

Report Title: Pension Board: Operational Matters related to Governance Review

Report author: Alan Cross, Pension Board Chairman

Date of Meeting: 4 March 2021

1. REPORT SUMMARY

- 1.1. This report considers the implications for the operation of the Pension Board following the recent Governance Review and resultant changes made to membership of the Pension Fund Advisory Panel (that previously included an education employer representative, and had places for trades union representatives but now these have been removed).
- 1.2. No immediate change is recommended other than creating the facility for both education employer representatives and TU representatives to be easily added once such persons are both identified.
- 1.3. The report suggests a review process for all board members every 3 years with the presumption that members step down after at most ten years.
- 1.4. In the light of the Governance Report the report refers back to the Pension Fund Committee the question of what role the Board has (if any) in relation to holding LPP to account.

2. CHAIRMAN'S RECOMMENDATION:

- 2.1. That the Pension Board notes the report and agrees Options 1.1, 1.2 & 1.3 above only.

3. REASONS FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 3.1. Following an adverse ISA260 report by RBWM's External Auditor, the Council commissioned a Governance Review. The review reported in the spring of 2020 and during 2020 a response was developed with the report being brought publicly to the November meetings of the Pension Fund Panel (now called Pension Fund Committee and the Pension Board. The report suggested that the operation of the Board needed to be reviewed following the changes made in particular to membership the Pension Fund Advisory Panel i.e. to restrict its membership to the 5 Elected Members from the other 5 Unitary Authorities only.
- 3.2. In relation to the Pension Fund Board, the Governance Report stated:

"There is a final body involved in oversight of the RBPF and that is the local pension board , these are a requirement of the 2013 Public Services Pensions Act and consists of a mix of employee and employer members meeting four times a year reviewing the work of the Pensions Panel, Advisory Panel and IWG".
- 3.3. Whilst generally correct, the statement was not accurate in respect of the IWG (Investment Working Group); as the Board has never been made aware of the content of the meetings (which were not public).

- 3.4 The operation of the IWG was significantly criticised in the Governance Report and it was recognised that the meeting should have been structured differently following the introduction of pooling. The report recommended a 2-year role for a revised IWG consisting only of at least 4 of the RBWM councillors on the Committee “in holding LPP to account”. As a consequence all 5 RBWM councillors have become part of the revised (confidential) meeting.
- 3.5 An outstanding question in view of the comment in the report that the Board reviewed the work of the IWG is therefore whether or not holding LPP to account is part of the administration of the fund and therefore within the ambit of the Pension Fund Board. One way of doing this would be to report the key elements of discussion/decision to the Board after each meeting (accepting that would be a Part 2 report). Potentially issues could also be brought to the Board ahead of the IWG as is the approach with the Committee.
- 3.6 As Chair of the Board, I would suggest that in view of the Governance Reviewer’s belief that the Board reviewed the work of the former IWG, at the very least we should ask the Committee to consider what role the Board should have, if any in relation to holding LPP to account.
- 3.7 The Review went on to comment on the operation of the Pension Advisory Panel (which in practice met simultaneously with the Pension Panel). The review stated:
- “The structure of the advisory panel pre dates the establishment of the Pension Board and in reality it could be a quite cumbersome meeting if everyone attended this could be reduced by eliminating the member reps, Trade union reps and the three non-Council employer reps and instead reviewing the membership of the Pensions Board so that the Advisory Panel becomes a purely Councillor Panel. By shifting the balance between the two bodies and by ordering business so that the Pensions Board normally has sight of the Pensions Panel / Advisory Panel work in advance of that meeting would assist scrutiny as the Board’s comments would be known in advance of the Panel needing to make a decision.”*
- 3.8 Members of the Board will know we had already adopted the latter approach over the last year and indeed the report commented that *“that the most recent agenda for the Pensions Board (as at February 2020) follows that pattern on most issues.”*
- 3.9 That leaves outstanding for the Board to consider at this meeting member representatives, trade union representatives and non-Councillor employer representatives. Clearly members of the Pension Scheme and Scheme Employers are already represented on the Pension Board, as the 3 Employer Representative members of the Board represent all employers (not just their own employer) and Member representatives represent all scheme members (not simply the type of member; active, deferred or retired that the individuals on the Board happen to be although the present 3 member representatives happen to cover each of those categories, but that has not always been the case). However, the Advisory Panel Membership also included Trades Unions representatives (although rarely present at meetings) and a representative of colleges.

