than its liabilities, including its contingent and prospective liabilities and the directors reasonably consider (taking into account their fiduciary duties) that it ought to be wound up or it ought to enter into administration.
41. To enter into any partnership, joint venture or profit sharing arrangement with any person or create any share option scheme.
42. To enter into or make any material variation to any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis.
43. To approve the sale, lease (as lessor), licence (as licensor), transfer or otherwise dispose of any of its material assets.
44. To enter into any contract which cannot be terminated within 48 months and under which the liability for such termination could exceed £1 million.

Investment Panel

The Investment Panel ("the Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel would support the Head of Fund with the specialist advice required by the Pension Fund Committee.

The Panel will:

- review the Fund's long term investment strategy and where necessary make recommendations to the Pension Fund Committee;
- advise on strategic and/or tactical asset allocations proposed by LPPL
- Restrict and control the range of asset allocations used by LPPL as set out in the Statement of Investment Principles
- consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments, possibly involving derivatives, and where necessary make recommendations to the Pension Fund Committee;
- consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Pension Fund committee;
- monitor and review the investment activity; and
- Review and report on the performance of the Fund and where necessary make recommendations to the Pension Fund Committee.

The Panel does not exercise any delegated powers but instead will provide advice to the Head of Fund who will either exercise his/her delegated powers or make recommendations to the Pension Fund Committee taking into account the advice and views from the Panel.

The membership of the panel comprises:

- (a) Head of Fund (as Chair)
- (b) Not less than two independent advisers appointed in accordance with arrangements determined by the Pension Fund committee.

The Panel may operate through sub groups to undertake particular tasks, but will formulate recommendations to the Head of Fund and/or the Pension Fund Committee through meetings of the full Panel.

They may secure specialist advice within allocated budgets.

The Panel will meet at least quarterly, or otherwise as necessary

One member of the Panel will attend LPPL investor's forum on a 6 monthly basis.

Matters reserved to Full Council

(The functions at 1 – 5 below are the responsibility of the County Council as an employing authority. They are not specific to the Pension Fund and have been included in this statement for completeness)

1. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
2. To approve applications for early payment of preserved pension benefits on compassionate grounds.
3. To approve payments under the County of Lancashire Act 1984.
4. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
5. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

Local Pensions Partnership Ltd (LPPL):

Changes to the Articles or any Share rights impacting on any pre-approval matter(s)

6. Approval to alter any of the provisions of the LPPL Articles (including the articles of the LPPL subsidiary companies) or alter any of the rights attaching to the Shares (including where any such alterations directly or indirectly impacts on a Reserved Matter) unless such amendment is of a purely administrative nature.

Dilution on Shareholding/Issue of Shares and Share Options

7. Approval to reduce or cancel any share capital of LPPL, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of LPPL or any security of LPPL convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of LPPL or alter the classification of any part of the share capital of LPPL save as the power to do so without prior Shareholder approval is specifically provided for in the Agreement .

Creation of any Holdco of LPPL

8. To approve the formation of any holding company of LPPL.

Change of Company status

9. To approve a change of status of LPPL from a limited company to a public limited company or from a company limited by shares to any other form of legal entity.

Matters reserved to the Employment Committee

Local Pensions Partnership Ltd (LPPL):

Approval of LPPL's Remuneration Policy

1. To approve the remuneration policy of the LPPL directors and staff, other than for LPPL Non-Executive Directors.

Changes to Directors' Remuneration Policy

2. To approve the payment of any fees, remuneration or other sums to or in respect of the services of any director or vary any such fees or remuneration other than in accordance with an agreed remuneration policy approved by both LCC and LPFA. For the avoidance of doubt this will not apply to the payment or reimbursement of reasonable expenses properly incurred by any statutory director in the course of carrying out his duties in relation to LPPL nor to any payment under any indemnity by LPPL to which the statutory director is entitled under the Articles or under any relevant law.

Proposed redundancies of any Group employees

3. To approve any proposed programme of redundancies within LPPL or rationalisation of a group of employees.

Proposed re-location of any LPPL employees

4. To approve any proposed programme of relocation of a group of employees outside Lancashire who were previously employees of LCC.

Chief Executive

5. To approve the appointment or removal of the Chief Executive of LPPL or any subsidiary company.

Pension Fund - Scheme of Delegation to Officers

The following functions have been delegated to the Head of the Lancashire County Pension Fund (LCPF), the Director of Governance, Finance and Public Services, and the Director of Financial Resources (as the Council's S.151 officer) as indicated below:

The Head of the LCPF, the Director of Governance, Finance and Public Services, and the Director of Financial Resources may allocate or re-allocate responsibility for exercising powers (delegated to them by Full Council or the Pension Fund Committee) to other officers on their behalf in the interests of effective corporate management as he/she thinks fit.

