



Purpose: For Decision

Committee report

Meeting	LOCAL PENSION BOARD
Date	21 JULY 2021
Title	MEMBERSHIP OF THE LOCAL PENSION BOARD
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. At previous meetings of the Local Pension Board, changes to the membership structure of the board have been discussed, including increasing the number of both scheme member and employer representatives from the minimum of two to three, and the appointment of an independent chair for the board.
2. This report presents the proposed role profiles for board members and for the independent chair of the board, for comment and approval by current board members.
3. It also sets out the process by which the recruitment can be progressed, including recommendation to the pension fund committee.
4. Members are asked to approve the role profiles and the process by which the role will be recruited.

CONFIDENTIAL / EXEMPT ITEMS

5. It is proposed that the two appendices to this report, being the role profiles for both board members and independent chairman, are considered exempt for publication due to the draft nature of the information contained therein, which has not been agreed by the pension board or the pension committee.
6. The board will be able to discuss the report including the appendices during the meeting, as the meeting is not open to members of the general public or press. However, it is not deemed appropriate that the role profiles be published on the council's website at this early stage in the appointment process.

BACKGROUND

7. In September 2019, the board agreed that it would like to progress increasing the number of members on the pension board from the minimum of four (two each of scheme member and employer representatives) to a maximum of eight (being four of

each type), and consider the appointment of an independent chairman. This was agreed and has been incorporated into the board's terms of reference in the current constitution of the Isle of Wight Council.

8. Since then, there has been little progress on recruiting either the independent chairman or the additional board members, due to pension fund governance resource constraints and other work pressures.
9. The role profile for board members, presented at appendix 1, has been adapted from similar role profiles used for other funds' local pension boards. It has been reviewed by the fund's governance consultants, whose comments have been incorporated into the version appended to this report.
10. The role profile for the independent chair, presented at appendix 2 to this report, has been updated since a previous draft version was circulated to board members in 2019, based on adverts seen from other LGPS funds for a similar role. Again, comments from the fund's governance consultants have been incorporated into the version of the role profile appended to this report.
11. The role profiles have been shared with the Director of Finance and Section 151 Officer, who is supportive of both. The Director of Finance has asked for further clarification on the selection and appointment process for both roles, and the proposed remuneration for the independent chairman.
12. The terms of reference for the pension board, as included in the council's constitution, specifies the selection process for board members as follows:
13. *For the minimum membership size of four, one of the employer representatives shall be an elected member of the council. The other will be selected by the other employers of the Fund using the following process:*
 - (a) *the Scheme Manager will seek nominations from all external employers*
 - (b) *candidates will provide short biographies*
 - (c) *employers will be asked to select their preferred candidate*
 - (d) *the candidate with the most votes will be appointed*
14. *Should the total number of members increase, additional employer representatives will initially be sought from the council but may also be sought from the external employers of the Fund.*
15. *One of the scheme member representatives shall be appointed by a recognised trades union, which is responsible for arranging its own election of suitable candidates, representing both active and retired members. For all other scheme member representatives, the council will undertake a selection process by requesting expressions of interest from all active, deferred and retired members, followed by a ballot.*
16. The terms of reference also allow for the appointment of an independent chairman:
17. *There shall also be an independent chairman, appointed by the Administering Authority with the agreement of the Board. The chairman must have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer, nor be a member of the LGPS.*

18. It is proposed that these aspects are discussed at the pension board meeting, with proposals for the selection and appointment, as well as the basis of remuneration, being presented to the pension fund committee at its meeting in July for adoption and onward progression.

STRATEGIC CONTEXT

19. 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.
20. Recruiting additional members of the pension board, along with an independent chairman contributes to the overall governance framework for the pension fund, supporting the agreed governance objectives:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
 - (b) Ensure Fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
 - (c) Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
 - (d) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
 - (e) Understand and monitor risk and compliance.
 - (f) Continually measure and monitor success against objectives.

FINANCIAL / BUDGET IMPLICATIONS

21. The costs for the independent chairman will be funded from the pension fund's governance budget. Should the remuneration be subject to tax and NI deductions, the post will be paid through the Council's payroll process, and recharged to the fund, following a similar process to that used for the pension administration team.

LEGAL IMPLICATIONS

22. The Public Service Pensions Act 2013 requires each LGPS scheme manager to establish a pension board with responsibility for assisting the scheme manager in
 - (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
 - (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
 - (c) such other matters as the scheme regulations may specify.
23. The Act also specifies that the board must include employer representatives and member representatives in equal numbers.

24. The Council's constitution includes the terms of reference for the Local Pension Board at Part 3, section 6.
25. The terms of reference specify that the Board consists of a minimum of four and a maximum of eight members, constituted with an equal number of employer and scheme member representatives as follows:
 - (a) Minimum of two, maximum of four, employer representatives
 - (b) Minimum of two, maximum of four, scheme member representatives
26. The terms of reference also allow for the appointment of an independent chairman.

EQUALITY AND DIVERSITY

27. 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.
28. In clearly defining the selection and appointment process, and opening the roles up to all eligible candidates, the scheme manager is ensuring that there are no negative impacts on any of the protected characteristics.

RECOMMENDATION

29. The board is asked to confirm the role profiles for board members and the independent chairman.
30. The board is asked to consider the remuneration process for the independent chairman.
31. The board is asked to recommend the selection and appointment process to the pension fund committee.

APPENDICES ATTACHED

32. APPENDIX 1 (confidential): Draft role profile for Local Pension Board members.
33. APPENDIX 2 (confidential): Draft role profile for independent chair.

BACKGROUND PAPERS

34. Isle of Wight Council Constitution
<https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&MId=538&Ver=4&Info=1>

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