



Pensions Committee

24 September 2014

Report title	Governance Reform 2014 - Update	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
The Report has been considered by	Governance Review Working Party	3 September 2014
	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Agree the structure of the Pension Committee under the 2014 reform subject to any statutory guidance.
2. Agree the structure and remit of the Pension Board under the 2014 reform
3. Delegate authority to the Director of Pensions to implement the changes in conjunction with the Administering Authority
4. Recommend to Full Council of the Administering Authority the changes to be implemented and approved.

1.0 Purpose

- 1.1 To provide an update of the work undertaken on the governance reforms to date and to detail the next steps for implementation.

2.0 Background

- 2.1 Further to the report to the last Committee in June, the Working Party created by Committee has met to discuss the required governance structure of the Fund moving forward. Copies of the papers provided to the working party at its meetings are attached as Appendix One.
- 2.2 Through working with the Working Party, the Fund submitted its response to the government consultation on the draft regulations and we are now awaiting the final regulations. A copy of that response is attached as Appendix Two.
- 2.3 Conversations with other LGPS Funds' representatives and commentators suggest that our response was in line with those responses throughout the industry and Officers are grateful to the contribution of the Working pPrty for their assistance in formulating that response.
- 2.4 At the time of writing we are aware that final regulations will be formalised in the Autumn and we have been led to believe that this will be late September with guidance from the Pensions Regulator to follow. As such, at the time of writing, we are still pending formal notification of what the role of the Pension Board will be together with its remit. Should we receive this information before committee an update note will be provided.
- 2.5 Working on the basis of the majority of consultation responses, it is accepted by the Fund that the pension board will not be a S101 committee and will instead fall to the Fund to determine its terms of reference.
- 2.6 It was this element the working party were asked to consider at the meeting on 3 September.

3.0 2014 Pension Committee

- 3.1 The Pensions Committee in being a S101 committee is determined by legislation in how it is to be formed and controlled and therefore consultation with the Working Party centred on the membership of the Committee only.
- 3.2 The first meeting of the Working Party agreed that due to the representation on the new Pension (Advisory) Board the 2014 (Decision Making) Committee would consist of elected councillors only. It further agreed that as the Pension (Advisory) Board would appoint two elected councillors, the number of elected councillors on the 2014 Pension Committee would be reduced in the number of Wolverhampton elected councillors; the number of District elected councillors would remain unchanged.

- 3.3 The second meeting of the Working Party consisted of different representation and at this meeting the question was asked and the recommendation made by trade unions that trade unions remain on the 2014 (Decision Making) Committee.
- 3.4 There is therefore a conflict of recommendation from the Working Party.
- 3.5 Under the Local Government Act 1972 Section 102 a local authority can appoint “persons who are not members of the appointing authority” onto their committees which allows Wolverhampton City Council to appoint other elected members and include trade unions on its current Pensions Committee. This provision continues under the 2014 reform.
- 3.6 What committee need to consider is the resourcing of the new arrangements as persons appointed to the decision making committee cannot sit on the pension (advisory) board and so additional representatives would need to be sought, therefore increasing the resources (cost) of the Fund to deliver training. There are representatives of the employers on the committee from the 6 District Councils.
- 3.7 It is further acknowledged that the heightened responsibility of the pension (advisory) board in being a statutory board with statutory powers (currently the joint consultative forum are voluntarily created with no statutory power) increases the role of trade unions as member representatives in ensuring the decision making committee adheres to the legislation and guidance, an assurance now supported by legislative powers.
- 3.8 In contrast to that is the valuable contribution trade union representatives have made to committee since its inception and the ability to have their views expressed at the point of decision. It is felt that this contribution would be lost should the committee consist of elected councillors only.
- 3.9 Currently we are awaiting final guidance and regulations as to how the new governance structure will work after April 2015, however, as the pensions committee is a S101 it is envisaged that no person will be excluded and that the Committee can appoint who they want to sit on it.
- 3.10 Draft Terms of Reference for the pension committee are attached as Appendix Three and are drafted to include trade union membership. Committee is recommended to consider the proposals and agree a membership in readiness for implementation in April 2015.

4.0 Pension Board Terms of Reference

- 4.1 Working on the basis of the majority of consultation responses, it is accepted by the Fund that the Pension Board will not be a S101 committee and will instead fall to the Fund to determine its terms of reference.

