

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

14 March 2019

Report of the Clerk

ARRANGEMENTS FOR CHAIRING THE LOCAL PENSION BOARD

1) Purpose of the Report

To allow the Board to consider future options for the chairing of the Board.

2) Recommendations

Members are recommended to:

- a) **Consider the information set out in this report and decide on which option they would wish to recommend to the Authority.**
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3) Background Information

3.1 At its last meeting the Board received notification of the resignation of the Chair and Vice Chair due to changes in circumstances and work pressures. This gives an opportunity for the Board to consider future arrangements in this area.

3.2 The role of Chair of the Local Pension Board carries all the responsibilities of an individual member in terms of maintaining knowledge and skills and so on together with additional responsibilities for providing leadership to the work of the Board including the planning of the agenda, ensuring that all members have access to appropriate learning and development opportunities. The Chair is also responsible for providing an effective link between the Board and the Authority. The time commitment has not been measured but could be estimated to be up to twice as much as for a Board member. Given the scrutiny role performed by the Board it is important that the Chair is able to lead the development of an agenda in consultation with the officers rather than being led by the officers.

- 3.3 The options available for filling the role of Chair are:
- a) For the Chair to alternate between employer and scheme member representatives after each three year appointment cycle (the current arrangement).
 - b) To appoint an independent non-voting chair.
- 3.4 The current arrangement works in a situation where there is stability in the membership of the Board. However, for various reasons membership of the Board has become less stable and it seems unlikely that any member could commit to a three year term in the current environment. This creates the risk that there are relatively frequent changes in Chair which creates an additional training requirement and may lead to inconsistency in approach as individuals change. Such inconsistency which may lead to officers leading the agenda by default could attract criticism from the Pensions Regulator and undermines the ability of the Board to be effective in its scrutiny role.
- 3.5 The alternative is for an independent chair to be appointed. Under the regulations independent chairs do not have a vote, although given the nature of the Board's activities formal votes are extremely rare. Depending upon the way in which an appointment is made, the number of meetings and level of other input required the cost of such an appointment could be between £5,000 and £10,000. There are four funds within the Border to Coast Pensions Partnership which have independent Chairs. In each case the individuals are retired senior local government officers with considerable knowledge and experience of the operation of LGPS. A number of other larger funds including Merseyside have similar arrangements with similar individuals. Other approaches include appointing individuals with a background as professional trustees in the private sector often through companies that provide such services to pension funds. The feedback from the other funds in Border to Coast is that the arrangements they have in place are considered (principally as a result of the individuals appointed) to have improved the overall performance of their Boards and provided an additional resource both for Board members and officers in developing the Board.
- 3.6 It is a matter for the Board to decide which route it wishes to see progressed. Should it be decided to continue the current arrangements then steps will be taken to find a volunteer to Chair the Board from amongst the employer representatives appointed for the next Municipal year as this would allow the remainder of the current term to be filled. Alternatively, if the Board decides it would like to pursue an independent Chair arrangements will be put in place for members of the Board representing employers and scheme members together with the Chair of the Authority (which would ultimately be responsible for making the appointment) to be involved in the appointment process.

4) Implications and risks

- Financial – If the Board decides to adopt the option of an independent Chair there will be a financial implication. However, given the historic underspending on the Local Pension Board budget it is not anticipated that there will be a requirement for any additional resources.
- Legal – The regulations provide for the option of Local Pension Boards having an independent chair, who does not possess a vote. The appointment process will need to be conducted in such a way as to ensure that it meets the relevant procurement rules.
- Diversity – There are no immediate diversity implications apparent.
- Risk – The risk implications of the options available are outlined in the body of the report.

Dianna Terris
Clerk

Responsible Officer
George Graham
Fund Director

01226 772887
ggraham@sypa.org.uk

Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.