



## London Borough of Hammersmith & Fulham

### AUDIT, PENSIONS AND STANDARDS COMMITTEE

2<sup>nd</sup> December 2014

#### PENSION FUND GOVERNANCE – PENSION FUND SUB COMMITTEE

#### Report of the Executive Director of Finance and Corporate Governance

#### Open Report

**Classification:** For Decision

**Key Decision:** No

**Wards Affected:** All

**Accountable Executive Director:** Jane West, Executive Director of Finance and Corporate Governance

**Report Authors:** Jonathan Hunt, Tri-Borough Director of Treasury and Pensions and Nicola Webb, Tri-Borough Pension Fund Officer

**Contact Details:**  
Tel: 020 7641 4331  
E-mail: nwebb@westminster.gov.uk

## 1. EXECUTIVE SUMMARY

- 1.1. The Committee is being requested to consider a proposal for a separate Pension Fund Sub Committee to be established to better enable the Council discharge its responsibility for the management of the Pension Fund effectively.

## 2. RECOMMENDATIONS

- 2.1. The Committee is asked for its views on a proposal to establish a Pension Sub Committee and its terms of reference or agree for the Committee to meet more frequently to consider Pension Fund matters.

## 3. REASONS FOR DECISION

- 3.1. To enable the views of the members currently responsible for Pension Fund decisions to be included in the proposals put to full Council on this matter.

## 4. INTRODUCTION AND BACKGROUND

- 4.1. The Audit, Pensions and Standards Committee was set up by Full Council on 26<sup>th</sup> May 2010. It was created as part of an exercise to reduce the

number of committees operated by the Council and streamline decision making.

- 4.2. In the time since that decision was made, the Pension Fund has grown to £800m and the range and complexity of the pensions arena has grown to the extent that it is difficult to afford sufficient time and attention to the Fund within the current committee structure. Scrutiny of Local Government Pension Funds and their governance arrangements has also been growing, particularly with the recent extension of the Pensions Regulator's remit to include local government pensions. It is therefore increasingly important that the Council is able to demonstrate effective governance of the Fund.
- 4.3. In addition it has also become difficult for the committee to give sufficient attention to the audit responsibilities.

## **5. PROPOSAL AND ISSUES**

- 5.1. In order that Members can focus sufficient attention on the £800m Pension Fund, it is proposed that a separate Pension Fund Sub Committee is established. The decision whether to do this is reserved for full Council.
- 5.2. Subject to Council's approval a Committee may have a Sub Committee whose membership is drawn from the parent Committee. It may delegate any, or all, of its functions to such Sub Committees or to an Officer, subject to any statutory restrictions.
- 5.3. The proposal for discussion is that the Audit, Pensions and Standards Committee would seek the establishment of a Sub Committee with delegated authority on all pension matters as outlined in the draft terms of reference.
- 5.4. Appendix 1 sets out the proposed terms of reference for the new Sub-Committee. The pension elements of the Audit, Pensions & Standards Committee were last reviewed in 2010 and so it is timely to review them for a proposed Sub Committee. The changes proposed to the current terms of reference reflect more accurately the matters the Sub Committee will cover in the wider pensions area and enable any successor Committees or Officers to have a better understanding of their respective remits. It would also foster a greater degree of alignment across Hammersmith and Fulham, Kensington and Chelsea and Westminster. This last point should enable a greater degree of discussion between the three Committee Chairmen where it is appropriate and relevant – given the degree of commonality in some areas between the three funds.
- 5.5. The Committee's views on this are sought on the terms of reference attached which outlines the membership, operational matters, and decision powers.
- 5.6. An alternative would be that the current Committee would meet more frequently perhaps with a set schedule of the types of items to cover at each meeting. This would provide more time to consider the breadth of

pensions and audit items to ensure they get sufficient attention. It would also ensure the whole Committee continues to deal with pension matters.

- 5.7. However increasing the number of meetings would not necessarily address the issue faced by the Committee as there would be times when both key Pensions and Audit issues need to be discussed at the same time clogging up the agenda. A Sub Committee structure would also enable the Committee to have a more focused group of members to develop expertise and detailed knowledge of pension matters to make effective decisions in this complex area.
- 5.8. It is the officers' view that the current committee structure does not sufficiently support the governance needs of the Pension Fund and that a separate Sub Committee is the best option for changing this.

## **6. CONSULTATION**

- 7.1 This committee's views are being sought on the proposal.

## **7. EQUALITY IMPLICATIONS**

- 7.1. Not applicable.

## **8. LEGAL IMPLICATIONS**

- 8.1. The establishment of a Pension Fund Sub Committee will continue to promote timely, effective, transparent and lawful decision making reflecting the arrangements Members have put in place for the running of the Council.

## **9. FINANCIAL AND RESOURCES IMPLICATIONS**

- 10.1 All costs arising from the operation of the Pension Fund Sub Committee will be met by the Pension Fund.

## **10. RISK MANAGEMENT**

- 10.1. Not applicable.

## **11. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 11.1. Not applicable.

### **LOCAL GOVERNMENT ACT 2000** **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

**LIST OF APPENDICES: - Appendix 1: Proposed Terms of Reference for the Pension Fund Sub Committee**

**PENSION FUND SUB COMMITTEE**  
**TERMS OF REFERENCE**

**1. Membership**

- 1.1 The Membership will consist of 3 members drawn from the parent Committee.
- 1.2 The Sub Committee will have the following membership:  
2 Administration Councillors  
1 Opposition Councillors
- 1.3 The Chairman will be drawn from one of the Administration Councillors; the Vice-Chairman will be an Opposition Councillor.
- 1.4 The Sub Committee may co-opt non-voting independent members, including Trade Union representatives, as appropriate.

**2. Quorum**

- 2.1 The quorum of the Sub Committee shall be 2 members.

**3. Voting**

- 3.1 All Councillors on the Sub Committee shall have voting rights. In the event of an equality of votes, the Chairman of the Committee shall have a second casting vote. Where the Chairman is not in attendance, the Vice-Chairman will take the casting vote.

**4. Procedures**

- 4.1 Except as provided herein, Council Procedure Rules (as applicable to all Committees) shall apply in all other respects to the conduct of the Committee.
- 4.2 Meetings of the Sub Committee shall be held in public, subject to the provisions for considering exempt items in accordance with sections 100A-D of the Local Government Act 1972 (as amended).

**5. Meetings**

- 5.1 The Pensions Fund Sub Committee will meet at least four times a year.
- 5.2 The Chairman of the Committee may convene additional meetings as necessary.
- 5.3 The Chief Executive may ask the Committee to convene further meetings to discuss particular issues on which the Committee's advice is sought.

## 6. **Reporting**

- 6.1 The Pension Fund Sub Committee will formally report back in writing to the full Council at least annually.

## 7. **Responsibilities**

To have responsibility for all aspects of the investment and other management activity of the Council's Pension Fund, including, but not limited to, the following matters:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final statement of accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies.