



## Pension Fund Committee

23 February 2022

<b>Title</b>	<b>Good Governance Project - membership of Pension Fund Committee</b>
<b>Report of</b>	Executive Director of Resources (S151 Officer)
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A - Policy on Pension Committee and Board Representation
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### Summary

At the October 2021 meeting the Committee discussed the recommendations arising from the “Good Governance” project initiated by the Scheme Advisory Board and agreed that the recommendations be further researched and brought back to the Committee for decision making. This paper considers the recommendation relating to Committee membership and includes a recommendation on observer status following discussion with the Local Pension Board.

### Officers Recommendations

That the Pension Fund Committee:

1. Approve the attached policy on representation at Pension Fund Committee, and
2. Invite the Chairman of the Local Pension Board to attend Pension Fund Committee as an observer and note that the Local Pension Board have extended a similar invite to the Chairman of the Pension Fund Committee.

## 1. WHY THIS REPORT IS NEEDED

- 1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's affairs.
- 1.2 The Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance. Hymans issued two preliminary and one final (phase three) report following a period of consultation. SAB have made proposals to Government and are currently awaiting a response.
- 1.3 At the October meeting the Pension Fund agreed that they will look in more depth at each of the recommendation. This paper focuses on one recommendation, to publish a policy on representation of scheme members and employers & voting at Committee, explaining the Committee's approach to representation and voting rights for each party. The full text from the Hymans report is set out below
- 1.4 "One of the key principles of the Good Governance Review is the recognition that each administering authority knows its own situation best and that The Guidance should avoid being overly prescriptive and limiting. In the matters of delegating responsibilities and appointing members to committees, most administering authorities must comply with the Local Government Act 1972. Nothing within The Guidance can, or should, override or limit the provisions of the 1972 Act. The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:
  - the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
  - the rationale as to whether those representatives have voting rights or not.

The SAB's view is that it would expect scheme managers to have the involvement employers and member representatives on any relevant committees. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership. The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund."

- 1.5 While the SAB expresses an 'expectation' that employer and employee representatives will have involvement on the Pension Fund Committee, they are keen to leave this to local decision making and have limited their proposal to documenting the reasons for the approach taken and a discussion on wider engagement. The current arrangement at Barnet includes the opportunity for non-voting employer and trade union representatives attending Committee while the Local Pension Board comprises a diverse membership. When the Local Pension Board was introduced there was the option of establishing a joint Committee and Board, with voting for all. Few local authorities opted for this approach due to concerns over losing majority voting rights..

- 1.6 When this issue was discussed at the December meeting of the Local Pension Board they expressed a preference to retain the current Committee & Board structure and remits. They were not in favour of a joint Committee and Board. Their one recommendation was that the Chair of the Board be invited to attend and participate, but not vote, at the Committee with a similar opportunity for the Chair of the Pension Fund Committee at Board meetings.
- 1.7 Subject to the recommendation in 1.6, there has been no demand or identified reason for any change in the attendance and voting structure. It is suggested that the trade unions be reminded that they can nominate an observer to attend Pension Fund Committee.
- 1.8 Attached is a draft policy on representation at Committee and Board. The highlighted changes are departures from current practice.
- 1.9 Proposals relating to the other recommendations of the Good Governance project will be brought to future meetings.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Committee is responsible for all aspects of the Pension Fund including governance . The report discusses new governance requirements, and it is proposed that detailed policies and responses be developed.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not necessary for this report.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 If the proposal is approved, Governance will be asked to facilitate any requires changes in the constitution.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

### **5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 There are no direct resources issues for the Council.

### **5.3 Social Value**

- 5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

#### **5.4 Legal and Constitutional References**

5.4.1 The SAB action plan references some proposed outcomes being dependent on the issue of new relevant statutory Guidance and /or updating of existing scheme regulations which are within the remit of the Department of Levelling Up , Housing and Communities.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee "To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice".

#### **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 The Committee relies on its service providers and good performance from these will help to avoid problems.

#### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

#### **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

#### **5.8 Consultation and Engagement**

5.8.1 Not applicable.

5.9 **Insight**

5.9.1 Not applicable

6. **ENVIROMENTAL IMPACT**

6.1 None.

7. **BACKGROUND PAPERS**

7.1 Further details on the Good Governance Project are available from the Scheme Advisory Board web site:

<https://lgpsboard.org/index.php/projects/good-governance>

in particular the final recommendations (phase three report):

[Good Governance Final Report February 2021.pdf \(lgpsboard.org\)](#)