

Division(s):

## **AUDIT AND GOVERNANCE COMMITTEE – 20 JULY 2022**

### **CHANGES TO CONSTITUTION OF PENSION FUND COMMITTEE**

**Report by the Director of Finance**

#### **RECOMMENDATION**

1. **The Committee are RECOMMENDED to endorse the recommendations agreed by the Pension Fund Committee as set out below and RECOMMEND them to Council.**
  - (a) That the contents of the report be noted.**
  - (b) That approval be given to amend the Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy as set out in paragraph 18 of the report.**
  - (c) That approval be given to only named substitutes of the Committee being allowed where they have completed training in line with the Training Policy.**
  - (d) That Council be RECOMMENDED to make the appropriate changes to the Terms of Reference and Constitution of the Pension Fund Committee to formalise the new governance arrangements and**
  - (e) That Audit and Governance Committee review the situation whereby Members of the Pension Fund Committee (and their trained substitute Members) and the Local Pension Board, be considered for an allowance due to the skills and expertise required in carrying out their roles.**

#### **Introduction**

2. This Committee previously received a proposal from the Pension Fund Committee to amend their Constitution in respect of the training requirements of all Members at their meeting in November 2019. The Committee agreed to recommend the proposals presented at the time to full council for adoption. However due to delays associated with the pandemic and then administrative oversight, the proposed changes were never presented to Council.
3. At their meeting on 10 June 2022, the Pension Fund Committee re-considered the issue on the basis of the report attached as an **Annex** to this report. The main driver's for both the initial review and the latest proposal were:

- The current Governance Policy is not compliant with best practice. Under the Governance Compliance Standards, all members of the Pension Fund Committee should be fully aware of the status, role and functions that they are required to perform. In the absence of mandatory training and given the ability of substitute members to attend the Committee, the Committee has determined that they do not currently fully comply with this standard.
- There have been two recent national reports which have focussed on the skills and knowledge of Pension Fund Committee Members. The report from Hymans Robertson on behalf of the Scheme Advisory Board recommends that the Department for Levelling Up, Housing, and Communities issues statutory guidance to require all Pension Fund Committee Members to meet the skills and knowledge requirements placed on Pension Fund Trustees under the Pensions Act 2004. The second report from the Pension Regulator highlighted their increasing focus on the skills and knowledge of Pension Fund Committee Members
- The current inconsistency in that Local Pension Board Members who are asked to support and scrutinise the work of the Pension Fund Committee are legally required to meet the skills and knowledge requirements of the 2004 Act, whilst the Committee Members they support and scrutinise are not.
- The lack of appropriate skills and knowledge on the Committee remains a key risk on the Pension Fund's risk register.

## **Pension Fund Committee Discussion and Decisions**

4. The main change since the Pension Fund Committee last discussed the issue was the changes to the constitution of the Pension Fund Committee agreed by the Council in March 2021 which reduced the number of voting members from 11 to 5. In light of this change, the Pension Fund Committee re-considered the previous proposal not to allow any substitute members to sit on the Pension Fund Committee. To mitigate the risk that future meetings of the Pension Fund Committee would become inquorate, the Pension Fund Committee agreed to amend the previous proposals to allow substitute members to sit on the Pension Fund Committee, as long as they met the requirements set out in the Training Policy.
5. The Pension Fund Committee agreed that no changes were required to the mandatory training requirements set out in the previous Training Policy as last presented to this Committee. Since that previous report, the Pension Fund Committee had agreed further changes to the Policy to ensure all members of both the Pension Fund Committee and the Local Pension Board should undertake an annual assessment of their current skills and knowledge, and that all members should maintain an assessment score consistent with their statutory and fiduciary responsibilities in respect of their service on either the Pension Fund Committee or Local Pension Board.
6. In summary therefore, the Training Policy requires all members of the Pension Fund Committee and Local Pension Board to:

- a. attend:
    - In their 1<sup>st</sup> year – an induction section on the Oxfordshire Pension Funds Policies, and either
      - ◆ The 3-day LGA Fundamentals Course or
      - ◆ The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
    - In each subsequent year – all pre-Committee training, and a minimum of 2 days additional training.
  - b. complete the annual Knowledge Assessment exercise run by Hyman Robertson; and
  - c. maintain a score on the Knowledge and Assessment exercise consistent with their responsibilities as a serving member of the Pension Fund Committee or Pension Board as appropriate.
7. During the course of the discussion at the Pension Fund Committee in June, Members noted that whilst these training requirements were consistent with their duties in managing a Pension Fund of £3.2bn and over 68,000 scheme members, they were in excess of the requirements on members of the majority of committees of the Council. They felt that this should be acknowledged, particularly when looking to encourage those members required to maintain the standard of training in case of acting as a substitute member at future meetings. They therefore added the additional recommendation (e) above to ask this Committee to consider the payment of an additional allowance to members of the Pension Fund Committee, the Local Pension Board and those who maintained the appropriate level of skills and knowledge as set out in the Training Policy to enable them to act as substitute members on the Pension Fund Committee.

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