

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

LOCAL PENSION BOARDS AND GOVERNANCE ARRANGEMENTS UPDATE

Purpose of the Report

1. To update this Committee on the implementation of the Local Pension Board (LPB) and Investment Sub-Committee (ISC).

Background

2. At this meeting on 11 December 2014, the committee were provided with details of the proposed Terms of Reference (ToR), process and timeline for the proposed establishment of the LPB. Under the Public Service Pensions Act (PSPA) 2013 a LPB must be established by the Administering Authority (Wiltshire Council) by 1 April 2014.
3. It was also agreed to expand the role of the ISC to deal with the on-going monitoring of investments managers to increase capacity on the agenda at this Committee to deal with more governance, strategic, and administration issues.
4. Following on from the two items above an updated Governance Compliance Statement needs to be amended and approved by the Committee.

Considerations for the Committee

Local Pension Boards

5. Wiltshire Council approved the establishment of the LPB at its meeting of Full Council on 24 February 2015.
6. Further to the last update to this Committee in December, the Government published its final guidance on 28 January 2015. This included a number of changes from the original draft consultation document, requiring the ToR to be amended from the version presented previously.
7. The main change was to no longer allow any 'other' member apart from the employer and member representatives to have a vote on the LPB, including any independent chairman. The purpose of this is not to dilute the influence of the employer and members representatives aligned to the spirit of the PSPA 2013.
8. The "relevant experience" requirement for LPB members has also been dropped. LPB members will still be required to have the "capacity" to carry out their duties and to demonstrate a high level of knowledge and understanding of the Scheme and of their role once in post. The concession was made by the Government to overcome a perceived substantial barrier to encouraging nominations.
9. Elected members from Wiltshire Council can still sit on the LPB but only as an employer representative. Members and officers who currently discharge the functions of the Local Government Pension Scheme for the Wiltshire Pension Fund are precluded from sitting on the LPB (e.g. voting Members of this Committee and relevant officers).

10. There was also a model ToR issued alongside the Shadow Scheme Advisory Board's application guidance. This was reviewed alongside the Council's draft proposals following consultation with the Unions.

11. The structure of the LPB will now be as follows:

Employee Reps	Members Reps	Independent Chair (non-voting)	Total Voting members
3	3	1	6

12. LPB Members allowances and expenses still need to be considered by the Independent Remuneration Panel and approved at the next meeting of Full Council on 12 May 2015. It's anticipated the employer and member representatives will be paid expenses only while more critically the remuneration for the role of the independent chair needs to be finalised. This may delay the recruitment of the Chairman until May 2015.

13. Now the Council has agreed the establishment of the LPB it has until 31 July 2015 to become operational. The recruitment process for the employer and member representatives will now commence with nominations being put forward to the May meeting of Full Council.

14. Apart from the voting rights, no further material changes were made to the proposed ToR and the paper agreed at Full Council can be viewed at the link below:

[Establishment of the Local Pension Board for Wiltshire Council](#)

<http://cms.wiltshire.gov.uk/documents/s86317/Establishment%20of%20the%20Local%20Pension%20Board%20for%20Wiltshire%20Council.pdf>

[Establishment of the Local Pension Board for Wiltshire Council - Terms of Reference](#)

<http://cms.wiltshire.gov.uk/documents/s86318/Establishment%20of%20the%20Local%20Pension%20Board%20for%20Wiltshire%20Council%20-%20Terms%20of%20Reference.pdf>

Investment Sub-Committee Implementation

15. At the December meeting it was agreed that the ISC should be expanded to allow this Committee more agenda time to further examine the governance and administration of the pension scheme. It was confirmed that the Strategic investment allocations and strategy would continue at this Committee while the detailed monitoring of investment managers, appointment of new managers and the review of emerging investment opportunities would be conducted by the ISC.

16. There was concern over the ability to resource the proposed additional 4 ISC meetings per annum. Therefore it was agreed in consultation with the Fund's advisers that a minimum 2 meetings per year of the ISC would be held to incorporate all the investment managers annual presentations and a further 2 meetings would only take place if required. The ISC ToR was changed to reflect this.

17. The membership of the ISC will consist of the following voting Members:

- a) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)

- b) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
 - c) An elected Wiltshire Council Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The appointment of Wiltshire Councillor to the ISC is subject to the rules of political proportionality of the Council (and in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman).
 - d) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman). The member will be appointed for 1 year.
18. When setting up the ISC originally there was a view that the second largest employer should initially be offered representation and in September 2013 the Committee agreed to offer this to Swindon Borough Council (SBC). Therefore, if a SBC member was willing, it would seem pertinent to offer the position outlined in d) above to them for the forthcoming year.
19. The position outlined in c) above then remains vacant and this Committee will need to agree the appointment of the third elected member from Wiltshire Council.
20. As a reminder any Member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity the ISC meetings.

Proposed dates for Local Pension Board, Pension Committee and Investment Sub-Committee

21. Due to the implementation of the new committees, officers have been looking to schedule meeting dates in-line with the new arrangements. It's proposed that the July pension committee meeting is dropped, to revert from the 5 down to 4 meetings per year, namely March, June, September and December.
22. The ISC will hold its two regular meetings with managers in June and November with September and February pencilled in as potential dates if needed. These meetings will be at least two weeks ahead of the main committee.
23. Tentative dates for the LPB have also been pencilled in, although subject to finalisation. These meetings will take place at least 3 weeks after the main pension committee.
24. Where possible the current scheduled pension committee dates have been retained or used for the ISC. Appendix A shows the current proposed dates. Revised dates for the June and September meeting of this Committee will be finalised shortly. The dates for December 2015 and March 2016 remain the same. All Members will be updated once agreed with Democratic Services.

Revised Governance Compliance Statement

25. As a result of the implementation of the LPB and ISC, the Governance Compliance Statement has been amended. This is shown in Appendix B.
26. Committee is asked to approve this revised statement.

Conclusions

27. The establishment of the LPB is ultimately a legal requirement of Wiltshire Council and implementation remains on schedule to make this operational by 31 July 2015.
28. Confirmation of the appointments to the ISC and approval of the revised Governance Compliance Statement will ensure the revised governance arrangements previously discussed can be fully implemented.

Risks Assessment

29. *PEN0019 The establishment of the Local Pension Board and Investment Sub-Committee* is a 'high' risk in terms of ensuring adequate representatives populate the new bodies and officers retain the capacity to run these committees. The resources required will be kept under review and should become clearer when the workloads of these committees is better understood. The implementation of both these bodies will provide both additional assurances and assist in the effective operation of the Wiltshire Pension Fund.

Environmental Impact of the Proposal

30. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

31. There are no known implications at this time.

Financial and Legal Implications

32. There are no financial and legal implications as a result of the outlined proposals.

Reason for Proposals

33. These proposals are necessary for the Wiltshire Pension Fund to implement its revised governance arrangements.

Proposals

34. Members are recommended to:
 - a) note the update on the current position in relation to the establishment of Local Pension Boards;
 - b) approve the appointment of an additional elected Member and co-opted Member to the Investment Sub-Committee as outlined in paragraph 17, and
 - c) to approve the revised Governance Compliance Statement outlined in Appendix B

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report: