

Pensions Committee

2.00pm, Wednesday, 12 December 2018

Governance Update – revised Pension Board Constitution

Item number	5.3
Report number	
Executive/routine	
Wards	All
Council Commitments	Delivering a Council that works for all

Executive Summary

The purpose of this report is to seek approval for the Lothian Pension Board constitution to be amended to allow the tenure of the Chair of the Pension Board to be extended for one further year.

Governance Update – revised Pension Board Constitution

1. Recommendations

Committee is requested to:

- 1.1 Approve the amendment to the Pension Board constitution to allow the tenure of the Pension Board Chair to be extended to one further year when required.
- 1.2 Approve the amendment of the term 'Chairman' to 'Chair' throughout the Pension Board constitution.

2. Background

- 2.1 The Funds Pension Board constitution was created as a result of the 2013 Act and the new Local Government regulations April 2015 which established the Pension Board as part of the Fund's governance arrangements.
- 2.2 The Fund's constitution currently states that *'the chairman of the Pension Board will be rotated on an annual basis so that it shall be held in alternate years by:
a. a person nominated by a majority vote of the Employer Members and subsequently appointed by the Pension Board;
and b. a person nominated by the majority vote of the Employee Members and subsequently appointed by the Pension Board'*.
- 2.3 The Fund's constitution, section 10, also states that the *'Constitution may be amended by the agreement of no less than 80% of the Members of the Pension Board and with the written consent of the Scheme Manager. Any amendments to the Constitution must be made in compliance, and not conflict, with the 2013 Act (where appropriate) and the 2015 Regulations'*.
- 2.4 The Pension Board constitution currently uses the term 'Chairman' throughout the document.

3. Main report

- 3.1 At its meeting on 26 March 2018 the Pension Board considered and unanimously agreed that the constitution of the Fund's Pension Board should be amended to

allow greater flexibility regarding the tenure of the Chair and to allow the re-appointment of a serving Chair for one further year (a continuous tenure of 2 years).

- 3.2 Amending the constitution to allow the Chair to be re-appointed would afford the Pension Board greater continuity and flexibility if required.
- 3.3 The Pension Board propose that section 5 of the constitution should be amended to include '*The chair of the Pension Board may have their tenure extended for one further year only by the agreement of no less than 80% of the Members of the Pension Board and with approval of the Scheme Manger*'. An excerpt of the constitution is attached as appendix one of this report with the relevant amendment included.
- 3.4 Approval is also sought to amend the term 'Chairman' to 'Chair'.
- 3.5 The amendments proposed by the Pension Board is not in conflict with the 2013 Act and the 2015 Regulations.
- 3.6 The Board now seek approval from the Pension Committee to amend the constitution.

4. Measures of success

- 4.1 The Fund is governed effectively with each Pensions Committee and Pension Board member having a clear knowledge of their responsibilities and a fully functioning Committee and Board.
- 4.2 The Pensions Committee and the Pension Board function in accordance with their respective remits and mandates/constitutions.

5. Financial impact

- 5.1 None.

6. Risk, policy, compliance and governance impact

- 6.1 The Pension Board has the knowledge and understanding to enable its members to properly exercise their functions and must abide by the Fund's constitution.

7. Equalities impact

- 7.1 None.

8. Sustainability impact

- 8.1 None.

9. Consultation and engagement

- 9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

10. Background reading/external references

- 10.1 <http://www.legislation.gov.uk/ssi/2015/60/regulation/3/made>

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11. Appendices

Appendix 1 – Excerpt of the Lothian Pension Fund Pension Board Constitution (including proposed amendments).

The Lothian Pension Fund

Pension Board Constitution (excerpt)

Introduction

The City of Edinburgh Council (the “**Scheme Manager**”) is required to establish a Pension Board for the purposes of facilitating the administration of the Lothian Pension Fund, the Lothian Buses Pension Fund, the Scottish Homes Pension Fund and any other Local Government Pension Scheme that it may administer from time to time (the “**Funds**”). The Pension Board has been established under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 (the “**2015 Regulations**”) and the Public Service Pensions Act 2013.

Further to Regulation 6(6) of the 2015 Regulations, this constitution (the “**Constitution**”) shall supersede any model or other constitution regarding the operation and functioning of the Pension Board associated with the Funds (the “**Pension Board**”).

5. Chairing meetings

- 5.1 Members will appoint a Member to chair the meetings of the Pension Board during any meeting not held concurrently with a meeting of the Pensions Committee.
- 5.2 Where the Pension Board and the Pensions Committee meet concurrently the Convener of the Pensions Committee will chair the meeting and the chair of the Pension Board may act as a spokesperson on behalf of the Pension Board (without prejudice to the rights of any other member of the Pension Board to speak at the meeting).
- 5.3 The chair of the Pension Board will be rotated on an annual basis so that it shall be held in alternate years by:
 - a. a person nominated by a majority vote of the Employer Members and subsequently appointed by the Pension Board; and
 - b. a person nominated by the majority vote of the Employee Members and subsequently appointed by the Pension Board.
- 5.4 The chair of the Pension Board may have their tenure extended for one further year only by the agreement of no less than 80% of the Members of the Pension Board and with approval of the Scheme Manager.
- 5.5 Where the appointed chair is not participating in a meeting of the Pension Board the participating Members must appoint one of themselves to chair it.