

Essex Pension Fund Advisory Board	PAB 04
Date: 15 January 2020	

Essex Pension Fund Advisory Board (PAB) Review

Report by the Interim Director for Essex Pension Fund

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1. Purpose of the Report

- 1.1 To provide the Board with an update on the progress made on the review of the PAB.

2. Recommendations

- 2.1 That the Board note the update.

3. Background

- 3.1 The PAB is appointed by Essex County Council (ECC) as its Local Pensions Board in accordance with section 5 of the Public Service Pensions Act 2013 and Part 3 of the Local Government Pension Scheme Regulations 2013.
- 3.2 The Board shall consist of nine members and be constituted as follows:
- i. Four Employer representatives made up of one from each of the following groups of employers in the Fund:
 - Essex County Council (an elected member);
 - the District, City and Borough Councils of Essex (an elected member);
 - Southend-on-Sea and Thurrock Unitary Authorities (an elected member);
 - all Other Employers;
 - ii. four Scheme Member representatives of which one will be nominated by the trade unions and the rest drawn from the total scheme membership (active, deferred and pensioner members); and
 - iii. one independent Chairman.
- 3.3 In line with the setting up of the Local Pension Board within Essex, it was pre-agreed that a review would be carried out on the work of the Board after a period of 18 months. It was also agreed that a review would also take place during 19/20 due to the engagement of a new Independent Governance and Administration Advisor (IGAA).
- 3.4 Prior to the review, the Board were notified at their 5 February 2019 meeting that a resignation from a Scheme Member representative had led to a vacancy on the Board.
- 3.5 The Essex Pension Fund Strategy Board (PSB) were approached at their 19 December 2018 PSB meeting to approve a proposed recruitment process for the position to be filled.
- 3.6 The PSB did not support the recruitment campaign at that time as the Chairman of the PSB notified Members that the PAB would undergo a review during 2019 in

line with paragraph 3.3. Therefore, it was agreed to delay the recruitment of one Member, to enable the Fund to undertake a full recruitment exercise, where necessary, for the revised PAB Membership in consultation with the Fund's IGAA.

3.7 The Fund, in consultation and feedback from the Board and the IGAA, determined the elements of the PAB that should be reviewed which included:

- Terms of Reference;
- Membership; and
- Number and timing of meetings.

4. PAB Terms of Reference

4.1 The IGAA was requested by the Fund to review the Terms of Reference (TOR) for each Board/Committee including the PAB. Therefore the PSB were asked at their March 2019 meeting to approve the review in line with the timetable below:

Board/Committee	Meeting Date	To agree
PAB	June 2019	PAB TOR
ISC	June 2019	ISC TOR
PSB	July 2019	PAB, ISC & PSB TORs
Constitution Working Group	September 2019	PAB, ISC & PSB TORs
Full Council	October 2019	PAB, ISC & PSB TORs

4.2 The PAB TOR was approved by the PAB at their June 2019 meeting which was subsequently approved by the PSB at their July 2019 meeting, the Constitution Working Group at their September 2019 meeting and Full Council on the 8 October 2019. All TORs have since been published within the ECC Constitution on 22 October 2019.

5. Membership

5.1 The PSB approved the review of PAB Membership at their March 2019 meeting in line with the timetable below:

Date	Action	Owner
March/April 2019	To establish PAB Members intentions and determine where Members appointments need to be renewed	Fund Officers
April/May 2019	To agree panel to determine and carry out appointment process	Chairman & Fund Officers
May – July 2019	Carry out appointment process and confirm appointments to PAB	Agreed panel

- 5.2 After an initial delay in the process, due to local elections, Board Members were notified during June 2019 if their appointments could be renewed or applied for. Those who were required to reapply for their positions were notified of the proposed interview date.
- 5.3 The PSB were also notified that the review of the Independent Chairman would not commence until the revised TOR had been agreed by Full Council (October 2019).
- 5.4 The Fund continued to review the membership in two sections simultaneously.

Review of Scheme Members Representatives

- 5.5 As stated in paragraph 3.2 ii, four of the nine PAB Members should consist of four Scheme Member representatives of which one would be nominated by the trade unions and the rest drawn from the total Scheme membership (active, deferred and pensioner members).
- 5.6 One Scheme Member had tendered their resignation during December 2018 and another Scheme Member's 4-year term was coming to an end. Both held non trade union positions and therefore two Scheme Member representative positions were being recruited.
- 5.7 All Employers of the Fund were notified of the positions available via email on 21 June 2019 and were asked to notify Scheme Members of the vacancies on the Board. In addition, an advertisement went live on the Fund's website news page, along with ECC's intranet 'Your News' page and Flyers were put up on ECC Notice Boards around County Hall.

