

LOCAL GOVERNMENT PENSION SCHEME FALKIRK COUNCIL PENSION FUND

CONSULTATION ON FUTURE GOVERNANCE ARRANGEMENTS

1. INTRODUCTION

- 1.1 This consultation invites respondents to comment on the revised Governance Arrangements that require to be put in place by 1st April, 2015 as a result of the Public Service Pensions Act 2013 and related regulations. This is separate from the Scottish Ministers consultation which is outlined in Section 4.

2. EXISTING GOVERNANCE ARRANGEMENTS

- 2.1 Falkirk Council is designated as an Administering Authority within Local Government Pension Scheme legislation with responsibility for maintaining and managing the Falkirk Council Pension Fund.
- 2.2 Under current governance arrangements, Falkirk Council has delegated pension fund business to its Pensions Committee. In addition, an advisory Pensions Panel, made up of Employer, Union and Pensioner representatives, has been established to support the Committee.
- 2.3 The Pensions Committee consists of nine members – six elected members from Falkirk Council and three members drawn from the Panel. The Committee meets on a quarterly basis with all members having voting rights and access to papers.
- 2.4 The Panel comprises 15 members and includes Employer, Trade Union, and Pensioner representatives. One member from each of these groups sits on the Pensions Committee. The Panel normally meets on a quarterly basis approximately two weeks prior to the Committee.
- 2.5 The Panel's main responsibility is to provide advice, guidance and opinion to the Pensions Committee on all matters relating to the business of the Falkirk Council Pension Fund. The Panel is supported by officers and professional advisers.

3. REQUIREMENTS OF THE PUBLIC SERVICE PENSIONS ACT 2013

- 3.1 The current round of pension reform began in 2011 with the publication of the Hutton report. This set out proposals for the establishment of a common UK-wide framework for public sector pensions in a bid to ensure that going forward the schemes were affordable, sustainable, fair and transparent. These proposals were carried forward in the Public Service Pensions Act 2013 ("the 2013 Act").
- 3.2 In the context of the LGPS, the 2013 Act requires that each Fund will have:
- a Scheme Manager – the legally constituted decision making body; and
 - a Pension Board – a supporting entity which must be established by 1st April, 2015.

- 3.3 For the Falkirk Fund, the Scheme Manager will be Falkirk Council in its capacity as a corporate body, albeit that pension fund business will continue to be delegated to the Pensions Committee.
- 3.4 It is important to recognise the distinction between the existing Pensions Panel, which is a non-statutory body charged with supporting the Pensions Committee, and the soon to be established Pensions Board which has a specific statutory remit.
- 3.5 Other features of the 2013 Act are that:
- the Scheme will be overseen **nationally** by a Scheme Advisory Board, made up of Employer and Trades Union representatives, and
 - the role of the Pensions Regulator in making Codes of (Best) Practice has been extended to cover public sector schemes, including the LGPS.

4. SCOTTISH MINISTERS CONSULTATION

- 4.1 Scottish Ministers have recently issued for consultation, draft Governance Regulations which expand on the core requirements set out in the 2013 Act
- 4.2 **A copy of the draft regulations is attached for ease of reference. Please note that the Scottish Ministers consultation ends on 11th November.** All papers pertaining to the consultation can be found at www.sppa.gov.uk by following the links to Local Government – Consultations.
- 4.3 Negotiations relating to Scheme Governance (and Scheme design) have been undertaken by COSLA, the Trade Unions and the Scottish Government at the SLOGPAG Forum. The Group has produced **a Governance Heads of Agreement and a model Pension Board constitution**, both of which are attached to assist you in framing your response. These two documents have still to be ratified by the Scottish Government.

5. PENSION BOARDS

- 5.1 Under the 2013 Act, the role of the Pension Board is to assist the Scheme manager in:
- securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
 - securing compliance with requirements imposed by the Pensions Regulator; and
 - undertake any such other matters as the scheme regulations may specify.
- 5.2 The 2013 Act also requires that:
- the Board has an equal number of employer and member representatives;
 - the scheme manager is satisfied that a person to be appointed to the board does not at any time have a conflict of interest: and
 - the Board meets concurrently with the Pensions Committee.

5.3 Both the Act and the Heads of Agreement provide that the Pension Board will:

- have a minimum of 4 trade union and 4 employer representatives; and
- rotate the Chair of the Board annually between Union and Employer (which implies that the Board may choose to meet separately on occasion).

5.4 The Model Constitution confirms that due to their differing statutory roles, individuals will not be able to be members of both the Pension Board and Pensions Committee. This has implications for the three co-opted members who currently sit on both the Falkirk Council Pensions Panel and Committee.

6. SCHEME ADVISORY BOARD

6.1 The role of the national Scheme Advisory Board is to provide advice to the Scottish Ministers on the desirability of changes to the LGPS.

6.2 The Board may also be called upon to provide advice to the scheme managers or the pension boards in relation to the effective and efficient administration and management of the Scheme or its Funds.

