

AUDIT AND GOVERNANCE COMMITTEE – 13 NOVEMBER 2019

CHANGES TO CONSTITUTION OF PENSION FUND COMMITTEE

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to endorse the recommendations agreed by the Pension Fund Committee as set out below and RECOMMEND them to Council:**
 - a) **Ask Officers to draw up a Training Policy consistent with the proposals contained in the annex and summarised in paragraph 4 of this report;**
 - b) **Agree to amend the Pension Fund Committee Governance Policy to mandate all Members of the Pension Fund Committee to complete training in line with the Training Policy;**
 - c) **Amend the constitution so that no substitutions are allowed for Members of the Pension Fund Committee;**
 - d) **Ask Officers in consultation with the Chairman, Deputy chairman and Opposition Spokesperson of the Pension Fund Committee to amend their Governance Policy/Terms of Reference to ensure the independence and impartiality of the Pension Fund Committee Members is assured; and**
 - e) **Make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements.**

Introduction

2. At their meeting on 6 September 2019, the Pension Fund Committee considered the report attached as an Annex to this report on potential changes to their Constitution. The main drivers for this review 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 Ministry of Housing, Communities and Local Government 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.

Pension Fund Committee Discussion and Decisions

3. The Pension Fund Committee were unanimous in determining that now was the time to address the issue and ensure that they were fully compliant with the Governance Compliance Standards and ensure all Members had the skills and knowledge in line with the requirements of the Pensions Act 2004.
4. They were also unanimous in their agreement that Officers should be asked to develop a training plan based on the following principles:
 - (a) In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
 - (1) The 3-day LGA Fundamentals Course or
 - (2) The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
 - (b) In each subsequent year – all pre-Committee training, and a minimum of 2 days external training.
5. All Members of the Pension Fund Committee should then be mandated to complete an annual training programme in line with the new Training Policy. A record of the individual Committee Members training is already required to be published as part of the Annual Report and Accounts of the Pension Fund.
6. The Pension Fund Committee had a longer discussion on whether they should recommend that the Constitution be amended to no longer allow any substitute members to attend meetings of the Pension Fund Committee, or whether there should be named substitutes who would also be mandated to comply with the Training Policy in order to be able to attend a Committee meeting. It was not felt practical to have a named substitute for each individual Committee Member, but some argued that a small pool of named substitutes would allow full representation in the absence of an individual Member. Others felt that that as it was unlikely that the Committee would ever be below quorum, and that Members needed to act in the best interests of the Scheme Members as a whole rather than represent a particular group, substitute members were not required. Eventually the Committee voted 6-4 in favour of not allowing substitute members.
7. The Committee also supported an additional recommendation proposed by the Chairman to ask Officers to develop wording to assure the independence and impartiality of the Committee Members. It was agreed that individual members could not be instructed to vote by their political party or others, and that they

had to make decisions based on the skills and knowledge acquired, and in the best interests of the scheme members and in line with their fiduciary duty.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions) – 07554 103465

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