

PENSION FUND COMMITTEE – 5 MARCH 2021

INDEPENDENT GOVERNANCE REVIEW

Report by the Director of Finance

RECOMMENDATION

- 1. The Committee is RECOMMENDED to**
 - a. Provide any feedback on the findings of the report from Hymans Robertson,**
 - b. Ask the Officers in consultation with Hymans Robertson to provide a report to the first meeting of the new Pension Fund Committee in June 2021 on proposals to take forward recommendations 1, 3-10 from the report, subject to any comments in a. above, and**
 - c. Recommend Council to consider any changes to the Constitution of the Pension Fund Committee in light of recommendation 2 of the Hymans Robertson report, such that these can be taken into account in establishing the new Pension Fund Committee after the May 2021 elections.**

Introduction

2. At their meeting on 11 September 2020, the Committee agreed to request Hymans Robertson to undertake an independent review into the governance arrangements of the Fund. The request was made in the context of the increased scrutiny being given to governance arrangements in the LGPS by the Pension Regulator and the Scheme Advisory Board. The latter had also commissioned Hymans Robertson to undertake the Good Governance Review of the overall arrangements within the LGPS.
3. The review was carried out over a number of months and included the observation of this Committee's meeting in December as well as the meeting of the Pension Board in January. The final report from Hymans Robertson is set out as an annex to this report and representatives from Hymans Robertson are in attendance to present their findings.

Next Steps

4. Whilst the report finds that there are no significant weaknesses with the current governance arrangements, it does include 10 recommendations which are summarised at Appendix 1 to the report. These recommendations cover good practice and respond to the draft proposals agreed by the Scheme Advisory Board from the Good Governance Review which are currently with the Ministry of Housing, Communities and Local Government for consideration.

5. Subject to any comments from the Committee it is recommended that Officers continue to work with Hymans Robertson to draw up proposals to implement the report's recommendations and present these to the first meeting of the new Committee in June. This would enable the new Committee to start its term on the front foot, with robust governance arrangements in place.
6. There is arguably one recommendation which is more appropriately dealt with by this Committee at its meeting today. This relates to the future constitution of this Committee. Consideration of this recommendation today will allow a recommendation to be made to full Council and any changes implemented in time for the establishment of the new Committee following the May elections. Any delay in the consideration of this recommendation would then mean that the first decision of the new Committee would be to recommend changes to its constitution and the removal of newly appointed members and/or the removal of their voting rights.
7. The recommendations from Hymans Robertson reflect the guidance from the Scheme Advisory Board and the significant changes to Scheme membership since the current Committee constitution was agreed. Historically, the vast majority of scheme members were employed by the County, City and District Councils, with the voting membership of the Committee reflecting the scheme membership.
8. With the growth of the academy movement this is no longer the position. The latest figures for active members indicate that the County Council still remains the largest employer with around 40% of active members, but the academy sector now makes up over 30% of the active membership. Brookes University is the second largest single employer within the Fund with around 10% of the total membership, whilst the City and District Councils alongside their out-sourced partners make up just over 10%. The remaining membership is spread across multiple employers including housing associations, charitable bodies, and the FE colleges.
9. Any proposal to widen scheme employer representation on the Committee to better reflect active scheme membership needs to be considered alongside the legal context for the Committee. First and foremost is the fact that the County Council is recognised within the relevant legislation as the Administering Authority for the Oxfordshire Pension Fund and is ultimately responsible for the management and performance of the Fund. Secondly, as a Committee established under the local government regulations, membership must reflect the political make up of the Council as a whole, with any majority party on the Council holding the majority of voting seats on the Committee.
10. It was as a result of this last point that the last amendment was made to the size of the Committee to increase membership from 9 to 11 voting members, to ensure the Conservative/Independent majority group on the Council had the majority on the Committee when allowing for the 2 District Council representatives.

11. The other key issues to consider in terms of determining the constitution of the new Committee is the extent that size determines the effectiveness of the Committee, and the need to ensure that all Committee Members can fully engage in the training necessary to meet the skills and knowledge requirements to be a member of the Committee and to fully engage in the decisions made by the Committee.
12. Finally it should be noted that the 12th member of the current Committee is the Scheme Member representative, who is the only non-voting member of the Committee. The reason this position has always been non-voting is that providing voting rights would exclude any current employee of the County Council from fulfilling the role under the local government regulations under which the Committee is established.
13. Whilst the Hymans Robertson report has not made a specific proposal for the constitution of the new Committee, they have included a potential model to guide the discussion. This proposal reduces the size of the Committee from the current 12 to 10, whilst increasing the representation of the scheme employers to better reflect the scheme membership. Whilst under the proposal, only the County Council members would have the right to vote, it is noted that the majority of decisions made by this and previous Committee's have not required a formal vote, and have been developed through consensus based on the best interests of the scheme stakeholders.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

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