Records of all such authorisations must be retained and a copy sent to Democratic Services for retention. The 'other' officer(s) to whom a power has been re-allocated cannot further delegate that power to another officer.

Any decisions taken under the Scheme of Delegation must be recorded on the electronic decision recording system.

Matters reserved to the Director of Governance, Finance and Public Services

Agreements

1. To enter into or vary any agreement to do any of the things reserved to the Pension Fund Committee and to officers under the Scheme of Delegation arrangements.

Administration

(The functions at 2 – 6 below are the responsibility of the County Council as an employing authority. They are not specific to the Pension Fund and have been included in this statement for completeness)

In consultation with the Director of Financial Resources:

2. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
3. To approve applications for early payment of preserved pension benefits on compassionate grounds.
4. To approve payments under the County of Lancashire Act 1984.
5. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.

6. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

Local Pensions Partnership Ltd (LPPL):

Guarantees and Indemnities

7. To give any guarantee, suretyship or indemnity outside the ordinary course of business to secure the liabilities of any person or assume the obligations of any person.

Disputes and proceedings

8. To commence, settle or defend any claim, proceedings or other litigation brought by or against LPPL, except in relation to debt collection [not exceeding £2m,] in the ordinary course of the Business.

Matters reserved to S.151 Officer

As the officer designated under s.151 of the Local Government Act 1972 to be responsible for the proper administration of the financial affairs of the County Council, for this purpose including the Lancashire County Pension Fund.

Accounts and Records

1. To maintain all necessary accounts and records in relation to the Pension Fund save as otherwise discharged in accordance with arrangements determined by the Pension Fund Committee.

Local Pensions Partnership Ltd (LPPL):

Shares, shareholder loans and constitutional:

2. Save as provided for in the Shareholders Agreement, to approve an increase in the amount of any Shareholder Loans or the variation of the terms of any Shareholder Loans.

3. To approve the repurchase, repayment, redemption or cancellation of any Shareholder Loan other than in accordance with the terms of any Loan Agreement, Loan Notes or the terms of the Shareholders Agreement.
4. To enter into any agreement with a Shareholder for the provision of additional funds or financial support from that Shareholder which differ from the terms on which the other Shareholder is providing equivalent finance or support.

Matters reserved to the Head of the Lancashire County Pension Fund

As the officer responsible for the management of the Lancashire County Pension Fund:

1. To set the appropriate funding target for the Fund.
2. To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee.
3. In consultation with the Investment Panel, to monitor and review the performance of investments made by LPPL and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.
4. To arrange and authorise the provision of appropriate and necessary training for members of the Pension Fund Committee including the attendance at conferences and other similar pension fund related events by members of the Pension Fund Committee.
5. To accept for admission into the Lancashire County Pension Fund employees of authorities and bodies as prescribed in Regulations including transferee and community admissions which are considered as 'exceptional circumstances', subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.
6. To prepare and submit the following to Pension Fund Committee:
 - a. A rolling 3 Year Strategic Plan for the Fund;
 - b. Statement of Investment Principles (to include policy on the management of cash balances) ,
 - c. Governance Policy Statement
 - d. Governance Compliance Statement.
 - e. Pension Fund Annual Report, including the Annual Administration Report.
 - f. The Funding Strategy Statement to include the Fund's policy in respect of:
 - g. the Funding Target;
 - h. the collection of employee contributions;
 - i. the collection of employer contributions;
 - j. the collection of additional employer contributions; and
 - k. Admissions and Terminations.
 - l. Pensions Administration strategy statement;
 - m. Communication Policy statement;
 - n. Internal Dispute Resolution Procedure;
 - o. Death Grant Procedure;
 - p. Bulk Transfer Payment Policy;

- q. Commutation policy (small pensions);
- r. Transfer policy; and
- s. Abatement policy

- 7. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme,
- 8. To approve the payment of death grants in accordance with the agreed Death Grant Procedures.
- 9. To appoint any required external support (subject to the role of the Pension Fund Committee and the Investment Panel), their terms of office and remit.
- 10. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.
- 11. To provide support to the Local Pension Board to enable it to fulfil its role and responsibilities as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013.