- 5.8 Nominations for Scheme Member representatives closed on 5 July 2019. Four nominations were received and reviewed by Fund Officers in consultation with the IGAA. All four applicants were invited to attend an interview on 24 July 2019.
- 5.9 The two successful candidates were appointed on 1 August 2019, carried out their induction training on 23 August 2019 and attended their first meeting on 25 September 2019.

Review of Other Employer Representatives

- 5.10 As stated in paragraph 3.2 i, four of the nine PAB Members should consist of four Employer representatives made up of one from each of the following groups of employers in the Fund:
- Essex County Council (an elected member);
 - the District, City and Borough Councils of Essex (an elected member);
 - Southend-on-Sea and Thurrock Unitary Authorities (an elected member);
 - all Other Employers.
- 5.11 The Other Employer representative's 4-year term was coming to an end and therefore this position was being recruited.
- 5.12 All Other Employers of the Fund (all Fund Employers other than County, Borough, City, District and Unitary Councils) were notified of the position available via email on 21 June 2019 and were invited to nominate representatives to sit as a Member of the Board.
- 5.13 Nominations for Other Employer representatives closed on 5 July 2019. One nomination was received and reviewed by Fund Officers in consultation with the IGAA. Therefore no voting for this position was required and the nominee, who was also the current incumbent of this position, was successfully re-appointed on 1 August 2019.

Review of the Independent Chairman

- 5.14 The review of the Independent Chairman commenced after the approval of the revised PAB TOR.
- 5.15 The Appointments Panel, Chairman of the PSB, PSB Scheme Member Representative and Fund Officers, met on 28 October 2019 to discuss the

approach and it was agreed to ask the current incumbent to extend their 4-year term to a maximum of 6-years in line with the revised PAB TOR. This was to provide the Fund with continuity due to the recent changes in Scheme Member representatives as well as changes within the Fund itself.

- 5.16 A verbal agreement to continue from the current incumbent was obtained in November 2019 and a letter has been drafted to the current Chairman of the PAB to formally offer the extension of appointment. This will be approved by the Chairman of the PSB.

6. Number and Timings of Meetings

- 6.1 As part of the TOR review for the PAB, which states that the minimum number of meetings required would be two per calendar year. The review acknowledged that the Board could be more effective if they were to observe each PSB meeting and hold their own meeting after the PSB therefore increasing from three meetings to four per year.
- 6.2 The timings of the PSB have also been arranged to be in the mornings so the Board can continue their oversight of the PSB meetings and then conduct their own meeting in the same afternoon. This would then allow the Board to meet four times a year directly after the PSB allowing any Members of the PAB to continue to observe.

7. Next Steps

- 7.1 Once the appointment of the Chairman has been confirmed, the PAB Review will be completed. However, the revised number and timings of meetings cannot be implemented until the start of the next municipal year.
- 7.2 The IGAA will commence a review of the effectiveness of the PAB during quarter 4 of the next financial year (2020/21).

8. Link to Essex Pension Fund Objectives

- 8.1 Completing the review of the PAB will assist in the Board in achieving the following Fund objectives:
- Ensure compliance with the Local Government Pension Scheme (LGPS) regulations, other relevant legislation and the Pensions Regulator's Codes of Practice;

- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.

9. Risk Implications

9.1 Failure to implement the outcome of the PAB Review could result in:

- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables; and
- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage.

10. Communication Implications

10.1 Other than ongoing reporting to the Board, there are no communication implications.

11. Finance and Resource Implications

11.1 Budgetary provision will need to be made for the payment of appropriate expenses and remuneration to applicable Board Members in line with the PAB TOR.

12. Background Papers

12.1 PAB Vacancy, PSB 11, 18 December 2018.

12.2 PAB Vacancy, PAB 03, 5 February 2019.

12.3 Governance Compliance Statement & PAB Review, PSB 06, 6 March 2019.

12.4 PAB Membership Review, PAB 08, 5 June 2019.

12.5 Update on the PAB Review, PSB 07, 3 July 2019.

- 12.6 Update on the PAB Review, PSB 06, 11 September 2019.
- 12.7 Verbal update and slides presented to PAB on new membership at 25 September 2019 meeting.
- 12.8 PAB Quarterly Report, PSB 09, 18 December 2019 – verbal update provided on the appointment of the Independent Chairman.