


<p>Non-Executive Report of the:</p> <p>Pensions Committee</p> <p>Monday, 3 October 2022</p>	
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
Policy on Representation and Voting at Pension Fund Committee	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

In February 2021, the Scheme Advisory Board (SAB) published the final Phase III report on Good Governance in the LGPS (“the report” or “the review”). The report makes a number of recommendations to improve governance within Funds and across the LGPS

SAB have sent the report to the Department of Levelling Up Housing and Communities (“DLUHC”) with the recommendation that the findings be implemented within the LGPS either through revised Regulations or by producing statutory guidance.

Whilst the timeline for the statutory guidance necessary for Good Governance recommendations to take formal effect is in the hands of the DLUHC, The SAB remain committed to principles of Good Governance and LGPS funds can benefit from improved governance without waiting for statutory guidance.

This report complies with the requirement of the Good Governance III recommendation C 1 each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.

Recommendations:

The Pensions Committee is recommended to:

1. Note this report and appendix taken to address recommendation C1 of the Good Governance III Review prior to the implementation of statutory guidance by DLUHC.

1. REASONS FOR THE DECISIONS

- 1.1 Acting in its capacity as Administering Authority to the Tower Hamlets Pension Fund, it is the responsibility of London Borough of Tower Hamlets to ensure that the Pension Fund complies with legislation and effectively manages the Fund's affairs.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to this report.

3. DETAILS OF THE REPORT

Why this report is needed

- 3.1 Acting in its capacity as Administering Authority to Tower Hamlets Pension Fund, it is the responsibility of London Borough of Tower Hamlets to ensure that the Pension Fund complies with legislation and effectively manages the Fund's affairs.
- 3.2 The Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance. Hymans issued two preliminary and one final (phase three) report following a period of consultation. SAB have made proposals to Government and are currently awaiting a response.
- 3.3 This paper focuses on one recommendation in phase three, to publish a policy on representation of scheme members and employers & voting at Committee, explaining the Committee's approach to representation and voting rights for each party.

This report addresses the legal position of the Pension Committee structure, representation, and governance. This report does not address any political views.

- 3.4 The requirement in the Good Governance SAB/Hymans report is set below:

"One of the key principles of the Good Governance Review is the recognition that each administering authority knows its own situation best and that The Guidance should avoid being overly prescriptive and limiting. In matters of delegating responsibilities and appointing members to committees, most administering authorities must comply with the Local Government Act 1972. Nothing within The Guidance can, or should, override or limit the provisions of the 1972 Act. The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- The rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and

- The rationale as to whether those representatives have voting rights or not.

The SAB's view is that it would expect scheme managers to have the involvement employers and member representatives on any relevant committees. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership. The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund".

- 3.5 While the SAB expresses an 'expectation' that employer and employee representatives will have involvement on the Pension Fund Committee, they are keen to leave this to local decision making and have limited their proposal to documenting the reasons for the approach taken and a discussion on wide engagement.

The current arrangement at Tower Hamlets includes the opportunity for non-voting employer and trade union representatives attending Committee while the Local Pension Board comprises a diverse membership. When the Local Pension Board was introduced there was the option of establishing a joint Committee and Board, with voting for all. Few local authorities opted for this approach due to concerns over losing majority voting rights.

- 3.6 Attached is a policy on representation at Committee and Board as documented in the Council's constitution. This report enables the Fund to action the recommendations of the Good Governance project.

4. EQUALITIES IMPLICATIONS

- 5.1 There is no direct equalities implication.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 Risk management is central to the LGPS; which are in themselves risk management tools.
- 5.3 There are no specific risk management implications arising from this report. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are expected to be no direct resourcing implications arising from addressing the requirements of the Good Governance Review.

7. COMMENTS OF LEGAL SERVICES

Legal and Constitutional References

- 7.1 The SAB action plan references some proposed outcomes being dependent on the issue of new relevant statutory Guidance and / or updating of existing scheme regulations which are within the remit of the Department of Levelling Up, Housing and Communities.
- 7.2 The Council's Constitution – Part B – includes within the responsibilities of the Pension Fund Committee. "To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.
- 7.3 The terms of reference for the Board include assisting the Administering Authority (London Borough of Tower Hamlets) as Scheme Manager in ensuring the effective governance and administration of the Local Government Pension Scheme.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Policy on Pension Committee and Board Representation (Appendix 1).

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

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