- 4.2 The Working Party was asked to consider the role of the Pension Board, together with its obligations to the Fund and its members.
- 4.3 In considering these elements, the Working Party acknowledged the statutory duty of the Board being to ensure the Pension Committee adheres to and complies with the legislation and guidance issued together with its own duty in ensuring due diligence of those decisions taken by the Committee and by officers of the Fund.
- 4.4 It is the recommendation of the Working Party that the Pension Board consist of a ratio of 5:5 employer and member representatives, ensuring one representative from each employer group within the Fund. It was further acknowledged that the Pension Board would be new in its creation and that the experience and knowledge base may need supporting in the first year at least. The Working Party therefore recommends that the Pension Board also appoint two elected councillors from the current Pension Committee (thereby reducing the current number by two) to sit on the Pension Board therefore ensuring consistency of knowledge and experience.
- 4.5 While we are still waiting for formal notification of the Pension Board's role, we know from the legislation that they are to advise and assist but not to form scrutiny of the Committee's decisions. It is proposed that the board will be able to review the diligence of decision making but not the decision itself.
- 4.6 The Working Party were therefore asked to consider the frequency of the Board's meetings together with their ability to access papers and documents of the committee to assist their advisory role.
- 4.7 The Working Party agreed that when drafting terms of reference it is better to provide a minimum which can be increased as need arises, rather than a definitive number which may not be required or may not be adhered to due to calendar conflicts. It is therefore recommended by the Working Party that the Pension Board meet a minimum of twice yearly with the ability to call extra meetings (subject to a quorum of 7) should they feel it appropriate or the committee wishes to call upon them for assistance. Their ability to access papers is recommended to be the same as elected councillors.
- 4.8 The proposed terms of reference recommended by the Working Party are attached as Appendix Four and Committee are recommended to approve these in readiness for implementation in April 2015.

5.0 Next Steps

- 5.1 As stated, at the time of writing we are awaiting final regulations and statutory guidance on the role and function of the Pensions Board however, to assist with our own timetabling we believe it beneficial to commence discussions on this element as early as possible.

- 5.2 Should Committee agree with the proposed terms of reference for the Pensions Committee and the Pensions Board, the Director of Pensions will begin consultation with the Administering Authority for the implementation of these in readiness for April 2015. Should final regulations or guidance change entirely the understanding of Officers as to the role and remit of the board, a further report will be brought back to Committee for further discussion and delegation.
- 5.3 The Fund will be required to present its proposals to a number of committees and formal panels of the Administering Authority in order to present the final recommendations to Full Council in January 2015 hence the need for delegation to the Director to enable the timetable of those meetings to be met.
- 5.4 It is proposed that as part of those discussions with the Administering Authority, consultation will also commence with employer and member groups as part of the Fund's recruitment of persons to be appointed to the new Pensions Board.
- 5.5 In commencing discussions with the Administering Authority the Fund will also be collating all of its governing documents (terms of reference for Committee/Pension Board, delegations from Wolverhampton City Council to committee/officers, procedures of meetings, policies/statements) into one formal constitution which will be readily available on the Fund's website and which will provide all available information on the Fund in one document therefore making it easier for our members.
- 5.6 Discussions with the Administering Authority on how to create this document in line with Wolverhampton's own constitution will form part of the Pensions Committee's delegation to the Director in taking forward these governance reforms and committee will be asked to formally adopt that constitution as part of the implementation of the governance reforms.

6.0 Financial implications

- 6.1 The financial implications of the reforms were highlighted in the June committee report. This report is an update on the actions taken and poses no further financial implications other than those previously identified.

7.0 Legal implications

- 7.1 The legal implications of the reform were highlighted in the June committee report. This report is an update on the actions taken and poses no further legal implications other than those previously identified.

8.0 Equalities implications

- 8.1 This report provides an update on the work undertaken to implement the reforms, as such no decision to formally adopt the reforms has been taken. There are therefore no equalities implications.

9.0 Environmental implications

9.1 None identified

10.0 Human resources implications

10.1 The HR implications of the reform were highlighted in the June committee report. This report is an update on the actions taken and poses no further HR implications other than those previously identified.

11.0 Corporate landlord implications

11.1 None identified

12.0 Schedule of background papers

12.1 Public Services Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents>

12.2 Consultation paper and responses

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-new-governance-arrangements>

12.3 Guidance issued by the Pensions Regulator

<http://www.thepensionsregulator.gov.uk/employers/detailed-guidance.aspx>

12.4 25 June 2014 Pensions Committee report "Governance Reforms

<https://wolverhamptonintranet.moderngov.co.uk/documents/s2498/12.Governance%20Reform%202014.pdf>

Additional documents

<https://wolverhamptonintranet.moderngov.co.uk/documents/s2499/12%20App1%20and%202.pdf>

13.0 Schedule of Appendices

13.1 Appendix 1A

Papers of the Working Party 18 July 2014

Appendix 1B

Papers of the Working Party 3 September 2014

13.2 Appendix 2

WMPF Consultation response

13.3 Appendix 3
Pension Committee Terms of Reference

13.4 Appendix Four
Pension Board Terms of Reference