

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **FLINTSHIRE COUNTY COUNCIL**

**DATE:**               **TUESDAY, 3 MARCH 2015**

**REPORT BY:**       **CHIEF OFFICER (GOVERNANCE)**  
                                  **CHIEF OFFICER (PEOPLE & RESOURCES)**

**SUBJECT:**           **CLWYD PENSION FUND GOVERNANCE**

**1.00   PURPOSE OF REPORT**

1.01   To provide Members with a proposal to create a local Pension Board for the Clwyd Pension Fund pursuant to a recommendation to Constitution Committee and to comply with recent legislation.

**2.00   BACKGROUND**

2.01   The Clwyd Pension Fund is administered by Flintshire County Council as the administering authority on a "lead authority" basis which is set out in statute following Local Government Reorganisation in 1996. The County Council have previously delegated responsibility for the management of pension issues to the Clwyd Pension Fund Committee with day to day operational matters delegated in the main to the Chief Officer, People and Resources.

2.02   The Public Service Pensions Act (PSPA) 2013 introduces a number of changes to public service pension schemes, including a number of key changes impacting on the governance of public service pension schemes. One of the key changes is the requirement for each Administering Authority in the LGPS to create a local Pension Board to provide independent oversight and improved governance.

2.03   The key elements of the recent LGPS amending regulations relating to local Pension Boards are outlined below:

*Establishment*

- Each LGPS Administering Authority is required to establish a local Pension Board no later than 1 April 2015.
- Where a pension committee already exists as a committee of a local authority (which is the case with most administering authorities), there is an option to create one combined pension committee and Pension Board. However, this will be subject to the Secretary of State's approval because the practical and legal hurdles for doing so are considered extremely challenging. Accordingly, it is expected all local authority Administering

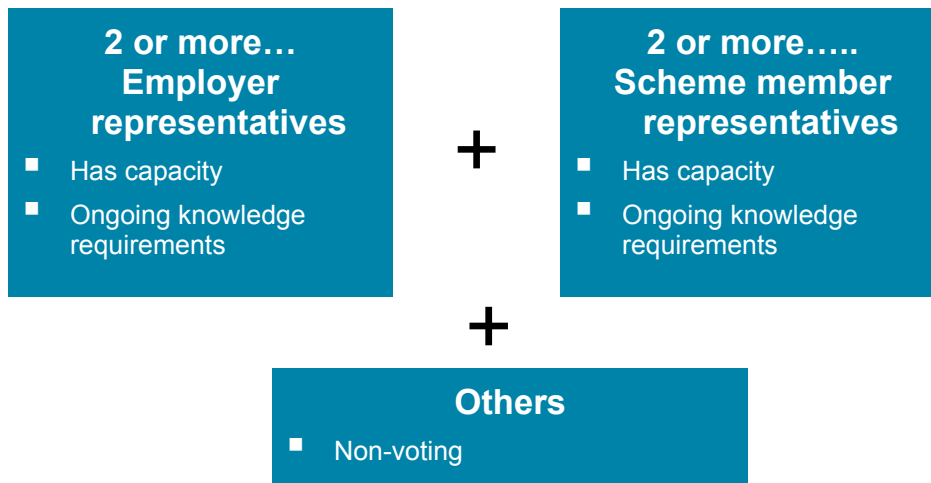
Authorities will be required to create a separate Pension Board (i.e. in addition to any existing Pension Committee).

- The role of the Pension Board is to assist the Administering Authority with securing compliance with regulations and requirements imposed by the Pensions Regulator and assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision making role.

#### *Membership*

- There must be equal numbers of scheme member representatives and employer representatives.
- These cannot be elected members on a Pension Committee nor officers involved with the management of the Pension Fund
- There must be at least two of each of these representatives (so a Pension Board must comprise of at least four individuals)
- These representatives must have the capacity to represent the scheme members or employers (as appropriate) as well as meeting an ongoing legal requirement in relation to knowledge of pension matters
- Other members can be appointed to the Pension Board in addition to the representatives in a non-voting capacity

These points are illustrated below:



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#### *Conflicts of Interest*

- Each Administering Authority must be satisfied that appointees to a Pension Board do not have a conflict of interest (initially and on an ongoing basis).
- This is defined in the PSPA as "'a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)".

