
Report to Council

Date of Meeting: 5 March 2015

Subject: Appointment to Outside Body

Report by: Head of Resources & Governance

1.0 Purpose

- 1.1. This report provides information to Council on the changes to governance arrangements by our pension fund provider Falkirk Council as they directly affect Clackmannanshire Council and recommends that an elected member takes up the Council's position on the new Pension Board due to be established on 1st April 2015.

2.0 Recommendations

The Council is invited to:

- 2.1 note the changes to the governance arrangements for Falkirk pensions and the disestablishment of the Pension Panel;
- 2.2 agree to the appointment of an elected member as the Clackmannanshire representative on the new Pension Board; and
- 2.3 nominate an elected member substitute.

3.0 Background

- 3.1 The Hutton Report of 2011 made recommendations for a UK wide framework for public sector pensions. These recommendations were carried forward into the Public Services Pension Act (2013) which has been amplified more recently by draft governance regulations and associated agreements.
- 3.2 Falkirk Council is currently designated as "Administering Authority" but will become the "Scheme manager" of the Falkirk Fund in line with the 2013 Act. Falkirk Council delegates the operational management of its pension fund business to its Pensions Committee which is constituted of 6 Falkirk elected members and three members drawn from the Pensions Panel. Under the existing arrangements, the Pension Panel provides oversight of the pension business. It is a 15 member body with membership drawn from Trade Unions and employer representatives. Clackmannanshire was represented by

Councillor Drummond and the Revenues and Payment Manager, as per Membership of Outside Bodies, report to Council, dated 31 May 2012.

4.0 Discussion

- 4.1 In anticipation of the new Regulations, Falkirk Council undertook a consultation in 2014 about the future arrangements in particular the formation of a new Pension Board which will replace the Pension Panel with effect from the 1st April 2015. The role of the Board is to provide advice, guidance and opinion on all matters relating to the business of the Falkirk Council Pension Fund. The Committee will, as now, remain as the decision making entity.
- 4.2 The Board will be made up of 4 employer representatives and 4 Trade Union representatives with a tenure envisaged for Board members of 4 years. This follows the requirements of the governance regulations which specify an equal number of employer and Trade Union representatives with a minimum of 4 members drawn from each group. The final Panel meeting will be on 12 March and the first meeting of the Board is Scheduled for 26 June.
- 4.3 Therefore under the new arrangements, the Falkirk Board will have fewer representatives from employers than the Panel under previous arrangements. Clackmannanshire has been asked to provide one representative as a Local Authority employer and Stirling will be asked to provide a representative for the Committee which mirrors the current situation vis-a-vis Panel and Committee membership. From time to time the roles may rotate when new members are sought. Falkirk Council has asked that the Council nominate the Board Member by 12 March 2015. Prior to the meeting of the first Pension Board an introductory training event will take place in late May or early June.
- 4.4 The Council can nominate either an Officer or an elected representative to be its Board member. The nature of the Pension Board role lends itself more to an elected member than an officer given that it has an oversight and advisory role rather than operational decision making. Board members will be expected to comply with a Code of Conduct and ensure they have sufficient understanding of pensions administration, undertaking training where necessary, to discharge their role effectively.
- 4.5 Its possible that the Council may be asked to nominate a substitute for its Board member to ensure meetings can always be quorate. The substitute will need to have an awareness of the workings of the Board and may be expected to attend training events. For the reasons outlined in paragraph 4.4 it is recommended that the substitute role is filled by an elected member rather than an officer.

6.0 Sustainability Implications

7.0 Resource Implications

7.1 *Financial Details*

7.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☐

7.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☐

7.4 *Staffing*

8.0 **Exempt Reports**

8.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

9.0 **Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

| | |
|--|--------------------------|
| The area has a positive image and attracts people and businesses | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer | <input type="checkbox"/> |
| Vulnerable people and families are supported | <input type="checkbox"/> |
| Substance misuse and its effects are reduced | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing | <input type="checkbox"/> |
| The environment is protected and enhanced for all | <input type="checkbox"/> |
| The Council is effective, efficient and recognised for excellence | <input type="checkbox"/> |

(2) **Council Policies** (Please detail)

