

Essex Pension Fund Board	EPB/01/11
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Review of the Effectiveness of the Pension Fund Board and Investment Steering Committee

Report by the Governance Team Manager and Independent Governance and Administration Adviser

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1. Purpose of the Report

- 1.1 To present the findings of the Review of the Effectiveness of the Pension Fund Board and Investment Steering Committee (ISC) and to agree the actions following on from this.
- 1.2 To ask the Board to consider its future membership structure, and whether it wishes to recommend that the Council amend the existing arrangements.

2. Recommendations

- 2.1 That the Board consider the recommendations arising from the Review (as set out in paragraph 4.1 of this report) and agree a way forward;
- 2.2 That the Board highlight any further points from the review that they believe warrant further investigation or discussion;
- 2.3 That the Review be referred to the Investment Steering Committee for consideration;
- 2.4 That the Board consider whether it wishes to recommend the Council to consider making the necessary amendments to the Constitution to allow for a revised membership structure; and
- 2.5 That the Board consider which body/bodies should be invited to nominate future District and Borough Council representatives.

3. Background

- 3.1 The Essex Pension Fund Board was established in 2008 with a view to exercise on behalf of the Council the powers and duties of the Council in relation to its functions as the Administering Authority for Essex Pension Fund. It was agreed as part of the 2010/11 business plan that it would be timely to review the effectiveness of the Board and also the Investment Steering Committee (ISC).
- 3.2 This review has been undertaken by the Independent Governance and Administration Adviser and the Governance Officer, taking into consideration the results of a questionnaire completed by most Board and ISC members and by officers and advisers, as well as good practice, comparison with other LGPS funds and general observations. The findings of the review are outlined in a separate report attached as Annex A.

4. Discussion and Recommendations

- 4.1 The report includes a number of recommendations for further consideration by the Board and the ISC. These are outlined below:

Recommendations to the Essex Pension Fund Board

- 4.1.1 That the representation on the Board be expanded to cover the full range of stakeholders, with any change in membership structure to include the following representatives:
- One Deferred /Pensioner Representative
 - One or two other Employer Representatives to represent other scheduled bodies, schools, colleges, academies, town/parish councils and admitted bodies;
- 4.1.2 That the Board consider encouraging bodies which nominate more than one representative to include amongst their nominees those who do not already hold other positions of responsibility within the organisation;
- 4.1.3 That the Board extend the remit of its existing sub-group to include the consideration of other detailed issues, as necessary;
(Note: Members may recall that at the last Board meeting it was agreed to the establishment of a sub-group to deal with ongoing work arising from the Hutton review.)
- 4.1.4 That the Board hold an annual away day/strategy meeting each Autumn
- 4.1.5 That the momentum in relation to training and development be maintained, including more focussed training on roles and responsibilities of individuals and the Board;
- 4.1.6 That the Board consider whether any changes are needed to the way in which it currently receives information from the ISC and whether Board members should be offered training regarding the Committee's role; and

- 4.1.7 That the Board consider and comment upon the general issues identified in paragraph 4.11 of the Review report.

Recommendations to the Investment Steering Committee

(It is proposed that these be referred to the ISC for consideration at its next meeting)

- 4.1.8 That the Committee consider whether its membership could or should be broadened and also whether it is either possible or desirable to extend the current voting rights;
- 4.1.9 That the Committee set aside a whole day for each of its annual strategy meetings, with both to be held at a venue other than County Hall;
- 4.1.10 That consideration be given to the role of the ISC with regard to communication, how this is currently undertaken and whether there is scope to improve stakeholder involvement; and
- 4.1.11 That the Committee consider and comment upon the general issues identified in paragraph 4.11 of the Review report.
- 4.2 The Board is invited to consider these recommendations and agree a way forward, and to highlight any further points which it believes may warrant further investigation or discussion. It is also recommended that the Review be referred to the ISC for its comments.
- 4.3 The Fund's governance compliance statement will be updated to have regard to any decisions taken by the Board in relation to this review.

5. Membership of the Board

- 5.1 The Review highlights issues concerning the Board's compliance with statutory guidance in terms of representation of admission bodies and deferred/pensioner scheme members. Given that the terms of office of all Board members (with the exception of the Essex County Council representatives) are due to expire shortly Members are invited to consider their response to the Review's first recommendation to the Board concerning a potential expansion of representation.
- 5.2 The structure of Board Membership is set out as part of the Constitution of Essex County Council and as such, any changes are the responsibility of the full Council. Should the Board agree that any change would be desirable, either in terms of numbers of members or categories of membership, it would need to make a recommendation to that effect to the Council. The Council would then consider the matter at its next meeting (the Annual meeting) on 10 May 2011. Subject to the Council's agreement, nominations would then be sought from appropriate bodies in time for the next Board meeting on 29 June.

5.3 The current representation on the Board is as set out below:

Representing	No	Comments
Essex County Council	6	
District/Borough Councils in Essex	2	Nominated by the Essex Leaders' Group and the former Essex Local Government Association (ELGA)
Unitary Councils in Essex	2	Nominated by Southend on Sea and Thurrock Councils, currently on a shared basis alternating annually. In any year, the representative who is not the full member acts as substitute, with the right (agreed by the Board) to attend all meetings
Essex Police Authority	1	
Essex Fire Authority	1	
Scheme Members	1	Nominated by UNISON, currently vacant

- 5.4 In addition, at the time of the Board's establishment it was agreed that the two representatives of the District and Borough Councils in Essex should be nominated by the Essex Leaders' Group and the Essex Local Government Association (ELGA) respectively. Neither of these two bodies is now in existence and Members' suggestions are therefore sought as to an appropriate means of obtaining such nominations in future. The Board may wish to note that the work of the Essex Leaders' Group is now being undertaken by the Essex Borough and District Leaders'/Chief Executives' Meeting.

6. Link to Essex Pension Fund Objectives

- 6.1 This review will assist the Board in achieving a number of the Fund's objectives, in particular:
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
 - Understand and monitor risk and compliance
 - Continually measure and monitor success against our objectives.

7. Risk Implications

- 7.1 Not reviewing the effectiveness of the Board and ISC could result in a range of issues including ineffective decision making, lack of scrutiny and leadership.

8. Communication Implications

- 8.1 There are no communication implications.

9. Finance and Resources Implications

- 9.1 There may be resource implications if some of the recommendations are agreed, particularly in relation to officer resource for servicing any further sub-committee of the Board.

10. Background Papers

- 10.1 None.