6.3. In Scotland, the Scheme Advisory Board is expected to be based on the existing Scottish Local Government Pensions Advisory Group (SLOGPAG), except that, unlike SLOGPAG, which has Scottish Government representation, the Scheme Advisory Board will be a bipartite entity with representation from local government and trade unions only. The Scottish Government will however have observer status.

7. FALKIRK COUNCIL PENSION FUND CONSULTATION

7.1 As intimated in Paragraph 4.1, Scottish Ministers are presently consulting on draft Governance Regulations. As the final regulations will not be published until late January, 2015 (too late to begin the Board appointment process in time for April, 2015), Falkirk Council is conducting a separate consultation with its stakeholders to gauge opinion as to how the governance arrangements can best operate in the Falkirk Fund.

7.2 Appendix A sets out some of the key questions that require to be considered. It would be much appreciated if you could respond to each of these, together with any other general comments you wish to make. Your comments should be received by the Pensions Manager, Falkirk Council by no later than 24th November, 2014 to allow time for collation and presentation of responses to the forthcoming Pensions Panel and Committee.



Chief Finance Officer

Date: 31 October 2014

APPENDIX A

FALKIRK COUNCIL PENSION FUND GOVERNANCE ARRANGEMENTS

CONSULTATION RESPONSE

1. Name/Organisation

Organisation Name

Surname

Title / Forename

2. Contact Details

Phone

Email

3. Basis of Response

As an individual

YES / NO

For the Organisation named above

YES / NO

Your comments will assist the Council in formulating its revised governance arrangements for the Fund.

CONSULTATION – KEY QUESTIONS

1. Thinking about the Pension Board, including:

- the need for it to provide broad stakeholder representation
- the running costs
- the knowledge and understanding thresholds to be met by Board members, and
- the personal commitment required from members to prepare for and attend meetings

how many member and employer representatives do you feel should sit on the Board?
(minimum is 4 member representatives plus 4 employer representatives).

2. Which of the following Board models would you support in relation to **employer** representation:

- a) 4 representatives (e.g. one from each of the 4 largest employers in the Fund)
- b) 4 representatives (e.g. two “Council” reps, a scheduled body rep and an admitted body rep)
- c) 5 or more employer representatives (please give preferred configuration below)

As Falkirk Council will have a majority position on the Pensions Committee, it is an option not to have Falkirk representation on the Board. You may wish to comment on this option.

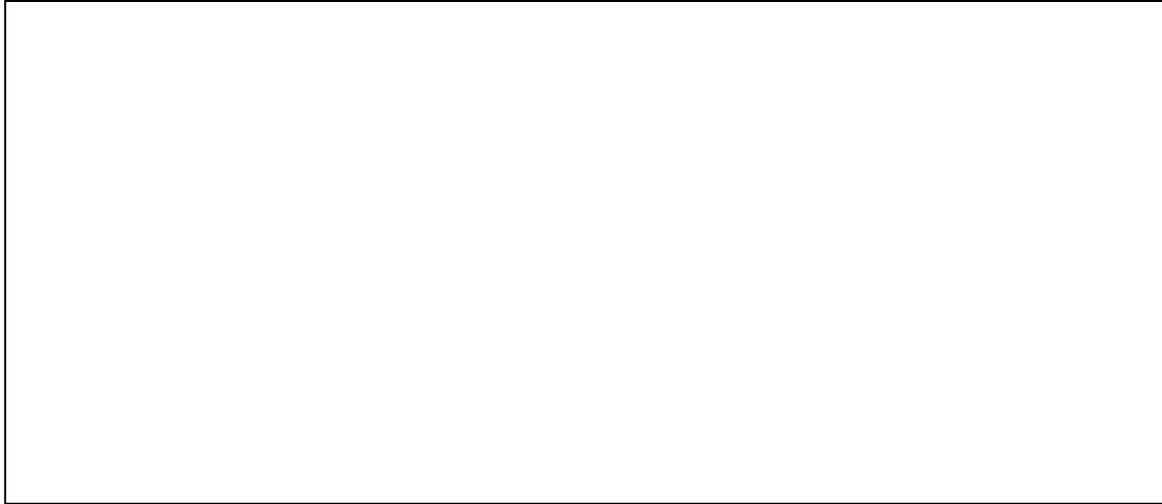
3. Should member representatives be limited to Trade Union representatives or should they potentially include other member representatives such as pensioner or deferred member representatives? (At present, the draft regulations only refer to Trade Union representatives).

4. Would your organisation be prepared to nominate someone to sit on the Pension Board?

5. Would your organisation be prepared to nominate a substitute? A substitute would have to undergo the same knowledge and understanding regime as the lead representative. Having an available substitute could help ensure that Board meetings were quorate.

6. The proposed term of office for a Board Member is 4 years, with the option of re-appointment. How should any re-appointment request be processed?

7. Thinking about the configuration of the Pensions Committee, do you think there should continue to be non-Falkirk Council representation (e.g. Falkirk Council elected members being supported by a Pensioner or Other Stakeholder representative).



8. Notwithstanding the Fund already pays for professional advice from Hymans Robertson (Fund actuary and investment adviser), should an independent specialist be formally invited to sit on the Committee (such a member would bring specialist skills to discussions but would require to be paid)?

