

## **Pension Advisory Board**

**21 November 2018**

### **Review of CIPFA's Guide for Local Pension Boards**

#### **Report by Director of Finance, Performance and Procurement**

##### **Summary**

This report provides a review of the Guide for Local Pension Boards published by CIPFA in May 2018. Officers have reviewed this document and this report highlights areas that need to be considered and will be addressed in the recommendations.

##### **Recommendation(s)**

The Board notes the update and considers the Guidance.

## **1. Introduction**

- 1.1. The first guide by CIPFA relating to Local Pension Boards (LPB) was published in July 2015 when the Local Pension Boards were first set up. CIPFA have now provided updated guidance which reflects knowledge acquired since the inception of the LPB's.
- 1.2. This guidance has been reviewed by Officers to ensure that West Sussex is following best practice and to make recommendations if necessary. It is considered that the Board is fully compliant but could implement a few changes to reflect the Guidance which are being worked through by Officers.
- 1.3. The legislation and functions relating to Local Pension Boards is included as Appendix A.
- 1.4. The following section of the report consider the Guidance.

## **2. Board relationships**

- 2.1. This section looks at how the LPB interacts with the Administering Authority and the findings are based on the Scheme Advisory Board survey of LGPS Local Pension Boards in 2017.

### Access to Agendas

- 2.2. The guidance suggests that Boards need access to both the open and closed areas of the agenda of the pensions committee in order to perform their functions effectively. The Board currently has access to the Part II (closed) minutes and can request agenda papers if required.

### Cross Observation / Meetings of both chairs

- 2.3. CIPFA consider that it is good practice for Board members to attend the full meeting of the Pension Panel and similarly the Chairman of the Panel to attend meetings of the Board. This may assist with context when reviewing the agenda and minutes.

#### Section 151 officers

- 2.4. The guidance proposes that there is value in the Chairman of the Board having a regular meeting with the section 151 officer. The section 151 officer is also the co-Scheme Manager for the West Sussex Fund this is also relevant.

#### Relationship with other external suppliers of services to the Fund

- 2.5. As West Sussex use a third party administrator this is particularly important and the key focus should be on data quality. The guidance suggests that the Board could examine any service level agreement (SLA) the Authority has in place with the provider and determine what reports it needs from its administrator in order to fulfil its functions, including KPIs.
- 2.6. The Board currently receive information on performance against key indicators and additional information it has requested.

### **3. Board Structure and operations**

#### Terms Of Reference

- 3.1 The guide recommends that the Terms of Reference (TOR) should be reviewed on an annual or biennial basis. This is already in place by the Board's approval of its Terms at its first meeting of the year.

#### Number of Board Members

- 3.2 The guide has advised that the two employers and two member representatives is the minimum requirement and is the most vulnerable arrangement. Following the review of the TOR the Board agreed to increase its membership to three employer representatives and three member representatives with an independent Chairman.

#### Frequency of meetings

- 3.3 Both The Pension Regulator and the Scheme Advisory Board suggest four meetings per annum as a suitable number. The number of meetings the Board has now increased to four. This is in line with the number of meetings for the Pension Panel.

#### Performance of the Board

- 3.4 The guide suggests consideration should be given to how effectively the Board works. There are not any formal standard KPIs for Local Pension Boards, although some have been adopted locally. Within the governance structure of the West Sussex Fund it would be for Governance Committee to

decide if the Pension Advisory Board is carrying out its functions. A report is taken annually to the Governance Committee on the work of the Board and its plan for work through the year. The Chairman has also provided a template to review member performance.

#### **4. The Scheme Advisory Board**

- 4.1 The administering authority should notify the SAB of any changes to board membership or contact details. This is undertaken by officers.

#### **5. Work Programmes for the PAB**

- 5.1 The guidance suggests that over time, the agenda for the Board should consist of items it previews for the Pensions Panel and that Panel and Board meetings should be in line to leave time for recommendations to be considered. This is one of the reasons behind the decision to increase the number of meetings each year of the PAB to four.
- 5.2 The guidance also suggests a number of items that should be on the annual work programme including an Annual Report of the Board, updates on any relevant legislative requirements, the TPR priorities, requests from the Pensions Panel and a review of the Code of Practice 14. The Board could review its work plan to ensure it includes the recommended items.

#### **6. Training**

- 6.1 The guidance states that it is good practice for Board members to complete the TPR online Public Service toolkit. This is a requirement for West Sussex PAB members as set out in the Training Strategy presented elsewhere on the agenda.

#### **7. Investment Pools**

- 7.1 The guidance suggests that Board should satisfy itself that the governance of the pools and the processes that have been followed. The guide refers to both CIPFA's Investment Pooling Governance Principles and guidance from the SAB on this matter.

#### **8. Responsible Investment**

- 8.1 The MHCLG guidance issued in respect of Regulation 7 (2) (e) of the LGPS (Management and Investment of Funds) Regulations 2016 states that when forming their Investment Strategy Statement Funds need to explain the extent that the views of the local pension board have been taken into account for non financial factors. In order to provide a view the PAB needs to ensure it has the relevant knowledge and understanding which could be facilitated by the Authority or by members of the PAB seeking their own information.

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**Appendices**

Appendix A - Legislation and functions relating to Local Pension Boards  
Appendix B - CIPFA Guide for Local Pension Boards

**Background Papers**

None