

From: Chairman Pension Fund Committee  
Corporate Director of Finance

To: Pension Fund Committee – 22 June 2022

Subject: Governance Review update

Classification: Unrestricted

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**Summary:**

To advise the Committee of the progress made to date on implementing the recommendations of the review of the Fund's governance, including changes to the Pensions Board membership. This report also covers changes to the non-voting membership of the Committee and includes details of the committee terms of reference and meeting guidelines and documented decision-making procedures.

**Recommendation:**

The Committee is recommended to note the report and to resolve to approve changes to the non-voting membership:

- a) That a scheme member seat be reallocated to a representative of the non-local council employers in the Fund
- b) That the staff and KARF member seats be redesignated as an active member representative and a pensioner member representative
- c) That dual membership with the Local Pensions Board of any type is not allowed

**FOR DECISION**

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**Introduction**

1. As previously agreed, the committee will be updated at each meeting on the progress made on the implementation of the Barnett Waddingham recommendations.
2. Since the committee meeting in March work has been undertaken on the proposals for the Pensions Board as well as the committee's terms of reference, their meeting arrangements and documentation of committee decision making procedures.
3. The change of name of the Fund and Committee to Pension Fund and Pension Fund Committee was approved by County Council on 26 May 2022.

4. The intention is that the changes to the Board and Committee terms of reference will be submitted to the Selection and Member Services Committee for their agreement prior to their submission to County Council.
5. Once the membership is agreed then arrangements will be made to recruit the new members to the Board and Committee.

### **Pensions Board review**

6. The Barnett Waddingham recommendations were considered by an informal meeting of the Board on 7 June and members were generally supportive of the proposed changes including a revised terms of reference document and changes to the board membership.
7. The main changes proposed to the board membership are as follows:
  - Increase the total number of members from eight to ten to allow for the appointment of independent members including an independent chair
  - Replace the two employer representatives of the districts / boroughs/ Medway Councils and Fire/Police, with representatives of any non KCC employers including academies and admitted bodies
  - The staff and pensioner categories represented by three of the four scheme member representatives to be include all members with at least one staff and one pensioner representative desirable
  - Dual membership of the board and committee to be disallowed
  - The board will meet four times a year and meetings to be held online as well as in person
  - The meeting quorum to be a third of the voting membership (3) rather than half (4) as presently
8. The board also considered the work programme for the coming year including proposals for enhanced reporting on the performance of the Pensions Admin activity.

### **Pension Fund Committee Terms of reference**

9. As per the review's recommendations the Committee terms of reference contained within the Constitution have been reviewed and a document has been produced collating the key details including Committee members' responsibilities and duties and information such as the term of office, how the chair is chosen, what constitutes a quorum and other operational procedures.

10. It is intended that this document is used for members' reference and training and to assist the Board members and supporting officers to understand the role of the Committee and, in turn, to assist and support them respectively.
11. A copy of the draft terms of reference document is at annex 1. Details of the Committee's role and function and guidelines for committee meetings are included as appendices.

### **Proposed changes to the non-voting membership**

12. Membership of the Committee is set out in the Council's constitution as:  
11 Members; plus, as voting members - District/Borough members (appointed by Kent Leaders Group): 3; Medway Council: 1; and as non-voting members - others: 4.
13. At the present time the 4 non-voting members represent scheme members from each of the following groups:
  - 1 Trade Union representative nominated by Unison
  - 1 KCC staff representative
  - 1 representative from non KCC (Medway and District) Councils
  - 1 representative from the Kent Active Retirement Fellowship (KARF)
14. Only the Trade Union seat is occupied with the other seats being vacant following resignations in 2021. The current Unison representative is also on the Pensions Board as a staff representative.
15. Barnett Waddingham undertook a review of the non-voting membership and have made recommendations for change.
16. Members are now asked to consider the following proposed changes:
  - a) That a scheme member seat be reallocated to a representative of the non-local council employers in the Fund to widen representation and employer engagement. Including other types of employers such as admitted bodies or academies would also be best practice. In the Kent Pension Fund just over 60% of active employers are either admitted bodies or academies.
  - b) That the trade union representative be retained with the other member seats being redesignated as an active member representative and a pensioner member representative. Scheme members will be invited to apply for these seats and will be selected by a panel comprising the chair of the Pension Fund Committee, the Corporate Director of Finance (or their nominee), the Head of Pensions and Treasury and the General Counsel (or their nominee)

- c) That to avoid the perception of, or actual, conflict and to make best use of the Pension Board role to assist the Scheme Manager, no dual roles are allowed.

### **Committee Meeting Guidelines**

17. All decisions of the committee must be taken in accordance with the procedures set out in the constitution. The guidelines at appendix 2 to the terms of reference describe the processes for scheduled and urgent meetings as well as where shorter notice needs to be given for meetings, and delegations to officers.
18. It should be noted that all decisions must be made at formal meetings. In the event that a decision is required before the next formal meeting then a delegation may be made to the Corporate Director of Finance after consultation with the Chair of the Pension Fund Committee in respect of a future decision. This decision should then be reported to the next scheduled committee meeting.

### **Documentation of Committee investment decision making procedures**

19. In their review published in December 2019 Internal Audit commented:
- that there is a risk that without a procedure setting out the basic steps that the Committee should take when making an investment decision, turnover of members could mean that decisions might be made without full consideration of all the available information and/or proper advice, causing a similar situation to arise again, affecting reputations and leading to financial loss.*
20. The Barnett Waddingham review recommended that the decision-making process is documented and training in it be given to members. A procedure note could give assurance that the statutory guidance is being met too.
21. Procedures for Investment decision-making and non-investment decision-making have been documented and are at annex 2. These have been agreed with the Council's Monitoring Officer and it is anticipated that these procedures will be used at each committee meeting to ensure they are followed.

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**June 2022**

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