

Governance Policy Statement

March 2017

Introduction

This is the Governance Policy Statement of the Cornwall Pension Fund, as required under the Local Government Pension Scheme Regulations 2013, Regulation 55.

Exercise of Administering Authority Function

The Council, on 20 May 2014, continued to support the agreement that the Pensions Committee will:

- exercise the functions of the Council as administering authority for the Local Government Pension Scheme in Cornwall; and
- establish a scheme of delegation to officers.

Membership of the Pensions Committee

The membership, with full voting rights, is as follows:

- ten Cornwall Councillors (politically balanced);
- two co-opted representative of the other employers in the Scheme.
- two Member-nominated representatives appointed by the trade unions representing the views of employees, deferred members and pensioners.

Period of Membership

The Council suggested that co-opted members are appointed for an initial period of four years. At the end of the four year period the individuals should be able to present themselves for reselection.

Frequency of meetings

The Committee meets quarterly, with additional meetings as and when required.

Scheme of Delegation from the Pensions Committee to the Chief Operating Officer

At its meeting on 16 March 2017, the Committee agreed a Scheme of Delegation to the Chief Operating Officer (set out in full at Appendix 1). This can be summarised as:

The Committee retains responsibility for the following items:

- The Fund's investment strategy
- The Statement of Investment Principles
- Approval of all policies
- The appointment of investment managers, consultants and the custodian
- Approval of the Annual Business Plan
- Approval of Annual Report and Accounts

- Acceptance of the triennial valuation report produced by the Fund Actuary
- Appointment of AVC providers

The Committee delegates to the Chief Operating Officer responsibility for the following items:

- Managing and monitoring the investment managers, consultants and custodian
- Managing the Fund's cash assets directly held by the Administering Authority
- Transferring assets between the Administering Authority, the investment managers and custodian
- Accounting for all investment transactions
- Within limits, authorising expenditure from the Fund
- Paying the fees of the investment managers and the custodian
- When necessary, exercising the Funds' voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

Operation of the Cornwall Pension Fund Pension Board

As required by Regulation 106 of the Local Government Pension Scheme Regulations 2013 Cornwall Pension Fund has established a local pension board, the role of which is to;

- assist Cornwall Council (CC) as Scheme Manager –
 - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify.
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the LPB or person to be appointed to the LPB does not have a conflict of interest.

The pension board does not carry out a delegated decision making function on behalf of the Administering Authority. Instead the pension board will carry out an oversight function to ensure that such decisions are properly compliant with regulations, guidance and internal policies.

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The Composition of the pension board is as follows;

Representing	Number of members	Voting rights
Fund employers	2	Yes
Scheme Members	2	Yes
Independent Chair	1	No

Each member of the Local Pension Board will have an initial 2 year term of office to be extended to up to 4 years subject to review after the first 18 months.

No member, or prospective member, of the pension board may have a conflict of interest. All pension board members must declare any potential conflicts of interest prior to their appointment or at any point they arise. The pension board has a conflict of interest policy of which all members are aware and the board maintains a full declaration of interests.

All members of the pension board are required to subscribe to the Fund's training strategy which details how board members will attain the level of knowledge and understanding of their role required by The Pensions Regulator.

Where the pension board votes, by a majority, that a decision made by the pension committee or an officer exercising delegated powers, does not comply with certain principles they may refer that decision back to the relevant party. The Pension Investment Manager of the CPF must be informed of any such referral. The circumstances under which a decision may be referred back are that;

1. Under the CPF Scheme of Delegation, the decision maker did not have the power to make such a decision;
2. The decision was in breach of legislation and/or regulations;
3. The decision maker(s) did not follow professional advice given (or didn't take professional advice if it was a requirement to do so) and it is believed that this could result in a materially bad outcome for the CPF;
4. The decision making process did not follow one or more of the following principles:
 - The decision-maker(s) did not ask themselves the right questions;
 - The decision-maker(s) did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the CPF;
 - The decision-maker(s) did not take into account all relevant facts and disregard any irrelevant facts;

If the Local Pension Board is dissatisfied with the response or resolution to the concern raised, it will seek the advice of the Section 151 officer of Cornwall Council. Where the decision-maker in question is the Section 151 officer or the LPB remains dissatisfied with the response or resolution, the concern will be escalated within the Council as far as possible before seeking the advice of the Scheme Advisory Board.

