

SOUTH YORKSHIRE PENSIONS AUTHORITY

26 July 2012

Report of Clerk and Treasurer

AUTHORITY GOVERNANCE ARRANGEMENTS

1) Purpose of the Report

To provide Members with proposals for the rearrangement of Authority meeting structures and decision-making procedures.

2). Recommendation

Members are asked to accept the proposals contained in the report.

3) Background Information

- 3.1 I presented to the last meeting of the Authority a paper putting forward options for consideration regarding the governance structure of the Authority. For some time Members have expressed concern that the current position is not 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 and scrutiny issues. In practice, however, this had led to an imbalance between the work programmes of the Authority and the two Boards because a lot of the work has fallen on the two Boards. As a consequence, Members have expressed concerns over the length of the Board agendas.
- 3.2 Members have been considering for some time how the situation could be improved and in June received a paper which put forward a couple of alternative structures for comment. Various observations were made before the matter was referred back to officers for further work. Fresh discussions have taken place between officers and the Chair and Vice Chair and this paper sets out a new proposal for Members to consider.
- 3.3 Members appreciate that it is very difficult to come up with alternative schemes which address all the identified issues and yet 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.
- 3.4 There is not a great deal of difference between this suggestion and those put forward last month but given the complexity of the task this is, perhaps, not unexpected. It is not as though the present structure does not function: rather it needs to be improved. Bearing in mind the governance implications that

might arise from the implementation of the 2014 LGPS it is probably prudent to limit any changes to evolutionary ones rather than revolutionary ones.

4) Way forward

4.1 The proposal keeps the present Authority and two Board structure but alters the frequency and timing of meetings. The Authority will continue to meet four times per year and to concentrate upon strategy and scrutiny but with the latter receiving more attention. Time has been allotted for more formal reviews of policies and procedures. In addition, each Authority meeting will receive a report from the Chair and Vice Chair of each Board on the issues discussed by their respective Boards. Member training and self-assessment will become a formal responsibility of the full Authority and will be monitored at Authority level.

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 had been suggested that presentations currently received by Boards be transferred instead to full Authority meetings. However, some of these presentations are not suitable for webcasting and those with an investment theme would require advisor attendance. Inevitably there will be an increase in cost associated with additional advisor input. Furthermore, in order to keep the integrity of the Board's decision-making process any matters arising from those presentations would still need to be referred back to the relevant Board for action. Accordingly, it is suggested that those sort of presentations continue to be included within Board agendas. Potential topics for training could include, for example:-

- Early Retirement Financing
- Dispute & Complaint Resolution
- Explaining an Actuarial Valuation
- National Fraud Initiative
- Infrastructure investment
- Employers' Service Level Agreements (Data & Data Flows)
- Principles of responsible investment

4.3 The Corporate Planning and Governance Board will continue to be responsible for audit and pension administration matters but will operate to 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. Although there may be occasions when the Board will only consider audit or pension administration matters the provisional schedule avoids this. The Board should meet as and when timetabling arrangements require it to rather than strictly quarterly. It is suggested that the Board should receive occasional internal team presentations focusing upon particular aspects of Pensions Administration work.

4.4 It is suggested that the Investment Board continues to hold four meetings to discuss every day management issues: however, it might also hold an additional meeting(s) to discuss strategic matters. Presentations from external managers or advisors would be incorporated into Board agendas. Again, it is suggested that there should be occasional internal team presentations focusing upon particular aspects of Investment Division work.

- 4.5 I have expressed concern before to Members about the current practice whereby the investment advisors meet with Members on Board days prior to each Board meeting, without any officers of the Authority present. I would suggest that at least one of the Authority's statutory officers (not an investment team member) ought to be in attendance so that the decision making process is transparent. Some alternative suggestions would be that the current time allotted to this session, one hour, be cut in half leaving more time for discussion within the Board meeting itself; that there could be a further informal session between Members and investment officers; that any matters arising out of the closed session be formally reported to the Board meeting.
- 4.6 The suggestion 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 remains: similarly, it is proposed that 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 There is an argument that a mechanism be created for the making of quick and/or emergency decisions between Authority and Board meeting cycles. The Management Committee, consisting of s41 spokespersons, carries out this function now and it is suggested that it be continued. Such a Committee might also act as an Appeals Committee to consider staff matters, for example.
- 4.8 It has to be emphasised that there is nothing within these proposals to prevent additional meetings being called as and when necessary. An example of this is the proposed day of discussion on the LGPS 2014 arrangements.
- 4.9 If this proposal is accepted the existing Terms of Reference of both the Authority and the Boards will need to be redrawn.
- 4.10 It is recognised that the above suggestion does not address all the issues raised during previous discussions but it appears to be a reasonable compromise. It does tighten up the distinction between the Authority and its Boards and reinforces the Authority's scrutiny role. Given that the governance proposals that might arise out of the re-structuring of the 2014 LGPS are not yet known (e.g. the potential for a statutory requirement of having stakeholder nominees in a decision making position on the administering Authority) it is suggested that adopting this way forward will leave the Authority in a better position to address them when they are announced.
- 4.11 The attached appendices show stylised representations of how the proposals will work. Members will note that there will be months when there will be more than one meeting and some when there will be none. The appendices outlining which reports should go to which meeting are only meant to be illustrative and are not comprehensive; they merely give an indication of the

range of topics to be considered. It is accepted that there will be additional topics to be discussed (often at short notice) and given the workload that will stem from the consultation over the implementation of the 2014 LGPS and the 2013 actuarial valuation these could be many.

5) Implications

5.1 Financial

There may be financial implications associated with the proposal arising out of increased officer input and more reporting. Additional meetings and greater advisor attendance will involve an increase in costs.

5.2 Legal

There are no known legal implications.

5.3 Diversity

There are no diversity implications.

5.4 Risk

The Authority needs to be in a position to monitor and respond to changes that affect the working of the Authority and be seen to be operating effectively. There is an unquantifiable reputational risk associated with failing to do so.

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