



PAPER C

Purpose: For Decision

Committee report

Committee	FULL COUNCIL
Date	15 NOVEMBER 2017
Title	PENSIONS GOVERNANCE: CHANGES TO TERMS OF REFERENCE FOR PENSION FUND COMMITTEE AND PENSION BOARDS
Report of	CHAIRMAN OF PENSION FUND COMMITTEE

EXECUTIVE SUMMARY

1. This report recommends the adoption of revised terms of reference for the Isle of Wight Pension Fund Committee, the Isle of Wight Local Pension Board and the Isle of Wight Firefighters' Pension Board.
2. The revised terms of reference have been discussed at meetings of the Pension Fund Committee, the Firefighters' Pension Board and the Local Pension Board during October 2017. At each meeting, it was agreed to recommend the terms of reference for adoption by full council.
3. Following adoption of the new terms of reference, the relevant articles of the council's constitution will need to be updated:
 - Article 10 – Isle of Wight Pension Fund Committee.
 - Article 11 – Isle of Wight Pension Board.
 - Article 12 – Isle of Wight Firefighters' Pension Board.

BACKGROUND

4. The Isle of Wight Council (the council) is the administering authority for the Isle of Wight Council Pension Fund (the pension fund), part of the Local Government Pension Scheme (LGPS). The council, as fire authority, is the scheme manager for the Firefighters' Pension Schemes (FPS).
5. The council has delegated its duties as scheme manager for the pension fund and the FPS to the Isle of Wight Pension Fund Committee (the committee) under section 101 of the Local Government Act 1972.
6. Following the enactment of the Public Service Pensions Act 2013 (PSPA), the council established the Local Pension Board (the board) in January 2015, and the Firefighters' Pension Board (the fire board) in February 2015.

7. Local pension boards were introduced to provide assistance to administering authorities in securing effective and efficient governance and administration of the pension schemes for which they are responsible, and in ensuring compliance with relevant scheme regulations and other requirements of the Pensions Regulator.
8. The terms of reference for both the board and the fire board originally approved by the council were based on templates provided nationally, which were issued while the guidance on the creation and operation of the board was still to be finalised by the Department for Communities and Local Government (DCLG).
9. As part of the review of the governance framework for pensions, the terms of reference for the committee and both boards have been revised to demonstrate greater compliance with legislation, the relevant scheme regulations, and the requirements of the Pensions Regulator.

STRATEGIC CONTEXT

10. Good governance arrangements are essential to the delivery of the council's services, including the management and administration of pension schemes for which it is responsible, and the decision making processes that support this.
11. Good governance arrangements support the achievement of the corporate outcomes included in the Corporate Plan 2017-2020, specifically contributing to a financially balanced and sustainable council.

CONSULTATION

12. The committee reviewed all three terms of reference at its meeting on 6 October 2017.
13. The fire board reviewed its own terms of reference at its meeting on 12 October 2017.
14. The board reviewed the terms of reference for itself and the committee at its meeting on 17 October 2017.
15. Amendments proposed at each of these meetings have been considered, and, where required, have been discussed at meetings between the chairman of the Pension Fund Committee and the chairman of the relevant board.
16. The final version of each of the terms of reference presented for approval today incorporate all agreed changes discussed at each meeting.

FINANCIAL / BUDGET IMPLICATIONS

17. The amendment of the terms of reference will have no financial or budget implications.

LEGAL IMPLICATIONS

18. The Pension Fund Committee is a committee established under s101 Local Government Act 1972. It is required to have terms of reference that sets out the proper governance arrangements.
19. The adoption of any revisions to the current terms of reference is a matter for full council to determine. The committee may however make recommendations to full council to change their terms of reference with a view to improving the governance arrangements of the committee.
20. The Public Service Pension Act 2013 required the council to establish a pension board for each pension scheme for which it has responsibility. The board's role is to assist the scheme manager in securing the effective and efficient administration of the pension scheme and any statutory scheme connected with it.
21. Each board will, in particular, be charged with helping the scheme manager to ensure that the scheme is operated to an appropriate standard. It will be responsible for the matters including securing that schemes are administered in accordance with all relevant legislation concerning the governance and administration of public schemes and any requirements imposed on the scheme by the Pensions Regulator.
22. The 2015 pension regulations state that an administering authority may determine the procedures applicable to a local pension board.
23. The regulations also provide that a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

EQUALITY AND DIVERSITY

24. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
25. The amendment of the terms of reference for each of the Pension Fund Committee, the Local Pension Board and the Firefighters' Pension Board is not considered to impact any of the protected characteristics.

RISK MANAGEMENT

26. Following the enactment of the Public Service Pensions Act 2013, and the introduction of the Pensions Regulator's Code of Practice no. 14, there has been greater public scrutiny of the governance and administration of public service pension funds, including the Local Government Pension Scheme and the Firefighter's Pension Schemes.

27. It is the responsibility of the Isle of Wight Council, as administering authority for the LGPS and as scheme manager for the FPS, to ensure that each pension scheme for which it has responsibility is properly managed, governed and administered in compliance with relevant regulations and other requirements. The council has delegated these functions to the pension fund committee, under section 101 of the Local Government Act 1972.
28. Should the council fail to ensure appropriate standards of governance and administration of the pension schemes for which it has responsibility, the Pensions Regulator has the powers to issue an improvement notice under s13 of the Pensions Act 2004. This would have reputational issues for the council.
29. All the recommendations are to ensure that the council meets its corporate governance requirements and responds to changing requirements and demands. These should lessen the risks arising from any challenge to the decision making process by way of judicial review or other such legal action.
30. The revised terms of reference for the committee, in conjunction with the revised terms of reference for both boards, will also enable a more comprehensive work programme for the committee and the boards to be developed, covering all aspects of management, administration and governance of the fund. It will also facilitate the development of a training programme for the committee and pension boards, to ensure appropriate levels of knowledge and skills are achieved and maintained.

RECOMMENDATION

31. That Full Council adopts the revised terms of reference for each of:
 - Isle of Wight Pension Fund Committee
 - Isle of Wight Local Pension Board
 - Isle of Wight Firefighters' Pension Board
32. That the council's constitution be updated to include the revised terms of reference.

APPENDICES ATTACHED

[Appendix 1](#) - Terms of reference: Isle of Wight Pension Fund Committee.

[Appendix 2](#) - Terms of reference: Isle of Wight Local Pension Board.

[Appendix 3](#) - Terms of reference: Isle of Wight Firefighters' Pension Board.

BACKGROUND PAPERS

Current terms of reference: Council constitution articles 10, 11 and 12

Isle of Wight Pension Fund Committee meeting papers 06 October 2017

Isle of Wight Firefighters Pension Board meeting papers 12 October 2017

Isle of Wight Local Pension Board meeting papers 17 October 2017

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

CLLR ADRIAN AXFORD
Chairman of Pension Fund Committee