The fact that the LPB may have questioned a decision in this way does not affect the validity of that decision nor in any way prevent a decision from being acted upon.

Appendix 1

Scheme of Delegation from the Pensions Committee to the Chief Operating Officer

Pension Fund Investments

The Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Chief Operating Officer. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between the Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Chief Operating Officer or the Fund's Investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with the Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Responsibilities retained by the Committee and not delegated to officers or Investment Managers

1. Determination of the Fund's investment strategy.
2. Approval of the Investment Strategy Statement, including the Funds position on asset pooling and social, ethical and environmental issues relating to investments.

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3. Approval of the Funding Strategy Statement
4. Approval of all policies – current policies cover:
 - a. Corporate governance and the exercise of voting rights;
 - b. Activism;
 - c. Admission of organisations into the Pension Scheme.
5. The appointment and removal of investment managers, the Fund actuary, investment consultants and the Fund custodian.
6. Approval of the Annual Business Plan.
7. Approval of the Annual Report and Accounts.
8. Acceptance of the triennial valuation report produced by the Fund actuary.
9. Appointment of AVC providers.
8. The Committee has delegated the use of voting rights on the fund's shareholdings to the Investment Managers. In exceptional circumstances the Chief Operating Officer may, in consultation with the Chair and Vice Chair, request the Investment Managers to vote in a specific way.
9. The admission of organisations into the Pension Scheme - in accordance with approved policy and after consulting the Chairman and Vice Chairman of the Committee
10. Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities. This may, for example relate to fund managers no longer carrying out the management function and selling that on to another organisation.

Investment responsibilities delegated to the Chief Operating Officer :

1. The management, monitoring and reporting to the Pensions Committee of the activities and the performance of the:
 - a. Investment Managers;
 - b. Investment Consultants and Advisers; and
 - c. Fund Custodian.

(Within any limits set by the Pensions Committee)

2. The management of the Fund's cash assets directly held by the Administering Authority.
3. The authorisation of cash or asset movements between the Administering Authority, the Fund custodian and the investment managers.
4. Accounting for all investment transactions in compliance with standard accountancy and audit practice.
5. To re-balance to the target allocations approved in the Statement of Investment Principles, when deemed prudent to do so.
6. Authorising expenditure from the Fund in accordance with financial projections contained in the annual Business Plan or any higher amount as approved by the Committee (See 7 below).
7. The payment of fees to the investment managers and the custodian in accordance with their contractual agreements. The fees paid to the Investment Managers and to the custodian are linked to the performance of the market. They may also be performance related. For this reason, they are excluded from the limits of expenditure in 6 above.

11. In consultation with specialist advisors, determining on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues.
12. Authorisation to commit funds to existing alternative asset managers, to ensure that target allocations to the alternative asset classes are maintained.

Appendix 1A

Pension Fund administrative discretions and requirements

Responsibilities retained by the committee and not delegated to officers

Item	Regulation	Details
1.	A16 (10)	Discretion as to requirement for a medical examination before purchasing additional pension.
2.	T3 (13)	Discretion regarding abatement of pension.

Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008, as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Administrative responsibilities delegated to the Chief Operating Officer

Item	Regulation	Details
1.	A40/43/46	Recipient of a Death Grant can be the member's nominee, personal representatives, relatives or dependants as decided on the merits of each case.
2.	A Schedule 1	Decide on the evidence required to determine the financial dependence of a nominated co-habitee on a scheme member or the financial interdependence of a nominated co-habitee and scheme member.
3.	A Schedule 1	For the payment of a child's pension, the treatment of education as continuous despite a break.
4.	A 34	Commutation of small pensions.
5.	A 71	Ability to charge interest on late payment of contributions.
6.	T15	Ability to charge a member for information on AVC transfers if no election is subsequently made.
7.	A36 (3)	Choice of medical practitioner for advice on ill-health retirements.
8.	T15 (1)	Ability to extend time limit if employee wishes to pay off additional contributions by way of a lump sum.
9.	A64 (2A)	Ability to delay a cessation valuation for an exiting employer for a period of up to 3 years.

Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008 as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.