

Governance Review

Pension Committee Constitution

This paper sets out our recommendations in relation to the Pension Committee (PC) of the Gloucestershire Fund (the Fund) having further representation from key stakeholders.

At a glance...

Our recent governance review recommended that the PC considered increasing its employer and scheme member representation to have two employer representatives and two scheme member representatives.

However, following further consultation with Fund Officers, and taking into account a number of practical considerations, which include the number of changes to the Committee after the recent elections, at a high level our initial recommendations at this time are to:

- Retain a district council (employer) representative that is nominated by the Gloucestershire branch of the Local Government Association to represent the interests of District Councils
- Retain a scheme member representative that is selected through nominations by the trade unions
- Include an additional employer representative, with applications invited from all employers (excluding Gloucestershire County Council and the district councils)
- Make all employer and employee representatives (i.e. the two existing representatives and the one new representative) non-voting members of the PC
- Review the situation in 2 years with consideration as to whether making any further changes is desirable at that time

Further detail on these recommendations is set out in the remainder of this paper, including comments on the suggested process for appointing the employer representative.

Why are we recommending increasing employer and employee representation?

The PC is currently made up of:

- Seven County Councillors – with voting rights



Next steps

- PC to consider recommended change to number of employer representatives
- PC to include a more specific list of duties within the Constitution
- Fund to review the situation in 2 years with consideration as to whether making any further changes is desirable at that time

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- One voting district council representative
- One non-voting scheme member representative

We note that the Fund has over 200 active employers covering a number of different sectors, including colleges, universities, academies, housing companies and admission bodies. We note that the 2019/20 annual report and accounts shows approximately 100 academies participating in the Fund.

In our experience across other LGPS funds we see that the majority of Pension Committees have more than one employer representative and it is also not uncommon to have multiple member representatives including a representative for non-active members of the Fund (i.e. deferred members and pensioners).

We also note that the Scheme Advisory Board (SAB) Good Governance review has recommended that all LGPS funds be required to produce and publish a policy on the representation of scheme members and non-administering authorities on Pension Committees, explaining their approach to voting rights for each party. We recognise that all LGPS funds and Pension Committees are different and that there is no single 'correct' structure, and the SAB have stated in their report that any guidance should avoid being overly prescriptive and limited. However, we believe that there is likely to be greater scrutiny on Pension Committee representation going forward, and we believe that the initial proposed changes set out in this report would help to satisfy any such scrutiny and to increase the PC's engagement with their membership.

It is also worth recognising that expanding the membership of the PC could also assist with the diversity, equality and inclusion aspects of the PC.

Voting Rights

There are a number of different options in relation to the voting rights of employer and employee representatives on the PC. These include:

- Employer and employee representatives having full voting rights
- Employer and employee representatives having voting rights, except for votes regarding the appointment of the Chair and Vice-Chair of the PC
- Employer and employee representatives not having voting rights

When considering which of these options is appropriate for the PC it is important to ensure that any increase in PC membership does not have an impact on political proportionality and to ensure appropriate representation from the administering authority. However, the PC should continue to be aware that, beyond the make-up of its membership, political factors should not be relevant in PC meeting decisions as pensions is a non-executive function and there is an overriding fiduciary duty to scheme members.

Having reflected on this and taking into account discussions with Fund officers and the PC, we recommend that the employer and employee representatives are not given voting rights.

We note that this is a slight change from the current position for the district council (employer) representative who does have voting rights, but we feel

it is better to be consistent across all such representatives. It is also worth noting that, as the district council representative is currently an elected member, who comes with a political affiliation, the political persuasion of the appointed person has the potential to affect the political balancing of the County Council representatives if he / she retains the right to vote.

Process for increasing employer and employee representation

It is important that the PC establishes a clear process for appointing the additional employer representative.

One of the first steps is to determine whether there are any particular sectors that would be desirable to have as representatives on the PC.

We recommend inviting applications from all employers in the Fund, with the exception of Gloucestershire County Council and the district councils who are already represented on the PC. The PC may wish to specifically target / have a preference for a representative from the academy sector given the number of employers in the Fund from that sector, but we believe that the application process is likely to be most successful if this position is open to all employers in the Fund.

Following receipt of applications, we anticipate there being an interview process which we would suggest would include the Chair and Vice-Chair of the PC along with the Head of Pensions. Should the representative position not be filled immediately (for whatever reason), the position should be held vacant in subsequent PC meetings until the post is re-advertised and successfully filled.

We suggest that each of the three posts has a term of office and a period of 4 years from the appointment date would appear to be a reasonable term to adopt.

All changes adopted, either as a result of the recommendations above or otherwise, will need to be reflected in Gloucestershire County Council's Constitution.

Duties of the Pension Committee

We also recommend that the duties of the PC as set out in the Constitution are reviewed. This is because we observe that the majority of the duties are investment focused, and there is limited reference to duties relating to administration, communication and governance matters. We believe that these areas could be made more explicit within the duties of the PC.

We note in particular there is no explicit mention of areas such as agreeing and monitoring the Administration Strategy, Communications Policy or the Fund's business plan and budget. The latter point is one of the key recommendations of the SAB Good Governance review which states that each administering authority must ensure their Pension Committee is included in the business planning process. The current duties of the PC set out in the Constitution refer to the Pension Board's business plan but not that for the Fund itself.

We therefore recommend that the duties below are included within the PC Constitution.

- Ensuring the Fund is managed, and that pension payments are made, in compliance with the Local Government Pension Scheme Regulations.
- Ensuring robust risk management arrangements are in place.
- Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
- Approval of the Fund's annual business plan and budget and monitoring progress against it.
- Agreeing the Fund's Training Strategy for all Pension Committee and Board members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- Approving the Fund's Governance Policy Statement and Governance Compliance Statement within the framework as determined by the Council and making recommendations to the Council about any changes to that framework.
- Approving the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
- Approving the Fund's Communications Policy Statement, determining the methods of communications with the various stakeholders including scheme members and employers.
- Approving the Fund's Conflicts of Interest policy covering the management of actual and perceived conflicts of interest for the Pensions Committee, the Local Pension Board, and officers.
- Determining, reviewing and monitoring the Fund's policy in regard to employer admission and cessation arrangements;
- Agreeing Administering Authority responses to consultations by Central Government, professional and other bodies;
- Both appointing and terminating the appointment of the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and periodically to review those arrangements;

Conclusion and Recommendation

Our main recommendation at the current time is that the Pension Committee increases in size by creating an additional employer representative, and that this is reviewed in 2 years to determine whether any further changes are desirable at that time.

The Pension Committee and the Fund Officers should consider and discuss the recommendations / rationale set out in this paper. We would be happy to answer any questions in relation to this.

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