### *Procedures*

- Each Administering Authority will be required to determine its own procedures relating to the establishment and operation of the Pension Board.

2.04 The proposal to create a Local Pension Board for the Clwyd Pension Fund was considered by the Constitution Committee at its October meeting when it agreed additions to the Constitution to reflect the need for a Clwyd Pension Fund Board and agreed a Pension Board protocol. The Pension Board protocol in Appendix 2 has been updated following the Constitution Committee meeting to reflect changes to the regulations made since the committee considered the draft regulations. Those changes are tracked in Appendix 2.

### **3.00 CONSIDERATIONS**

3.01 Accordingly Flintshire County Council must establish a new Pension Board. It is worth noting that local authority legislation, and accordingly the Council's Constitution, does not automatically apply to the new local Pension Boards as they are being established under the Public Service Pensions Act. Accordingly a Protocol detailing how the Pension Board is established and operated must be developed.

3.02 The establishment of this Pension Board was considered when the Council established the Pension Fund Committee on 30 April 2014. The structure diagram from that report is attached as Appendix 1 (updated in line with recent management changes).

3.03 The proposed Protocol for the Pension Board is attached as Appendix 2. The key elements of the proposals are:

- An Independent Member will Chair the Pension Board to be appointed by the Chief Officer (People and Resources), subject to a majority vote by the Board
- There will be two each of scheme member and employer representatives with the appointments being made by the Chief Officer (People and Resources)
- The Pension Board will meet a minimum of twice a year and a maximum of four times a year, although additional meetings can be agreed by the Chief Officer (People and Resources)
- Minutes of all meetings will be submitted to the Pension Fund Committee and, therefore, will be public documents
- An annual report will be submitted to the Pension Fund Committee and Audit Committee and, as such will be a public document, which will also be reproduced in the Fund's Annual Report and Accounts
- Pension Board meetings will not be open to the general public although individuals may be permitted to attend and address the Board at the discretion of the Chair.

3.04 It is considered that this approach will not be out of line with many other Administering Authorities and it is appropriate given:

- the improved level of governance recently introduced through the creation of the Pension Fund Committee and review of the Independent Adviser position,
- the creation of a Pension Fund Advisory Panel, which consists of senior officers of the Fund, the Fund Actuary, Investment Consultant and Independent Adviser, providing advice to the Pension Fund Committee, and
- employer and scheme member representatives are already full voting members of the Pension Fund Committee.

3.05 Legal and Democratic Services have provided advice and support and will continue to assist with the establishment of the Pension Board in line with the Protocol.

#### **4.00 RECOMMENDATIONS**

4.01 That Members agree an addition to its Constitution as outlined in Appendix 2 to introduce a local Pension Board for the Clwyd Pension Fund as required by the Public Service Pensions Act and LGPS Regulations to assist with ensuring compliance with regulations and to achieve efficient and effective governance.

#### **5.00 FINANCIAL IMPLICATIONS**

5.01 The four representative members of the Pension Board will be entitled to an allowance of £99 per half day meeting (unless they are carrying out these duties as part of their normal working hours), plus any additional expenses. These costs, together with any additional administration costs associated with the Pension Board, can be met from the Clwyd Pension Fund.

#### **6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

8.01 None directly as a result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 None directly as a result of this report.

**11.00 CONSULTATION UNDERTAKEN**

11.01 This matter was consulted on with employers and unions as part of the review of the Fund's governance arrangements in the Spring of 2014 to which no negative responses were received.

**12.00 APPENDICES**

12.01 Appendix 1 – Pension Fund Structure Chart  
Appendix 2 – Pension Board Protocol

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

Report and Minutes of Constitution Committee 15 October 2014  
Council Report 30<sup>th</sup> April 2014  
Constitution Committee Report 26<sup>th</sup> March 2014

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