Local Pensions Partnership Ltd (LPPL):

To approve the following:

- 12. The appointment or removal of the auditors of LPPL.
- 13. The alteration of LPPL's accounting reference date.
- 14. Any significant change to any of LPPL's accounting or reporting practices.
- 15. The creation of any Encumbrance over the whole or part of the undertaking or assets of LPPL.
- 16. Any item or series of items of capital expenditure including finance leases but excluding operating leases of more than £5,000,000.
- 17. The entering into or variation of any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 10 years or involving aggregate premium and annual rental payments in excess of £5m.
- 18. The factor or discount any book debts of LPPL.
- 19. The making of any agreement or reach any settlement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to LPPL, its business, assets or undertaking.
- 20. Any change to the bankers of LPPL.

21. Any change to the registered office of LPPL.

Compliance with Good Practice in Engagement and Representation

The 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.

Training sessions have been held for the Pension Fund Committee, usually immediately before or after Committee meetings, together with monthly workshops. The sessions cover all aspects of funding, investments, Scheme management and administration and are facilitated by an appropriate Officer, Investment Manager or Fund Actuary. In addition members are encouraged to attend appropriate external courses and conferences and report back to the Committee their learning from these events.

Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989.

On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989). Membership of the Lancashire Pension Fund Committee is set out on page 2 of this statement DCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy Statement, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by DCLG, and where an authority has chosen not to comply, to state the reasons why. The Fund's statement is set out at Appendix I.

Lancashire County Council is committed to the widest inclusion of all stakeholders in respect of consultation and communication outside of the formal governance arrangements. The arrangements include;

With Employing Authorities

The ratio of contributors from the various employing authorities in the Lancashire County Pension Fund may be analysed as follows

Scheduled bodies 93%

Admitted Bodies 7%

Lancashire County Council hosts an annual Employer Forum targeted at the Chief Officers of all employing authorities. At this forum Chief Officers are briefed on current funding, fund performance and actuarial matters including the latest valuation. Any other topical pension fund matters are also raised at this forum. In December of actuarial valuation years, a forum is held between the Fund Actuary and the Fund Employers to discuss the outcome of the actuarial valuation and the reasons for proposed contribution changes and how they will be applied.

All employing authorities are kept abreast of events, such as proposed changes in the regulations and their implications, and they are encouraged to get in touch if they have questions.

In addition to the briefings outlined above, Lancashire County Council holds an annual Practitioners Conference. The opportunity is taken at these meetings to brief attendees on the investment side of the scheme as well as practical administration issues. Communication is covered in detail in the Fund's Communication Strategy Statement. Lancashire County Council also provides an employer training service to ensure that Fund employers, particularly payroll and HR staff are aware and conversant with their obligations as employing authorities and have a sound understanding of LGPS regulation and administration.

With Employees

Lancashire County Council provides all members of the scheme with an annual Pensions Newsletter, which includes a summary of the annual report and financial summary of the scheme. Lancashire County Council's intranet and internet web site includes the following fund documents;

- Full annual report
- Statement of Investment Principles
- Funding Strategy Statement

In addition various documents are available on Lancashire County Council's intranet and internet site including, the LGPS Guide, latest news updates, and other information relating to the Scheme and Fund. Lancashire County Council maintains a working relationship with the unions. The County Council's Joint Negotiating and Consultative Forum may discuss pension issues at its meetings, and invites Pensions and/or HR representatives to discuss current issues. Trades Unions are consultees of the Government in their own right in the same way as employers and LGPS Administering Authorities. In addition to the above the LGPS Administration Regulations 2008 includes regulation 65, which sets out the provision for Administering Authorities to prepare a written statement of 'its Pensions Administration Strategy'.

Pension Board of the Lancashire County Pension Fund

Terms of Reference and Delegated Authorities

1. Role of the Local Pension Board

The role of the Lancashire Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- (a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager; –
 - (i) to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - (ii) to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - (iii) in such other matters as the LGPS regulations may specify
- (b) To secure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund
- (c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

1. Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- (a) 4 employer representatives, of whom;
 - (i) 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;
 - (ii) 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund;
 - (iii) 1 shall be nominated by all other employers within the Fund.
- (b) 4 scheme member representatives of whom;
 - (i) 2 shall represent and be drawn from active members of the Lancashire County Pension Fund;
 - (i) 1 shall represent and be drawn from pensioner members of the Lancashire County Pension Fund;
 - (ii) 1 shall represent and be drawn from deferred members of the Lancashire County Pension Fund.
- (c) 1 independent member selected by the Scheme Manager, who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.

Members in all categories will only be appointed to the Board by the Scheme Manager if they meet the skill and knowledge requirements set out in the relevant regulations and guidance, and as set out in section 7, below.

