

FALKIRK COUNCIL

Subject: PENSION BOARD CONSTITUTION
Meeting: JOINT MEETING OF THE PENSIONS COMMITTEE AND PENSION BOARD
Date: 26 JUNE 2015
Author: CHIEF GOVERNANCE OFFICER

1. PURPOSE

- 1.1 The purpose of this report is to present a draft constitution for the Pension Board.

2. BACKGROUND

- 2.1 The Pensions Committee agreed, in 2014, revised governance arrangements for the Falkirk Council Pension Fund in order to comply with the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 which give effect to the Public Service Pensions Act 2013. The new arrangements include the establishment of a Pension Board from 1 April 2015 with responsibility for assisting the Scheme Manager (the Council) to comply with the Pension Scheme Regulations and the requirements of the Pensions Regulator.

3. CONSTITUTION

- 3.1 A draft constitution, which will assist in the administration of the Pension Board and establish Terms of Reference for its operation, is attached. The draft constitution is based upon the Governance Heads of Agreement and Model Constitution authorised by the Scottish Local Government Pensions Advisory Group (SLOGPAG).

4. RECOMMENDATIONS

- 4.1 **That the Pensions Committee and Pension Board note the report and draft constitution; and**
- 4.2 **That the Pensions Committee consider and approve the draft constitution of the Pension Board.**

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Chief Governance Officer
Date: 12 June 2015

Contact Officer: Antonia Sobieraj, Committee Services Officer (01324 501277)

LIST OF BACKGROUND PAPERS

nil

FALKIRK PENSION FUND

PENSION BOARD CONSTITUTION

1. Introduction

- 1.1 Falkirk Council is required by law to operate and maintain a pension fund under the terms of the Local Government Pension Scheme. The Council, which is the legally constituted decision making body for pension fund business, has chosen to delegate this role to a Pensions Committee.
- 1.2 Under the terms of the Public Service Pensions Act 2013 and associated legislation, the Council is designated as a "Scheme Manager".
- 1.3 Each Local Government Pension Scheme Manager in Scotland is required to establish a Pension Board separate from any Pensions Committee.
- 1.4 The Falkirk Council Pension Fund Pension Board is established under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.
- 1.5 The statutory role of the Pension Board is to assist the Scheme Manager in:-
 - Securing compliance with the rules relating to scheme governance and administration;
 - Securing compliance with requirements imposed by the Pensions Regulator; and
 - Such other matters as may be specified in legislation.
- 1.6 Full details of the Fund's Governance arrangements can be found in its Governance Policy document dated May, 2015.

2. Objectives

- 2.1 The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with Pension Scheme Regulations and the requirements of the Pensions Regulator.

2.2 The Pension Board may consider any matters concerning pensions it deems relevant to Fund activities including, inter alia:

- Reports produced for the Pensions Committee;
- Reports from the scheme manager on any aspect of the Fund;
- Monitoring investments and investment principles, strategy and guidance;
- The Fund Annual Report and Accounts;
- External voting and engagement provisions;
- Fund administrative performance;
- Actuarial reports and valuations;
- Funding policy; and
- Any other matters that the Pension Board deems appropriate.

3. Membership

3.1 Membership of the Pension Board will consist of equal numbers of Trades Union representatives and employer representatives, drawn from Clackmannanshire, Falkirk and Stirling Councils and the other scheduled and admission bodies in the Fund. Pension Board representatives must not participate in or act as members of the Pensions Committee. Local Authority employer representatives will normally be Elected Members serving as part of their respective Councils.

3.2 There will be 4 member representatives appointed by the Trades Unions as follows:-

- GMB
- UCATT
- UNISON
- Unite

3.3 There will be 4 employer representatives appointed by the respective employer organisations as follows:-

- Clackmannanshire Council / Stirling Council
- Scottish Environment Protection Agency
- Scottish Childrens' Reporter Administration
- Scheduled or Admission Body

3.4 The 8 Pension Board representatives will serve for a period of 4 years and may be reappointed to serve further terms in accordance with agreed timescales. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

3.5 Advisors may attend meetings of the Pension Board in a non-voting capacity.

- 3.6 No person may be appointed to the Pension Board who has a conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established. The Pension Board will adopt policies and protocols for handling any conflicts that are unanticipated and might arise during membership.

4. Meetings

- 4.1 The Chair of the Pension Board will be rotated on an annual basis between the Trades Unions and employers.
- 4.2 The Pension Board will meet at least on a quarterly basis. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.3 While the statutory roles and functions of the Pension Committee and Pensions Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda. The Convener of the Pensions Committee will chair the joint meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.
- 4.4 Pension Board meetings will be administered by Falkirk Council. All reasonable administration costs shall be met by the Fund.
- 4.5 The Pension Board may establish Sub Committees as required.

5. Dispute resolution

- 5.1 If the Pensions Committee and Pension Board cannot reach joint agreement in any matter the process for resolving any differences between the two bodies will be as outlined below. Whilst this process is undertaken the decision of the Pensions Committee is still competent.
- 5.2 In the first instance, if at least half of the members agree, then the Pension Board can refer back a decision of the Pensions Committee for further consideration if any of the following grounds are met:-
- That there is evidence or information which it considers needs re-evaluating or new evidence or data which the Pensions Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;

- That the decision of the Pensions Committee could be considered illegal or contrary to Local Government Pension Scheme regulations;
 - That the decision of the Pensions Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
 - That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme.
- 5.3 If there is no agreement after the matter has been referred back to the Pensions Committee, then the difference in view between the Pension Board and the Pensions Committee will be published in the form of a joint secretarial report on the fund website and included in the Fund Annual report.
- 5.4 The national Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

6. Training

- 6.1 All members of the Pension Board must undertake a training programme in accordance with the best practice training requirements of the Pensions Committee.
- 6.2 The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.
- 6.3 The Scheme Manager will keep an updated list of the documents with which it considers Pension Board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

7. Access to Information

- 7.1 The Scheme Manager and the Pensions Board will together ensure that information is published about the activities of the board including:-
- The constitution of the Pension Board;
 - The name and organisation of Board members; and
 - Any specific roles and responsibilities of individual Pension Board members.
- 7.2 The minutes of the Pension Board (whether this is a minute of a joint meeting with the Pensions Committee or the minute of a separate Board meeting) will be published on the Falkirk Council website www.falkirk.gov.uk.

7.3 The Pension Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.

Falkirk Council
10th June, 2015