

Agenda Item 7

**Pension Board
19 October 2021**

Governance Review Report of the Head of Pensions

Summary

The report is prepared to update the Board on the progress of the outcomes of the Governance Review, seek the Boards continuing comments on the recommendations, monitor progress, as well as receive appropriate recommendations relevant to the Boards activities and oversight.

The final report from AON was presented to the Committee at their meeting on 18 June and to the Board on 28 July. The overall conclusion was 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 noted that significant improvements in relation to the governance of the Fund appear to have been made recently.

The final report also contains commentary and recommendations on certain areas that require improvement to meet legal requirements or practices, or could be improved to meet good practice. All the recommendations have been adopted by Committee and the Board

This report sets out the latest position on the progress of those recommendations.

Work Plan

Attached as appendix 1 to this report, is the work plan in relation to the 21 recommendations contained in the final report of AON. The work plan was adopted by Pensions Committee at the meeting on 24 September.

The work plan, which will be regularly brought back to both Committee and Board to monitor as part of the Fund Update agenda item, outlines the recommendation and the anticipated timescales and likely Committee/Board meeting the action will be brought to. This has been reviewed by Officers to dovetail in with the work plan agreed as part of the business plan.

One recommendation has already been completed. This is in relation to increase the number of Pension Board meetings each year and they will increase from 2 to 4 meetings per year.

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Further recommendations have now been actioned and form part of the remainder of this report.

The Board is invited to note the agreed work plan.

Conflicts of Interest Policy

The main aim of this recommendation was to create a policy to identify and manage the potential conflicts of interest between the County Councils role as Administering Authority and its role as a scheme employer. This includes the potential conflict of interest for County Council Officers, in particular, the section 151 Officer.

Although not yet explicit in any legislation or guidance, it is now seen as good practice for a Fund to have a Fund specific Conflicts of Interest Policy applying to all stakeholders, and this is mentioned as part of the CIPFA annual report guidance. It is also noted that a recommendation is contained within the SAB Good Governance review for a Fund to have a specific Conflicts of Interest Policy and that this will be required by statutory guidance.

The Conflicts of Interest Policy, attached as appendix 2 to this report has been prepared by AON in conjunction with the Fund's Officers and covers the points raised above as well as the general conflicts likely to be experienced in administering the Pension Fund. The Policy was adopted by Pensions Committee at its meeting on 24 September.

The Board is invited to adopt the Conflicts of Interest Policy.

Review of the Constitution of the Pension Committee

Attached as appendix 3 to this report, is a detailed paper prepared by AON in consultation with Fund Officers.

The paper sets out the recommendations in relation to the proposal of further representation from employers and scheme members on the Pension Committee of the Gloucestershire Pension Fund.

At a high level the recommendations debated by Committee at its meeting were:

- 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

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representatives and the one new representatives) non-voting members of the Pension Committee.

- Review the situation in 2 years with consideration as to whether recommending any further changes is desirable at that time.

The following information was provided to inform the debate and provide a comparison of the representation from other similar sized LGPS funds:

Fund	No of Scheme Member Reps	Voting Rights	Notes	No of Employer Reps	Voting Rights	Notes
Fund A	1	No		4	No	2 – Academy 1 – District 1 - Other
Fund B	2	Yes		2	Yes	1 – Academy 1 - Other
Fund C	3	Yes	1 vote for all 3 reps	4	Yes	2 – Unitary 1 – District 1 - Other
Fund D	3	Yes	1 vote for all 3 reps	5	Yes	1 – Academy 1 – HFE 3 – Unitary Also, includes additional 3 independent members with votes
Fund E	1	Yes		3	Yes	3 – District
Fund F	1	Yes		3	Yes	1 – District 1 – Police 1 - Other

The increase recommended in relation to the employer representative, is more in keeping with the representative numbers seen at other LGPS funds, where employer representatives are in greater numbers than scheme member representatives.

By increasing the employer representative now and reviewing whether additional changes are desirable in 2 years, this will allow for the term of appointments to be staggered, which would mean not all representatives would potentially be replaced at the same time.

The Board is invited to note the Committees agreed recommendations regarding the proposed future Constitution of the Committee.

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Review of the duties of the PC

It was also recommended that the duties of the PC as set out in the Constitution are reviewed. AON observed that the majority of the duties currently listed are investment focused, and there is limited reference to duties relating to administration, communication and governance matters. AON recommended that, whilst these areas are being covered by the PC, they should be made more explicit within the duties set out in the Constitution.

It was noted that in particular there was 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 PC is included in the business planning process.

Therefore, included in appendix 3 to this report, is a recommendation of the duties that will be recommended to the Constitution Committee to be included in the constitution of the Pension Committee.

The Board are invited to note the Committees agreement to recommend to the Constitution Committee that the duties of the Pension Committee, as set out in appendix 3 to this report, be amended.

The duties of the Local Pension Board have been reviewed as part of the AON review and no amendments have been recommended and these are consistent with the requirements of the SAB Good Governance Review.

Recommendations

The recommendations for the Board are set out throughout the report, but are summarised below:

1. The Board is invited to note the agreed work plan.
2. The Board is invited to adopt the Conflicts of Interest Policy.
3. The Board is invited to note the Committees agreed recommendations regarding the proposed future Constitution of the Committee.
4. The Board is invited to note the Committees agreement to recommend to the Constitution Committee that the duties of the Pension Committee, as set out in appendix 3 to this report, be amended.

Contact Officer

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