- 3.10 In considering how to respond, we need to recognise a couple of wider issues;
- (i) The Board must contain equal numbers of Scheme Employer and Scheme Member Representatives and all Board members need to meet certain training requirements, ideally before, and certainly within a short period of taking up their role;
 - (ii) Currently Board Members are appointed for an indefinite period (although there are provisions that we have never needed to use for the Board to remove members who have not attended);
 - (iii) There are quorum requirements linked to the size of the overall membership of the Board which also require at least one Scheme Member and one Scheme Employer Representative plus either the chair or vice chair to be present.
- 3.11 We should also recognise that at present the Board has a vacancy for a Scheme Employer Representative and also has the option of filling substitute member vacancies. In principle, each member may nominate a substitute, but the substitute is also obliged to complete the training requirements. In general terms we have said that in principle a (formal and trained) substitute member would be the ideal candidate to be a full member on the arising of a vacancy, and informally at least that has been our “succession plan” for keeping the Board up to full complement.
- 3.12 In this context there are various options for us to consider:

Table 1: Options arising from this report

Option	Comments
Option 1 – Replace the present open term with a 3 year (renewable up to 3 times, with the possibility of an additional 1 year extension to the third term if helpful to the effective operation of the Board).	It is recognised as good practice on a Board such as the Pension Board to periodically review each individual membership. Ideally the Board should avoid having too many new members in a short time, so moving to a 3 yearly review with a maximum total term of 10 years would be acceptable.
Option 2 – Seek to fill the current Scheme Employer Representative vacancy preferably with a representative coming from an education sector employer.	Since the inception of the Board the Scheme Employer Representatives have always come from the Unitary Authorities. However, non-UA staff, especially Academy schools represent a large part of the Fund and it would add to the Board’s experience to have someone working in that sector.
Option 3 – Create flexibility for the Board to be 6 or 8 members (but do not use that flexibility at present).	As we have a Board vacancy, and in recent times TUs and colleges have not attended the former Advisory Panel, whilst in view of the governance review we need to create the possibility of them joining at some point – as meetings are (mainly) in public, prospective

Option	Comments
	representatives could easily attend initially as observers if they wished before deciding whether to apply to be members or substitute members. Were a scenario to arise that we had both Scheme Member and Scheme Employer substitute member roles filled by suitable people attending, at that stage we would increase the Board size to 8 (with the option of returning to 6 later if circumstances changed).
Option 4 - Increase the Board size to 8 and seek to recruit TU and college representatives to replace the roles removed from the Advisory Panel.	Implications as indicated in option 3 arise, but also has implications for the quorum of a meeting, which may increase the risk of an inquorate meeting arising.

3.13 The chair suggests that Option 1-3 are agreed and Option 4 is not agreed. Members of the Board were consulted informally in the development of this report and some broadly agreed this pragmatic approach.

3.14 As a consequence some amendments will be needed to our terms of reference.

4. KEY IMPLICATIONS

4.1 As indicated above this approach has been proposed to ensure the continued effective operation of the Board. During the period of development of this report an employers' newsletter has been prepared and it includes an article inviting prospective members of the Board, particularly from the Education sector to contact the Pension Services Manager.

4.2 Practically, there should be no significant changes arising, but the approach creates the opportunity to easily integrate TU and Education sector representatives into the Board if/when they are identified.

5. CONSULTATION

5.1 This report has been prepared following discussions between the Pension Board Chair, Pension Services Manager and Interim Pension Fund Manager.

5.2 All current Board Members and the substitute Member were then consulted on the key proposals being brought forward and have in most cases indicated their agreement with them.

5.3 The work of the Board will be highlighted in articles in Employer and Member Newsletters and comments invited.

5.4 The practical working and operation of the Board is kept under review and changes considered to make improvements

6 TIMETABLE FOR IMPLEMENTATION

- 6.1 Practically, once agreed by the Board, implementation can start immediately, although formally the amendments to the Board's terms of Reference which form part of the Council's Constitution will need to be updated at the next annual review.

7 APPENDICES & BACKGROUND DOCUMENTS

- 7.1 None