

Agenda Item 10

Pension Committee

18 June 2021

Governance Review Report of the Head of Pensions

Summary

At the previous meeting on 9 March 2021, the Pensions Committee supporting a recommendation to request Aon to undertake a review of the Governance arrangements of the Gloucestershire Pension Fund. The approach was to compare the Fund and Administering Authority's practices against the Aon governance framework.

The approach taken has been to compare the Administering Authority's current practices (at a high level) against the Aon governance framework.

The framework considers the following key areas:

- Direction – What is the Fund trying to achieve?
 - Legislation
 - Strategies and Policies

- Delivery – How does the Fund meet its aims?
 - Business Planning
 - Performance Monitoring
 - Risk Management

- Decisions – Does the Fund have effective decision making?
 - Governance Structure
 - Behaviour
 - Pensions Skills and Knowledge

The approach carried out has enabled Aon to:

- Examine the existing governance framework and identify the main risks associated with the governance of the Fund
- Identify whether the Administering Authority has evolved to meet recent changes in legislation relating to governance matters
- Provide recommended actions to improve the governance of the Fund.
- Assess how the Fund has evolved its governance framework to align with the new requirements as a result of pooling and the Fund's participation in the Brunel Pool.
- Comment on whether the Administering Authority have assessed their ability to meet the requirements of the Pension Regulator's Code of Practice.

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The review undertaken by Aon involved three key elements which are carried out concurrently.

- Element 1 – Desktop review ✓
 - The first stage of the governance review was to carry out a desktop review.
- Element 2 – Pension Committee and Pension Board observation ✓
 - The meetings of both the Committee and Board in July were observed
- Element 3 – Effectiveness questionnaire ✓
 - an effectiveness questionnaire will be given to all the existing Pensions Committee and Board members and officers (and independent advisers) involved with the Fund.

The governance review is intended to assist the Fund in ensuring it is meeting ever evolving governance standards and is well placed to adopt the outcomes from the good governance review being undertaken by the Scheme Advisory Board.

The final report from Aon is attached as Appendix 1 to this report and representatives from Aon are in attendance to present their findings.

Conclusions

The overall conclusion is that the governance of the Fund is of a good standard in many areas, meets legal requirements in the matters that have been considered, and in a number of areas the Administering Authority is demonstrating best practice. Aon note that significant improvements in relation to the governance of the Fund appear to have been made recently.

The report also contains commentary and recommendations on areas that require improvement to meet legal requirements or practices, or could be improved to meet good practice. These areas are highlighted throughout the report utilizing a RAG rating.

Subject to any comments from the Committee, it is recommended that Officers continue to work with Aon to draft proposals to implement the report's recommendations and present them back to Committee in September.

There is one recommendation which is more appropriate to seek feedback from Committee on at this meeting. This relates to the future constitution of this Committee. Consideration of this recommendation today will allow for any changes to be implemented in a timely manner and earlier in the new training plan cycle, which would be beneficial to all parties.

The Scheme Advisory Board (SAB) Good Governance review has recommended that all Funds be required to produce and publish a policy on the representation of scheme members and non-administering authorities on Committees, explaining their approach to voting rights for each party.

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The recommendations from Aon reflect this guidance and the significant changes to Fund membership since the current Committee constitution was agreed. Historically the vast majority of the scheme members were employed by the County Council. The latest figures for active members indicate that the County Council still remains the largest employer with around 50% of active members, but the academy sector now also makes up around 30% of the active membership and represent approximately 50% of the 200 employers participating in the Fund.

Any proposals to widen scheme employer or employee representation on the Committee to better reflect the membership needs to be considered alongside the legal context for the Committee. The County Council is recognized within the legislation as the Administering Authority for the Gloucestershire Pension Fund and is ultimately responsible for the management and performance of the Fund. As the Committee is established under local government regulations, membership must reflect the political make up of the County Council as a whole, with any majority party on the County Council holding the majority of voting seats on the Committee. It is a result of this point that the last amendment was made to the size of the Committee to increase membership from 6 to 7 County Councillors.

Although Aon recognize there is no single correct structure, they have included a number of proposals for the future constitution of the Committee to guide the discussion. The main proposal reflects an increase from 1 to 2 in employer representation, proposes consideration of increasing scheme member representation from 1 to 2. The proposals also consider the right to vote, considering that the majority of decisions made previously by Committee have not required a formal vote and have been developed through consensus based on the best interests of the Funds key stakeholders.

Any recommendations made by the Pensions Committee would need to be taken to the County Councils Constitution Committee for consideration and approval. Officers will also confirm ahead of the discussion at Committee any constitution implications or considerations that would be considered based on the constitutional requirements of the new Council.

Recommendations

The Committee is recommended to

1. Provide any feedback on the findings of the report from Aon
2. Request the Head of Pensions in consultation with Aon to provide draft proposals to implement the report's recommendations and present them back to Committee in September 2021, subject to any feedback received in 1) above
3. Provide a recommendation to the Constitution Committee for consideration to the future constitution of the Pensions Committee in light of the recommendations of the Aon governance review.

Contact Officer

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