Members of the Board in categories a) iii., and b) i., ii., and iii., shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Members of the Board will serve for a term of four years. Other than as a result of retirement at the expiry of this period the term of office will come to an end:

- (a) For employer representatives who are councillors if they cease to hold office as a councillor;

- (b) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
- (c) For scheme member representatives if they cease to be a member of the relevant member group.

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 3 meetings each year. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

2. Quorum

The Board shall not be quorate unless the Chair and at least 2 employer representatives and 2 scheme member representatives are present.

3. Conflicts of Interest

The policy for identifying conflicts of interest is set out in a separate policy document.

4. Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

5. Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the Scheme Manager's officers and the Fund's various advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties.

- 6. The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

7. Knowledge and Skills

A member of the Pension Board must be conversant with –

- (a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- (b) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Lancashire County Pension Fund.

A member of the Pension Board must have knowledge and understanding of –

- (a) The law relating to pensions, and
- (b) Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

8. Board Meetings – Notice Minutes and Reporting

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board, and shall ensure that all papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.

The Pension Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Administering Authority. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

- (a) Details of the attendance of members of the Board at meetings,

- (b) Details of the training and development activities provided for members of the board and attendance at such activities;
- (c) Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- (d) Details of the costs incurred in the operation of the Board

The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

9. Remit of the Board

The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme

Manager to determine precisely what the Pension Board's role entails. This role involves but is not limited to oversight and comment on:

- (a) Performance standards;
- (b) Customer service standards;
- (c) Data quality and record keeping;
- (d) Relative and absolute costs of running the fund;
- (e) Learning from appeals and complaints;
- (f) The application of specific policies within the fund, and
- (g) The steps required to address any deficit within the fund.

10. Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These principles are –

- (a) Selflessness
- (b) Integrity
- (c) Objectivity

- (d) Accountability
- (e) Openness
- (f) Honesty
- (g) Leadership

11. Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not have a final deciding vote.

12. Publication of Pension Board information

Scheme members and other interested parties will want to know that the Lancashire County Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the Lancashire County Pension Fund website showing

- (a) The names, contact details and other relevant information about the Pension Board members
- (b) How the scheme members are represented on the Pension Board
- (c) The responsibilities of the Pension Board as a whole
- (d) The full terms of reference and policies of the Pension Board and how they operate
- (e) Details of the Pension Board appointment process
- (f) Any specific roles and responsibilities of individual Pension Board members.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

13. Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

14. Expense Reimbursement and Remuneration

All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by the Inland Revenue from time to time as adopted by Lancashire County Council.

Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities.

The Chair of the Board shall receive a fixed annual allowance set initially (2015) at £10,000 pa (in addition to travel and subsistence expenses) to be inflated in April each year by the retail price index for the previous September.

(a) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

(b) Definitions

The undernoted terms shall have the following meaning when used in this document:

| | |
|----------------------------|--|
| "Pension Board" or "Board" | Means the local Pension Board for the Lancashire County Council as administering authority for the Lancashire County Pension Fund as required under the Public Service Pensions Act 2013 |
| "Scheme Manager" | Means the Pension Fund Committee as administering authority of the Lancashire County Pension Fund. |
| "Chair" | The individual responsible for chairing meetings of the Board and guiding its debates. |
| "LGPS" | The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local |

Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

“Scheme”

Means the Local Government Pension Scheme as defined under “LGPS”

Review

This document is reviewed following any material changes to the administering authority’s governance policy and was last reviewed in May 2016.

Appendix 'A' - Lancashire County Pension Fund Governance Compliance Statement:

| Principle | | Compliance |
|---|--|--|
| A. Structure | <p>(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</p> <p>(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 (1)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(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.</p> | <p>√</p> <p>Partial (see Note 1)</p> <p>√</p> <p>√</p> |
| B. Representation | <p>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p> <p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p> | <p>Partial (see Notes 1 and 2)</p> |
| C. Selection and Role of Lay Members | <p>(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. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)</p> | <p>√</p> |
| D. Voting | <p>(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.</p> | <p>√</p> |

| Principle | | Compliance |
|------------------------------------|---|----------------------------|
| E. Training/Facility time/expenses | <p>(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.</p> <p>(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.</p> | <p>√</p> <p>√</p> |
| F. Meetings - Frequency | <p>(a) that an administering authority's main committee or committees meet at least quarterly.</p> <p>(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>(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.</p> | <p>√</p> <p>√</p> <p>√</p> |
| G. Access | (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. | √ |
| H. Scope | (a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | √ |
| I. Publicity | (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. | √ |

Notes - Reasons for partial compliance

1) Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent **9%** of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.