

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: a saltire, top-right: a stag's head, bottom-left: a sailing ship, bottom-right: an eagle), and a banner at the bottom with the motto "A NE FOR A".

Agenda Item 8

Pension Fund Delegation

FALKIRK COUNCIL

Subject: Pension Fund Delegation

Meeting: Joint Meeting of Pensions Committee and Pension Board

Date: 21 June 2018

Submitted by: Director of Corporate and Housing Service

1. Purpose of Report

- 1.1 This report updates the Committee and Board on the delegations that exist in relation to Pension Fund business.

2. Recommendation

- 2.1 **The Pensions Committee and Board are asked to note the contents of this report and invited to comment as appropriate.**

3. Background

- 3.1 Under the Fund's governance model, the Pensions Committee is the body responsible for making all decisions on strategic matters affecting the Fund, including the setting of funding and investment strategies and the approval of budgets and annual accounts.
- 3.2 By contrast, the Pension Board is a statutory body but a non-decision making body. The Board's role is to assist the Scheme Manager (in this case Falkirk Council) in complying with the Scheme rules and any requirements imposed by the Pensions Regulator.
- 3.3 At the Joint meeting of 15 March 2018, the Committee and Board asked to be provided with details of the delegations operating within the Pension Fund.
- 3.4 Accordingly, this report set outs the Fund delegations which are essentially delegations made by Council to the Pensions Committee and by the Committee to Chief Officers.

4. Delegation by Council to Pensions Committee

- 4.1 Falkirk Council is designated as an Administering Authority under the terms of the Local Government Pension Scheme and is required to maintain a pension fund as part of its statutory obligations.

4.2 Under Section 6 of the Council's Standing Orders – Scheme of Delegation to Committees - the Council has delegated pension fund business to the Pensions Committee. This includes all matters of strategic importance to the Fund, such as:

- agreeing investment beliefs and policies
- setting investment strategy including asset allocation and benchmarks
- setting funding policy
- overseeing Fund administration
- approving the Pension Fund Budget and the Annual Report and Accounts

5. Delegation to Chief Finance Officer

5.1 Section 7 of the Council's Standing Orders sets out the Scheme of Delegation to Officers. Under these delegations, Chief Officers are empowered to take all operational decisions:

- except for those matters specifically reserved to Council or Committee and provided that any such decisions are not inconsistent with Council policy
- on all managerial and professional matters incidental or ancillary to the discharge of functions delegated above

5.2 The Scheme of Delegation provides that a Chief Officer may further delegate any matter delegated to them with the objective that day to day decisions should be taken as close as possible to the point of service delivery. For the Pension Fund, the Director of Corporate and Housing Services, to whom the Chief Finance Officer reports, has agreed that matters of an operational nature affecting the pension fund should be delegated to the Chief Finance Officer.

5.3 The delegation outlined in 5.2 means that operational fund activities are undertaken in the name of (and with the authority of) the Chief Finance Officer.

5.4 Matters of an operational nature deemed to fall within the delegation to the Chief Finance Officer include:

- Authorising the award of scheme benefits (e.g. pensions, lump sums, transfers)
- Authorising scheme communications (e.g. benefit statements)
- Letting contracts (e.g. Pensions Administration System, Actuarial Services)
- Authorising actions relating to statutory compliance (e.g. PAYE, HMRC, ONS)
- Agreeing employer cessation arrangements
- Authorising documentation ancillary to the Fund's investment and cash management strategies

5.5 In delivering the pensions function, the Chief Finance Officer relies on the Pensions Manager to oversee and manage the operations of the Pensions Section. The Chief Finance Officer has regular discussions with the Pensions Manager on a range of issues impacting on Fund business.

6. Specific Discretions

- 6.1 Notwithstanding the delegation to the Chief Finance Officer which encompasses all non policy related operational activities, there are a small number of instances where Council or Committee have agreed a bespoke delegation to address particular circumstances. These are as follows:

i) Payment of Lump Sum Death Grants

“The Chief Finance Officer will have authority to determine the recipient of any death grant in circumstances where the scheme member has made a nomination and the payment is made to the nominee and in the absence of a nomination where the payment is made in accordance with a will, and in the absence of a will in accordance with the rules of intestate succession. In all other cases, the Chief Finance Officer and the Chief Governance Officer will have the authority to make the decision.”

(Extract from Council Standing Orders, March 2017)

ii) Implementation of Investment Strategy

As agreed at the Joint Meeting of 16 March 2017, implementation of investment strategy (including the selection and deselection of Investment Managers) has been be delegated to the Chief Finance Officer on the basis of advice being provided by the Joint Investment Strategy Panel.

7. Implications

Financial

- 7.1 There are no financial implications associated with this report.

Resources

- 7.2 No additional resources are required as a result of this report.

Legal

- 7.3 Pension fund business needs to be conducted in accordance with the statutory terms of the Local Government Pension Scheme regulations and associated pensions legislation. The delegations of powers to Committee and Chief Officers is not inconsistent with the legislation and is the common structure used by UK local authority pension funds to facilitate business.

Risk

- 7.4 Without clear rules relating to delegation, there is a risk that Fund decisions could be taken without due authority. This risk is mitigated through the scrutiny provided by Pension Board and the oversight of internal and external audit.

Equalities

- 7.5 No equalities issues are raised by this report.

Sustainability/Environmental Impact

- 7.6 No sustainability/environmental issues are raised by this report.

8. Conclusion

- 8.1 The Council has delegated pension fund business to its Pensions Committee with the Committee having responsibility for all Fund matters of a strategic nature.
- 8.2 Under the Scheme of Delegation, operational matters are delegated to Chief Officers and for the Fund, on the basis of approval having been given by the Director of Corporate and Housing Services, this is the Chief Finance Officer.
- 8.3. The system of delegation permits the pensions function to be delivered effectively but with proportionate levels of control in place.

Director of Corporate & Housing Services

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Appendices

None

List of Background Papers:

Falkirk Council Standing Orders, dated 29 March 2017