

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

24 JULY 2017

STRATEGIC DIRECTOR FINANCE, GOVERNANCE & SUPPORT – JAMES BROMILEY

GOVERNANCE REVIEW – UPDATE

1. PURPOSE OF THE REPORT

- 1.1 To inform Members of the Teesside Pension Board (the Board) of progress to date with the governance review resulting from an action in the 2015/16 External Auditor report (observations and recommendation).

2. RECOMMENDATION

- 2.1 That Members note the progress made to date passing any comment considered relevant or appropriate, and agree the following:

- Terms of Reference – Teesside Pension Fund Committee (Appendix D)
- Terms of Reference – Teesside Pension Board (Appendix E)
- Conflicts of Interest Policy (Appendix F)
- Procedure for Reporting Breaches of the Law (Appendix G)
- Risk Management Policy (Appendix H)
- Training Policy (Appendix I)

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications from this report.

4. BACKGROUND

- 4.1 A review of the Annual Report and Financial Statements (2015/16) was undertaken by EY. During the course of the audit EY were asked to comment on how the Governance of the Fund compares to other large pension schemes and they set out some high level observations. The observations and recommendations are set out below in Appendix A, together with the proposed actions resulting from the recommendations.
- 4.2 One of the actions agreed was to form a small working group made up from officers of the Fund and Members of both the Teesside Pension Fund and Investment Panel (the Panel) and Teesside Pension Board; terms of reference attached as Appendix B.

5. SUMMARY OF KEY CHANGES

5.1 As a result of the review and the work completed by the working group, the following key changes will be made:

- The Teesside Pension Fund & Investment Panel will change its name to the Teesside Pension Fund Committee (the Committee).
- Membership of the Committee and Board will be for four years, fitting in with the electoral cycle for the Committee Members.
- The Panel currently has membership availability for scheme members/trade unions, but these are non-voting positions. The Committee will have two voting positions for scheme members/trade unions.
- The Teesside Pension Board Members will serve for a period of four years, fitting in with the electoral cycle for elected Members of the Board.
- Pension Board Members are able to attend Pension Fund Committee meetings as observers, including for any exempt items.
- The current business plan is focussed more on investments. This plan will be extended to include more Pension Administration and Governance, including key performance indicators and budgets for pension administration and governance.
- An annual Employer Forum will be introduced for scheme employers to attend and receive update on the Fund.

6. PROGRESS MADE SINCE THE LAST BOARD MEETING

6.1 The small working group created from Members of the Board and the Panel met in April 2017. AON Hewitt, who were asked to carry out an independent review of governance arrangements, produced a report following their review (see Appendix C) and presented their findings and recommendations at the April 2017 meeting. In addition to their report, AON Hewitt also produced draft, revised terms of reference for the Panel and Board.

6.2 Following the working group meeting and further discussions with Fund Officers, AON Hewitt amended the revised terms of reference for the Panel and Board to reflect the outcomes reached at the working group meeting. These were discussed further with Middlesbrough Council's Monitoring Officer, where further changes to the Council's constitution to reflect the changes to both the Panel and Board and their terms of reference were also discussed. Following approval from the Panel and Board these changes will be presented at the September 2017 Full Council meeting for final approval and incorporation within the Council's Constitution.

6.3 As part of the review, a number of policies were identified as required by the LGPS Regulations or related guidance but either missing or out of date. AON Hewitt were

instructed to produce the following draft policies for review and adoption by the Fund:

- Conflicts of Interest Policy
- Governance Policy and Compliance Statement (including a delegation of functions to officers)
- Procedure for Reporting Breaches of the Law
- Risk Management Policy
- Training Policy

6.4 In addition, Kier Business Services were asked to produce:

- Administration Strategy
- Communications Strategy

7. NEXT STEPS

- 7.1 The terms of reference for the Teesside Pension Fund Committee and Teesside Pension Board, and the policies presented to the Board were presented to the Teesside Pension Fund & Investment Panel on 28 June 2017. The Investment Panel agreed the recommendations of approving the new terms of reference for both the Investment Panel and the Board, and the Policies & Strategies presented.
- 7.2 The terms of reference for the Teesside Pension Fund Committee and Teesside Pension Board will be presented to Full Council for Middlesbrough Council in September 2017, together with other required changes for inclusion in the Council's constitution.
- 7.3 The Governance Policy and Compliance Statement, Administration Strategy and Communications Strategy are still in draft form and will be completed for presentation at the September 2017 Pension Fund Committee meeting and at the November 2017 Board meeting.
- 7.4 An exercise will be carried out to update the Fund's risk register. The risk register will be updated to reflect the recommended format by CIPFA, and adopted as part of the Risk Management Policy.
- 7.5 Following the adoption of the recommended changes and new policies, a process will be introduced to check adherence to the Pension Regulator's Code of Practice.
- 7.6 Following adoption of the new training, individual training plans will be created for all Committee/Board Members, and key Fund Officers.

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