

GOVERNANCE REVIEW WORKING PARTY

3 SEPTEMBER 2014

PENSION BOARD

As mentioned at the last meeting of the working party, the Pension Board's role will be to advise and assist the pensions committee in its adherence to the legislation and statutory guidance. How that advice and assistance is provided is not yet clear and we welcome the thoughts of the working party to consider how this might work in practice.

To assist, we have noted some points for consideration which will formulate the board's terms of reference.

CODE OF CONDUCT

As discussed at the last meeting, elected councillors are subject to their own authority's code of conduct which means there may be discrepancy across the committee where councillors from different authorities are adhering to different codes, although all grounded in the same principles. Similarly, those persons appointed to the pension board will be officers from different employers with their own employee code of conduct and some member representatives who have no code at all. Therefore it was proposed and agreed at the last working party that persons appointed to the board adhere to the Fund's code of conduct.

FORMAL OCCASIONS

While the board is not a S101 committee, it is still a statutory committee with influence over the decisions of the fund. Therefore it is considered best practice, and sensible, to call meetings of the board on a formal basis with notifications, agendas and where minutes of the meetings should be recorded. It is also proposed that the meeting follow the administrative authority's standing orders for council meetings where such relate to rules of debate, motions, etc.

MEETINGS

In consideration of the role of the Pension Board, the working party is asked to consider the frequency with which it should meet. 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 proposed that the pensions committee meet a minimum of twice yearly to consider the business of the Fund.)

It is therefore proposed that the terms of reference for the pension board state that it meets a minimum of twice yearly.

Given the minimum requirement of two meetings per year it is proposed that meetings of the pension board will be called on a bi-annual basis with the first meeting in the first quarter of the year and the second meeting in the third quarter. The ability to call additional meetings rests with the board should they feel a matter is of particular importance or believe the committee need to be aware of certain matters when taking decisions. Given the complexities of diary management it is proposed that additional meetings of the pension board will only be called when a minimum of 7 persons have requested and confirmed a date to the Fund. This is to ensure a balanced view on the matter to be discussed ensuring that the majority of opinion has been sought and not just one view given the 5:5 ratio of persons on the board. The quorum of the board will also be 7.

As the working party may be aware, elected councillors have certain rights of access to information and documents considered by their council. It is proposed that these rights be extended to persons appointed to the pension board in relation to papers and documents considered by the pension committee. Therefore on issuance of the agenda and papers to pension committee 5 days before the meeting, the pension board will also be entitled to a set of papers for review. Where a matter is confidential the papers will be available within 24 hours of the meeting having been conducted. This is standard practice for all confidential matters of council and is set out in legislation with the aim to control the release of confidential information.

MEMBERSHIP

The working party has agreed that the ratio of the board should be 5:5 with 2 elected councillors drawn from the current pensions committee with the employer and member representatives holding the majority.

It is proposed that where substitutes are requested to attend that the process for substitutions follows that of the administering authority as set out in the constitution, requiring formal notice with a minimum time for nominations. This is to ensure that papers can be circulated and time given to the substitution to read and understand the information.

TERM OF OFFICE

It is acknowledged that the role of the pension board is new and that within the first 12 months it will be a 'moving beast' as it settles into the new structure and its role (which may be developed throughout the first year). Therefore the Fund believes it is important to ensure consistency of knowledge for the first two years at least. It is also acknowledged that it would not be good practice to instigate a full re-nomination of the board's membership all in one go. Therefore it is proposed that nominations to the board be sought on a rotational basis with one third nominations in year 2, one third in year 4 and so on. It is also proposed that the term of office of persons appointed to the board be for a minimum of 1 year and a maximum of 8. This ensures consistency of knowledge without complacency.

ATTENDANCE

The role of the pension board is important to the due diligence of the fund and persons appointed to the board are expected to afford the role the respect that comes with that. It is also a statutory requirement that persons appointed to the board have the knowledge and understanding of their decisions.

In consideration of these factors it is proposed to include in the board's terms of reference a requirement that those persons appointed to the board who fail to attend 3 events (to include meetings and training) will be removed by majority decision of the board and a new nomination sought from the nominating body.

ADVICE

It is accepted that the role of pension board is new and that persons appointed to it may not have the capacity and understanding in the first 12 months that they will gain over the course of their term of office. In recognising this, the Fund accepts that there may be occasions where external/independent advice may be required to assist the board in its role. The terms of reference should be drafted to include this provision and allow for such persons to attend meetings of the board to provide advice should the board feel it is appropriate.

CHAIRMAN

As with all good practice a meeting should be led by a Chair nominated on the first annual meeting of the board.

FUNCTION

As discussed, the role and remit of the pension board is to be finalised in regulations and guidance however we know that the role will be to advise and assist the pensions committee in its adherence to the legislation and guidance, therefore it goes without saying that where the board believes the committee to be acting contrary to those principles it should inform the committee as appropriate and recommend it review the consideration of the board on matters of due diligence.

The board will also be available to the pensions committee as a first stage consultation panel should the pension committee feel it is appropriate and necessary and therefore there may be occasions where the pension committee requests a meeting of the board in addition to its minimum.

There is a statutory requirement on the board to adhere to codes of practice and guidance issued by the Pensions Regulator.

INFORMATION

In adhering to the fund's electronic business model and in compliance with the Fund's aims to be open and transparent, the minutes of the pension board meetings should be available on the Fund's website the same as the minutes of pension committee, subject to any confidential or exempt matters.

The terms of reference and membership will also be published in compliance with the Pension Act requirements.

TERMS OF REFERENCE

In consideration of these points the Fund has drafted Terms of Reference for the pension board which are attached as Appendix One. The working party are asked to consider the points raised in this note and note any further points they believe should be included or considered by the working party.

We would ask that any additional points the group believes should be included or considered be presented to the Head of Governance by Friday 29 August to enable time for circulation to the group in readiness for the meeting.