10.0 **Equalities Impact**

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes ☐ No ☐

11.0 **Legality**

11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☐

12.0 Appendices

- 12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix - Falkirk Council letter re Pension Fund Governance Arrangements

13.0 Background Papers

- 13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

Author(s)

| NAME | DESIGNATION | TEL NO / EXTENSION |
|-----------------|--------------------------------|--------------------|
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Approved by

| NAME | DESIGNATION | SIGNATURE |
|-----------------|--------------------------------|-------------------------|
| Stephen Coulter | Head of Resources & Governance | Signed: Stephen Coulter |
| Nikki Bridle | Depute Chief Executive | Signed: Nikki Bridle |

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Falkirk Council
Chief Executive Office
(Finance Services)

Mr Stephen Coulter
Head of Governance
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Dear Mr Coulter,

Falkirk Council Pension Fund – Governance Arrangements Pension Board Nominations

I am writing to advise you that a number of important points relating to the governance of the Falkirk Council Pension Fund were agreed at the Pensions Committee meeting of 12th December, 2014. The recommendations, subsequently ratified by the full Falkirk Council, were as follows:

- that the Pensions Panel be discontinued from 1st April, 2015;
- that the Pensions Committee should continue to operate as at present;
- that a Pensions Board be established; and
- that the Board consist of eight seats to be shared equally between Trade Union and Employer representatives

The change in governance arrangements is the result of the Public Service Pensions Act 2013 which requires each local authority pension fund to establish a Pension Board by 1st April, 2015.

It has been agreed that an employer seat on the new Board should be offered to the Clackmannanshire Council and I am writing to seek your organisation's nominee for that position. It would be most helpful if you could confirm the name and status (i.e. Officer, Councillor) of your nominee as soon as possible, but not later than **12th March, 2015**.

The establishing of the Pension Board means that the existing Pensions Panel will be discontinued with the final Panel meeting taking place on **12th March, 2015** as part of a joint meeting with the Pensions Committee. Councillor Archie Drummond is currently the Clackmannanshire representative on the Pension Panel.

The first meeting of the Pension Board is scheduled for **26th June, 2015**, although an introductory training session will be held in late May or early June. In addition, the Fund is holding its Annual Conference on **16th April, 2015** at Callendar House, Falkirk to which all Panel and Board members will be invited.

Broadly/
 **INVESTORS
IN PEOPLE**

Chief Finance Officer: Bryan Smail

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Broadly speaking, the statutory remit of the Board is to support the Council's Pensions Committee in its decision making role and to ensure that it complies with:

- rules relating to scheme governance and administration; and
- the requirements of the Pensions Regulator;

The following points are relevant in relation to the practical operation of the Board:

- The Board will normally meet jointly with the Pensions Committee
- The joint meeting will be chaired by the Convener of the Pensions Committee
- Any person appointed to the Board must not have a conflict of interest
- A Board Chair will be appointed in case a separate Board meeting is required.
- The Chair of the Board will be rotated annually between employer and member representatives.
- The administration costs of the Pension Board shall be met by the Fund.
- A training programme will be instituted for Board (and Committee) members.
- The current arrangements whereby a Union, Employer and Pensioner representative are co-opted onto the Pensions Committee will continue. The co-opted members are not part of the Pension Board and should not be counted as such.

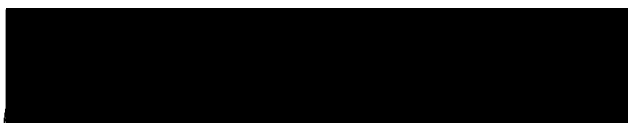
Work is currently underway in the drafting of a constitution for the Pension Board. This will be shared with Board members in due course.

I should add that the intention is for Stirling and Clackmannanshire Councils to always be represented either on the Pension Board or on the Pensions Committee (through being co-opted onto that Committee). At present, a Stirling representative is co-opted onto the Committee, so the Board seat is being offered to Clackmannanshire. There is the potential however for the roles to be reversed in future with Clackmannanshire being represented on the Committee and Stirling sitting on the Board.

I hope that these arrangements meet with your approval and I look forward to receiving confirmation of your nominee in due course.

If you have any further queries regarding this matter, please contact Alastair McGirr on the above telephone number.

Yours sincerely,

A large black rectangular box redacting the signature of the Chief Finance Officer.

Chief Finance Officer