



PAPER B

Purpose: For Decision

Committee report

Committee	EXTRAORDINARY MEETING OF THE PENSION FUND COMMITTEE
Date	6 OCTOBER 2017
Title	PENSION FUND COMMITTEE TERMS OF REFERENCE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report seeks to amend the current terms of reference for the Pension Fund Committee to encompass the wider remit of the committee's responsibilities for the administration, management and governance of the Isle of Wight Pension Fund.
2. The committee is asked to review and agree the proposed changes to its terms of reference; to delegate to the chairman of the committee to discuss the terms of reference with the chairman of the Local Pension Board following its meeting on 17 October 2017, and to agree any final amendments with the Monitoring Officer, before making a recommendation for the adoption of these terms of reference to full council at its November 2017 meeting.

BACKGROUND

3. 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).
4. The council has delegated its duties as scheme manager for the pension fund to the Isle of Wight Pension Fund Committee (the committee) under section 101 of the Local Government Act 1972
5. The committee was originally set up as an investment panel, with responsibility for managing the assets of the pension fund, with other duties of the pension fund management and administration delegated to the section 151 officer .
6. In 2011 the panel was redesignated a formal committee of the council, and began to hold meetings in public, with full support from the council's democratic services team. The terms of reference for the committee were

then included within the council's constitution, but still primarily with an investment focus.

7. Additional items were included on committee meeting agendas, to cover governance, administration and accounting information, but these were not documented within the committee's terms of reference.
8. Following the enactment of the Public Service Pensions Act 2013 (PSPA), there was an increasing focus on other aspects of the management of all public service pension funds, including the LGPS.
9. The Pensions Regulator (the regulator) has been given greater responsibility for oversight of the LGPS, and published its code of practice no. 14 *Governance and administration of public service pension schemes* (the code of practice).
10. Local pension boards were introduced to provide assistance to administering authorities in securing effective and efficient governance and administration of the pension fund, and ensuring compliance with LGPS regulations and other requirements of the Pensions Regulator.
11. The Isle of Wight Pension Board (the board) has looked at the current terms of reference for the committee, published as article 10 of the council's constitution, and has recommended that the terms of reference be revised to more explicitly reflect the responsibilities of the committee in respect to the governance and administration of the fund, as well as the investment of the fund's assets.
12. Officers have reviewed the terms of reference of the committee in line with the regulator's code of practice, and those of other LGPS pension fund committees, and propose the revised terms of reference for the committee at appendix 1.
13. The principal changes to the terms of reference are:
 - (a) To re-write section 1, broadening the responsibilities of the committee to cover all aspects of governance, administration and management of the fund. Specifically, to include:
 - (i) reference to the LGPS regulations and the functions of the committee included therein.
 - (ii) reference to the Pensions Regulator's code of practice no. 14 and additional functions of the committee included therein.
 - (iii) reference to the need to undertake training in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework.
 - (b) To include provision for the chairmen of both LGPS and Fire Pension Boards to attend committee meetings, and speak at the invitation of the chairman of the committee.
14. The impact of these changes will be to broaden the role of the pension fund committee in overseeing all aspects of the management of the pension fund,

beyond investment decisions, to include liability and funding level monitoring, administration practices and standards, financial information, policies and processes, and compliance with governance standards.

STRATEGIC CONTEXT

15. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
16. Ensuring that all the resources available to the Island are used in the most effective way in achieving the Island's priorities.

CONSULTATION

17. The board considered the committee's terms of reference at its meeting on 11 July 2017 and recommended that the terms of reference for the committee be updated to include specific reference to all areas of the legislative and regulatory duties of the pension fund committee.
18. The board will be meeting again on 17 October 2017 to consider the proposed draft of the terms of reference presented today, and the main points of the committee's discussions today.
19. It is recommended that the chairman of the committee be authorised to meet with the chairman of the board following the board meeting, to consider any further amendment to the terms of reference which the board may consider necessary.

FINANCIAL / BUDGET IMPLICATIONS

20. The amendment of the committee's terms of reference will have no financial or budget implications.
21. Based on the most recent annual report and accounts for the pension fund, the value of the fund's net assets at 31 March 2017 was £559.5 million.
22. In addition to the council, there are 29 other employers within the fund. There are more than 15,000 members of the pension fund, of which 3,753 are actively contributing to the fund, 7,176 are deferred members (former employees who have not yet reached retirement age) and 4,192 are pensioners.
23. In the financial year ended 31 March 2017, the fund received contributions from employees and employers of £18.3 million, and paid out pension benefits of £20.1 million.

LEGAL IMPLICATIONS

24. The pension fund committee is a committee established under s101 Local Government Act 1972. It is required to have a terms of reference that sets out the proper governance arrangements.
25. 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.

EQUALITY AND DIVERSITY

26. 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.
27. The amendment of the committee terms of reference is not considered to impact any of the protected characteristics.

RISK MANAGEMENT

28. 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 LGPS.
29. It is the responsibility of the Isle of Wight Council, as administering authority, to ensure that the Isle of Wight Pension Fund is properly managed, governed and administered in compliance with relevant regulations and other requirements. The council has delegated this function to the pension fund committee, under section 101 of the Local Government Act 1972.
30. Without clear and comprehensive terms of reference for the committee, it will be difficult to evidence that the regulatory and other requirements are being considered and complied with.
31. Should the council, as administering authority, fail to ensure appropriate standards of governance and administration of the pension fund, 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 and the pension fund.
32. Adopting the revised terms of reference will ensure that the work of the committee covers all aspects of the governance and administration of the fund, and will assist in the measurement of the effectiveness of the committee and the management of the pension fund.

33. The revised terms of reference will also enable a more comprehensive work programme for the committee 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.
34. Improvements in the standards of governance and administration for the fund will be monitored by the pension board and progress reported to the committee. This will be evidenced by the annual governance compliance statement which is published with the pension fund's annual report and accounts.

RECOMMENDATIONS

35. That the committee considers the revised terms of reference and recommend any additional items to be included.
36. That the committee authorises the chairman to meet with the chairman of the pension board following the board's meeting on 17 October 2017, to consider any further changes to the terms of reference which the board may propose.
37. That the committee authorises the chairman of the committee, in discussion with the section 151 officer and the monitoring officer, to make any final amendment to the terms of reference, if necessary.
38. That the committee recommends the final version of the terms of reference to Full Council on 15 November 2017 for adoption and inclusion in the council's constitution.

APPENDICES ATTACHED

39. [Appendix 1](#) – revised draft pension fund committee terms of reference.

BACKGROUND PAPERS

40. Current pension fund committee terms of reference (article 10 Council [Constitution](#)).
41. [The Pensions Regulator's code of practice 14](#).
42. [Isle of Wight Pension Board minutes 11 July 2017](#).

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