

GOVERNANCE ISSUES

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

- Recommendation:**
- (a) That the Committee notes the requirement for Devon County Council to establish a Pension Board by 1 April 2015.**
 - (b) That the Committee commend the terms of reference for the Pension Board as set out at Appendix 1 to the Procedures Committee, and subsequent approval by County Council**
 - (c) That the Procedures Committee be also asked to consider revising the membership of the Investment and Pension Fund Committee as set out in the report for implementation from 14 May 2015.**
 - (d) That a revised Governance Policy and Compliance Statement, incorporating the revised governance arrangements in relation to the establishment of the Pension Board, be brought to the next meeting following consultation with employers.**

1. Introduction

- 1.1 The Public Sector Pensions Act ('the Act') 2013 introduced a number of changes to the legislation governing the Local Government Pension Schemes, following on from the recommendations of the Independent Public Service Pensions Commission report (the 'Hutton Report') published in 2011. These changes included:
- Career average linked pensions
 - A link between normal retirement age and state pension age
 - An employer cost cap
 - Revised arrangements for scheme governance
- 1.2 The revised arrangements for scheme governance include the requirement that each scheme manager should put in place a Pension Board by 1 April 2015.
- 1.3 The operation of the Pension Board will be governed by regulations and guidance set by the Department for Communities and Local Government (DCLG). To date, the regulations and guidance have only been issued in draft form, but the timescales involved means that we cannot afford to wait for the regulations to be finalised before considering the way forward. This report sets out proposals on the constitution of the Pension Board, and the process for implementing the new arrangements.

2. Process and Timescale

- 2.1 The regulations will require the constitution of the Pension Board to be established by the County Council by the 1st April 2015, although the appointment of the members of the Pension Board can take place subsequently. The following steps will therefore need to take place to establish the Pension Board:

Decision Required	Date of Meeting
Recommendation from Investment and Pension Fund Committee to Devon County Council Procedures Committee	21 st November 2014
Recommendation from Procedures Committee to Council	4 th February 2015
Approval by Full Council	19 th February 2015

- 2.2 This timescale will enable the Procedures Committee to take account of any changes between the draft regulations and guidance and the final versions which should have been enacted by February. Procedures Committee will in particular agree the changes that will be required to the Council's constitution to implement the Pension Board.

3. Constitution of the Pension Board

- 3.1 The role of the Pension Board is different to that of the current Investment and Pension Fund Committee. The role is to assist the Scheme Manager in securing the effective and efficient governance and administration of the pension scheme, which is in essence a scrutiny/audit role, rather than a decision making role. It will not, therefore, replace the current Committee, but provide a monitoring/scrutiny role.
- 3.2 The Act and the draft regulations require the Pension Board to have an equal number of employer and pension fund member representatives. However, this does not preclude the appointment of other members to the Board. It is therefore proposed that the membership of the Pension Board should comprise two member and two employer representatives, and three further members, two of which would be direct appointments by the Administering Authority, i.e. Devon County Council. The regulations will require that the councillors appointed to the Pension Board must not be members of the Investment and Pension Fund Committee.
- 3.3 The guidance suggests that the methodology for appointment should ensure that the member and employer reps are truly representative of the wide cross section of employers and members. It is therefore suggested that rather than direct appointments from the County Council and the unions, there should be an open process that gives all members and all employers the opportunity to apply. The Employer reps would need to demonstrate their capacity and experience to undertake the role, and suitable candidates would then be elected at an Employers' Forum (these are held annually). The member reps would be appointed on the basis of an interview/ assessment process which would require them to demonstrate their capacity and experience to undertake the role.
- 3.4 It is proposed that the arrangements for meetings should be governed by Devon County Council's Standing Orders, covering issues such as notice

of meetings, publication of minutes, the quorum required, rules of debate, etc. The term of office for the member and employer representatives and the independent member is proposed to be 4 years, provided that initially one member representative and employer representative and the independent member will serve for a six year term to promote continuity of experience by reducing the risk of all members being replaced by new members at the same time.

- 3.5 The constitution of the Pension Board as described above is set out in the terms of reference attached at Appendix 1.

4 Investment and Pension Fund Committee

4.1 Given the significant governance changes around the setting up of the Pension Board it would be good practice to review the current composition of the Investment and Pension Fund Committee at the same time. A review of the composition of the Committee needs to take account of the significant commitment required, particularly with the greater emphasis on knowledge and skills.

4.2 It is suggested that consideration be given to reducing the size of the Committee from 16 voting and 3 non-voting members to 10 voting and 3 non-voting members. This is detailed in the table below:

Organisation	Current Number of Reps	Proposed Number of Reps
Devon County Council	12	6
Unitary Councils	3	2
Devon Districts	1	1
Other Employers	0	1
Contributors (non-voting)	2	2
Beneficiaries (non-voting)	1	1

4.3 The advantages of reducing the size of the Committee are:

- A more focused committee, that will facilitate support of individual training and more effectively build up the knowledge and skills of committee members to the level required;
- Release of experienced members of the Committee to sit on the Pension Board, who would already have most of the skills and knowledge to undertake that role.

4.4 In recognition of the growing number and range of employers in the fund it is proposed that a representative of other employers should be added to the committee who could be nominated by the Annual Employers Forum, in the same way as described above in relation to the Pension Board

5 Conclusion

5.1 It is the responsibility of Devon County Council's Procedures Committee to recommend changes to the Council's committee structure and membership to Council. Members are therefore asked to note the requirement for Devon County

Council to set up a Pension Board by 1st April 2015, and recommend the terms of reference attached at Appendix 1 to the Procedures Committee, along with the proposed changes to the membership of the Investment and Pension Fund Committee, as set out in the report.

- 5.2 The Pension Fund will also need to amend its Governance Policy and Compliance Statement to reflect the new governance arrangements. The Fund is required to consult the Fund's employers on revisions to the Governance Policy and Compliance Statement. It is therefore proposed to circulate the proposals in relation to the Pension Board to employers for comment, and bring a revised Governance Policy and Compliance Statement to the next committee for approval, taking into account any comments from employers. Any feedback from employers can also be taken into account by the Procedures Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

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