

Essex Pension Fund Board	EPB/31/14
date: 10 December 2014	

Governance Working Group

Report by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser

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1. Purpose of the Report

- 1.1 To highlight the matters identified by the Governance Working Group for consideration by the Board.

2. Recommendations

- 2.1 That the Board provides its comments on the Governance Working Group's progress.
- 2.2 Notes the updated outline timetable shown in paragraph 5.3.

3. Background

- 3.1 At its meeting on 9 July 2014, the Board agreed to the formation of a Governance Working Group (GWG) to explore options relating to the revised governance arrangements stemming from the Public Service Pension Act 2013 (PSPA13) and subsequent draft Regulations. The GWG's membership was agreed to be Cllr Barker, Cllr Whitehouse and Jenny Moore.
- 3.2 At its meeting on 17 September 2014, the Board agreed an outline timetable, an extract of which is set out below

Date	Event	Comment
Early November	IGAA produces first "early/initial" report	Report designed for discussion at Governance Working Group (GWG)
19 November 2014	GWG	GWG discuss options and review IGAA "early/initial" report.
10 December 2014	Pension Board	GWG update the Pension Board on progress. Board invited to comment.
19 January 2015	Pension Board (additional meeting)	GWG reports on completion of its work. Board agrees final proposals to be submitted to Council

4. Governance Working Group (GWG): 19 November 2014

- 4.1 The GWG met on Wednesday 19th November 2014 to review the draft report prepared by the IGAA (annex B) and to start considering the matters set out in their agenda (annex A).
- 4.2 The GWG were able to agree the following principles which they would like to suggest to the Board for their comment:

A: Naming of the various bodies

- The current EPF Board be renamed as the Essex Pension Fund Strategy Committee (EPFSC)

- The current Investment Steering Committee (ISC) be renamed as the Investment Sub-Committee (ISC);
- The new Local Pension Board be called the Pension Advisory Board (PAB).

B: Remit of the PAB

In principle, the PAB will

- be a 'critical friend' to the EPFSC and ISC;
- and so will be small constitutionally with 'expert' members, co-opting if necessary
- assist the EPFSC (in accordance with the PSPA13) in meeting the EPF's compliance requirements etc.
- provide oversight of decisions made by the EPFSC to ensure that due process has been followed
- look at areas to reduce the workload of the EPSC and allow/enable the EPSC to focus on strategic issues and decision making
- look at areas such as administration performance and communication requirements (the GWG will consider this further at its next meeting)
- review published policies, annual reports etc. (again the GWG will consider this further at its next meeting)
- be considered an integral part of any consultation process with the purpose of adding value to that process based on, for example, their representation of employers and scheme members;
- have its efficacy reviewed after the first 2 years to determine whether it is meeting the needs of the EPF.

C: Impact on current governance structure and current Scheme of Delegation

In principle, the EPFSC:

- could 'transfer' some of its membership to the PAB to help ensure expertise on the PAB;
- the EPFSC could reduce its membership on the basis that employer and scheme representation would be through the PAB;
- the EPSC then retains the balance of power in favour of Essex County Council (ECC) which given that the ECC as Administering Authority has the ultimate obligation to the EPF would seem the right way to go; and
- focus the EPFSC activities on strategic matters e.g. funding strategy, investment, administration and communication.

D: Constitutional structure of the PAB

To keep the PAB small, expert and effective, the PAB will:

- have 2 employer representatives (ECC plus the rest);
- have 2 scheme member representatives;
- no substitutes;
- initial 2 year term of office in line with initial 2 year review;
- independent chair (* see below); and
- representatives to be appointed through a clear and transparent process but the mechanism itself will be dealt with separately.

* A reciprocal chairing proposal from the Norfolk Pension Fund was highlighted to the GWG. Under this proposal, on an interim basis, the Director for Essex Pension Fund would be required to chair Norfolk's LPB and the Head of the Norfolk Fund would chair the Essex PAB. The GWG agreed that this matter be brought to the Board's attention for their comment.

5. Regulations and guidance

5.1 Both the second set of draft Regulations and Guidance were issued for consultation with a deadline of 21 November 2014. The IGAA considered both in the drafting of the report included at Annex B.

6. Next steps

6.1 Following comments from the Board meeting on 10 December, the GWG will meet again on 15 December to consider these, to flesh out the remit of the PAB further and to consider in more detail the constitution of the PAB. The GWG will also consider the process to be adopted to appoint the members of the PAB.

6.2 The GWG then reports back to the additional meeting of the Board on 19 January 2015. At this point the Board will finalise its formal proposal for consideration by Essex County Council at its meeting on 10 February 2015.

6.3 The full timetable is now as set out overleaf.

Date	Event	Comment
19 November 2014	GWG	GWG discuss options and review IGAA “early/initial” report.
10 December 2014	Pension Board	GWG update the Pension Board on progress. Board invited to comment.
15 December 2014	Governance Working Group	GWG consider Board’s comment and develop outline proposal.
Mid December 2014 – Mid January 2015		GWG, IGAA & Fund officers monitor Regulatory situation GWG finalises outline proposal
19 January 2015	Pension Board <i>(additional meeting)</i>	GWG reports on completion of its work. Board agrees final proposals to be submitted to Council
10 February 2015	-	Essex County Council considers the Pension Board’s proposal
Mid February onwards		Process of populating new Local Pension Board commences.

7. Link to Essex Pension Fund Objectives

7.1 Maintaining awareness of current issues with regard to LGPS reform will assist the Board in achieving the following Fund objectives:

- ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- 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
- to ensure the Fund is properly managed
- compliance with Fund’s governance arrangements.

7.2 Failure to maintain an awareness of current issues with regard to LGPS reform and respond to consultations would mean that the Fund’s views were not taken into account when changes are proposed.

8. Risk Implications

8.1 The Fund's risk register includes the following risk (Ref G1): *“Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and /or need to make major changes at short notice”.*

8.2 The current rating for this risk is as follows:

	Residual Impact	Residual Probability	Residual Risk score	Above key risk threshold (residual risk score of 6)
Current rating	3	3	9	Yes

9. Communication Implications

9.1 Communication with employers/stakeholders will take place at the appropriate stage of the process of forming the new Local Pension Board.

10. Finance and Resources Implications

10.1 The expenses of the new LPB will be met from the Fund.

11. Background Papers

11.1 Fund response to Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper, September 2013

11.2 Training session on Governance by Independent Governance & Administration Adviser 22 January 2014.

11.3 Item 6C (Draft Regulations on Scheme Governance) from Pension Board agenda 9 July 2014.

11.4 Fund response to DCLG consultation: Draft Regulations on Scheme Governance, August 2014

11.5 Item 5B (LGP) Reform Scheme Governance from Pension Board agenda 17 September 2014