

SOUTH YORKSHIRE PENSIONS AUTHORITY

14 June 2012

Report of Clerk and Treasurer

AUTHORITY GOVERNANCE ARRANGEMENTS

1. Purpose of the Report

To provide Members with options to consider when discussing the rearrangement of Authority meeting structures and decision-making procedures.

2. Recommendations

Members are asked to select one of the options contained in the report.

3. Background Information

- 3.1 Over the years the Authority has operated using different governance structures but none has proved to be wholly satisfactory. The aim of the current arrangement was to create continuity through the two Boards to deal with the technical and detailed issues allowing the Authority to deal solely with strategic policy issues. In practice, however, the Authority has ended up having a rather limited role because most of the work has fallen on the two Boards.
- 3.2 The Corporate Planning & Governance Board has effectively taken on everything other than investment issues so they currently deal with both pensions administration matters and corporate planning. In addition, it has taken on the role of the Audit Committee.
- 3.3 The Investment Board has, on the whole, struggled to cope with its business and Members have expressed the view that the agendas are too long for such a complicated subject. Indeed, the length of agendas is a problem with the CP&GB as well, whereas Authority meetings have tended to have too light an agenda.
- 3.4 Therefore, it is easy to reach the conclusion that the present governance structure does not fit the purpose. However, it has proven very difficult to come up with alternative schemes which address all the identified difficulties and remain workable. It has to be borne in mind when altering the structure of any organisation that the new arrangements have to be serviceable given the limited resources available.

- 3.5 Various discussions have taken place between officers and the Chair and Vice Chair as to alternative proposals for a new structure and this paper sets out three options for Members to consider.
- 3.6 The first represents an evolutionary change; the second is a more radical change and the third is a no change policy bearing in mind the implications that might arise from the implementation of the 2014 LGPS.

4. Way forward

Option 1

- 4.1 This option keeps the present Authority and two board structure but will amend the frequency of meetings and the business discussed at each meeting. The Authority will continue to meet quarterly and to concentrate upon strategy, but will also take on board responsibility for Member training and approval of the Fund's actuarial valuation.
- 4.2 It is intended that a training session, be it internally or externally presented, will be held on the same day as an Authority meeting. It is also suggested that there will be a formal presentation on the Authority's annual report each year and that at each Authority meeting the Chair and Vice Chair of each Board will submit a report on the issues discussed by their respective Boards.
- 4.3 The current CP&GB will continue to be responsible for audit and pension administration matters but will operate on a split agenda. In other words, the first half of each meeting will concentrate on pension administration matters and the second half will operate as an audit committee. This should make business easier to manage and clearer to follow. It might mean that on occasion the Board will only consider audit matters or only pension administration matters. The Board will meet as and when timetabling arrangements require it to, such as approval of accounts or Annual Governance Statement, rather than strictly quarterly.
- 4.4 It is suggested that the Investment Board continues to hold four quarterly meetings to discuss every day management issues but might also meet on another two occasions to discuss bigger issues or themes, such as asset & liability policies or responsible investment strategies. In other words, the Board would probably meet six times a year and again, meetings would be timed to satisfy the underlying operational needs of the Fund rather than on a strictly quarterly basis. It has also been suggested that the present Board cycle results in meetings being held too long after quarter ends. Unfortunately, there is an inevitable delay on some occasions due to the need to obtain externally produced data or audited verification of returns etc e.g. WM presentation, year end valuations.
- 4.5 It should be noted that the current investment advisory panel meet with Members on Board days without any officers of the Authority present, prior to each Board meeting. In my opinion this is a weakness in governance and I feel that at least one of the Authority's statutory officers ought to be in attendance so that the decision making process is transparent.
- 4.6 It is also suggested that the present position whereby the Chair of the Authority chairs the Investment Board and the Vice Chair of the Authority chairs the CP&GB be formalised and at the same time each should be made

the formal deputy on the other board. In other words, the Vice Chair of the Authority becomes the Vice Chair of the Investment Board and will be expected to attend Investment Board meetings. It should be noted that to follow Audit Commission and CIPFA advice the Chair of the Audit Committee should not normally be the Chair or Vice-Chair of the full Authority. However, the District Auditor has been content for the Audit Committee role to remain within CPGB and be chaired by the Vice Chair.

- 4.7 Over time the existing Terms of Reference of both Boards have become blurred and certain arrangements, which on strict interpretation should be handled at Board level, have instead been elevated to Authority level. This might be the correct course of action but the process needs to be fully documented because it suggests that the initial Terms of Reference are flawed.
- 4.8 Appendix 1 shows in bullet point terms the matters which will be discussed by the Authority and the two boards under this proposal.

Option 2

- 4.9 This structure provides for Authority meetings every month to be followed by either an Investment Board or CP&GB meeting. The attraction of this approach is that it re-establishes the Authority's primacy even though some of the individual agendas will remain thin. However, there are two significant problems with a monthly twin track approach. Firstly, it will be tempting for all Members to attend the subsequent Board meeting since they will already be on the premises for the Authority meeting and this will dilute the specialist nature of the Board and, secondly but not least, the more onerous servicing requirements imposed on officers by the increased number of meetings and timetabling constraints. It should also be noted that there will also be timing issues on individual days, especially those when the Authority is followed by an Investment Board meeting.
- 4.10 It is suggested that the previous recommendation regarding the chairing of the Authority and Boards would apply to this structure as well.
- 4.11 Appendix 2 shows a very draft outline of how this structure might operate.

Option 3

- 4.12 Neither of the above suggestions is ideal and as has already been noted, the present structure has its weaknesses. However, it might be prudent to continue with the present structure given the implications of the proposals regarding the re-structuring of the 2014 LGPS. Although the details have yet to be worked through, the potential for a statutory requirement of having stakeholder nominees in a decision making position on the administering Authority could mean that up to 20 people could attend Authority meetings and that attendance at boards might also increase. Furthermore, the new proposals might impose more regulatory requirements upon the administering Authority and increase its formal business and/or require it to make greater consultation with stakeholders etc. Bearing this in mind it might be appropriate not to amend the structure at this stage.

- 4.13 If Members consider that no change should be made to the meeting structure then they are asked to consider report at Agenda item 5 which deals with appointments to the Boards, Committee and Chairs.

Other

- 4.14 So far this paper has only mentioned the main structure of the Authority; however, the review should include the other governance arrangements that are in place. This would include, for instance, the existing Management Committee which meets occasionally to appoint external managers; the Appeals Committee which meets to discuss staff matters, for example, and the Pensions Advisory Panel which acts as a stakeholder consultation forum.
- 4.15 When reviewing these structures Members might consider it worthwhile to establish a separate committee that could operate as a Section 41 meeting. Clearly, there are other possibilities to be considered as well.

5) Implications

5.1 Financial

There are financial implications associated with options 1 and 2 not the least of which is increased officer input. Additional meetings will involve costs.

5.2 Legal

There are no legal implications other than those referred to in the report.

5.3 Diversity

There are no diversity implications.

W J Wilkinson
Clerk and Treasurer

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

Other sources and references: None