

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Committee & Board Allowances
Report Author	Chief Executive

EXECUTIVE SUMMARY

Some members of the Clwyd Pension Fund Committee and Pension Fund Board receive allowances in respect of their roles on the Committee/Board. The Independent Remuneration Committee Panel for Wales (IRPW) has recently concluded the Clwyd Pension Fund is not within their remit. Accordingly, Flintshire County Council, as the administering authority for Clwyd Pension Fund, is responsible for determining any allowances that might be paid to Committee or Board members, which are recharged to the Pension Fund.

This report provides information relating to the allowance entitlements for representatives on the Committee and Board:

- Clwyd Pension Fund Board - the Protocol for the Board, which was approved by Council, includes remuneration of Board representatives. In practice only one of the four members of the Board actually claims an allowance.
- Clwyd Pension Fund Committee - Currently the only allowances paid are to the co-opted members on the Committee, which are the Councillors from Denbighshire and Wrexham Councils, the representative for other Scheme Employers and the Scheme Member Representative.

For reasons outlined in this report it is now proposed to recommend to Council an allowance of £8700 each municipal year to be paid from the Pension Fund to the Chair of the Committee.

RECOMMENDATIONS

1	That the Committee consider the allowances currently paid.
2	That the Committee recommend to Council an allowance of £8,700 each municipal year is paid to the Chair of the Clwyd Pension Fund Committee and this is included in the schedule of member remuneration.
3	That the Committee consider and recommend to Council when this additional payment will commence from i.e. backdated to beginning of the municipal year, start from now or start from next municipal year.

REPORT DETAILS

1.00	COMMITTEE & BOARD ALLOWANCES
1.01	To ensure full transparency and discussion, the current allowances paid to the representatives on the Committee and Board are shown in Appendix 1.
1.02	Committee and Board members should also recognise the potential conflicts of interest that arise for some or all members in relation to this agenda item. The Chief Executive will provide guidance on how to handle this potential conflict at the meeting when deciding the recommendation to Council in relation to the payment of allowances to the Chairman of the Committee and/or other members of the Committee and Board.
1.03	There are two key entities responsible for the management of the Clwyd Pension Fund; the Pension Fund Committee, which is the decision making entity, and the Pension Board which assists in the management of the Fund.
1.04	<p>The Council is legally required to have a Pension Board under the Public Service Pensions Act; the Board is not established under the Local Government Act and is therefore not a Section 101 Committee. Accordingly, on establishment of the Board, the Council had to agree full terms of reference and standing orders, which are included within a Protocol.</p> <p>The remuneration for Board representatives is also included in the Protocol for the Board which was agreed by Council and the relevant extract is included in the Appendix. As shown, for all but one of the representatives, who is a retired member, their employers provide appropriate capacity within their normal working day without any reduction in pay and hence, based on the provisions included within the current Protocol, no allowances are paid.</p> <p>However, in determining the amount of the allowance in the Board Protocol the principle applied was to use the allowance amount for co-opted members of the Council, which is determined by the Independent Remuneration Panel for Wales (IRPW).</p> <p>It should also be noted that the role of the Board is too 'assist' and 'ensure' but it is not a decision making body. The decision making body is the Clwyd Pension Fund Committee.</p>
1.05	The maintenance and management of the Clwyd Pension Fund is a legal responsibility of Flintshire County Council. The Council can delegate this responsibility to a Committee, Sub-Committee or officer. The Council decided to delegate the management of the Clwyd Pension Fund to this Committee in 2014 and it operates like any other of the Council's Section 101 Committees, with its terms of reference in the Council's Constitution. Pension matters, however, are non-executive.

1.06	<p>In discussing the specific issue about the Chair's allowance with the IRPW, it has been established that the Clwyd Pension Fund is not in the remit of the IRPW, and therefore any allowances which are recharged to the Pension Fund are a matter for the Council, as the administering authority for the Fund. However, given the Committee is still a Section 101 Committee of the Council, it seems sensible that the allowances for the Committee continue to follow the principles of the IRPW, both on eligibility and value.</p>
1.07	<p>There are some anomalies in the current arrangements that need to be recognised.</p> <ul style="list-style-type: none"> • The Council's Constitution states that "statutory co-optees" are paid allowances. Normally in Welsh Local Government these would not be councillors. However, the co-opted members from Denbighshire and Wrexham Councils (who are councillors) are paid an allowance from Clwyd Pension Fund in accordance with the Constitution. The Flintshire County Councillors are not paid an additional allowance for attending the Committee as they are not co-optees. • The scheme member representative on the Committee is entitled to an allowance (again, due to being a statutory co-optee on the committee) but equivalent representative on the Board is not, however the differing roles of the Committee and Board should be noted. • The 'other employer representative' is currently a Councillor but there is no requirement under the constitution for this position to be filled by an elected member. Again, as a statutory co-optee, this person receives an allowance from the Clwyd Pension Fund.
1.08	<p>There is also a difference between the role of an elected member on the Clwyd Pension Fund Committee and the responsibility as a Councillor for which a salary is paid. Although still representing tax payers, in their Pension fund role they additionally have a fiduciary duty as a quasi-trustee for all members and employers in the Fund. This must come ahead of any interest of the employer they represent and any potential conflict of interest between those roles must be recognised, documented and managed when carrying out Pension Fund Committee responsibilities.</p>
1.09	<p>The responsibilities and complexities of the roles are emphasised below but, although no recommendation is made here beyond the Chairman of the Committee, there is a logic that all representatives, irrespective of 'status', should receive the same allowance for attending Committee, Board or approved training in line with the Fund's Training Policy.</p>
1.10	<p>The role of the Chair of the Committee is now particularly complex. The Local Government Pension Scheme has increased in size and complexity with significant financial consequence for employers. Although all members of the Committee are voting it is ultimately the Chair's input into the strategic decisions that will impact on whether the Fund can achieve its objectives. This requires specialist training especially in investments and funding. This role has been further</p>

	enhanced as a member of the Wales Pension Partnership Joint Governance Committee, which involves additional responsibilities and meeting/training attendance, and whose decisions will impact on all funds in Wales, whose assets invested currently total £15bn.
1.11	The IRPW was asked whether an additional senior salary could be paid to the Chairman of the Pension Fund Committee as the Council had reached its 'cap' and the response outlined above was received. Following the principle of using IRPW rates, Flintshire County Council uses Level 1 senior salary level of £22,100. Hence the Fund could pay £8,700 per annum to the Chair, which is the amount above the basic salary as a Councillor of £13,400. An alternative would be to use level 2 (not currently used by Flintshire County Council) which is £20,100, and which would result in a recharge to the Pension Fund of £6,700 per annum.
1.12	Consideration should also be given to the effective date of the additional allowance, particularly given the Chairman has been carrying out these duties since the elections in May 2017.
1.13	The recommendation is for the Committee to ask Council, as administering authority, for approval of the payment of the senior salary to the Chairman of the Pension Fund Committee, with the additional costs being recharged to the Pension Fund, and for this to be added into the schedule of member remuneration. The Committee are also asked to consider from what date they wish to recommend the additional payment commences i.e. backdated to beginning of the municipal year, start from now or start from next municipal year.

2.00	RESOURCE IMPLICATIONS
2.01	The additional amount of £8,700, if approved, would be paid from the Clwyd Pension Fund to the Chair of the Clwyd Pension Fund Committee

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Monitoring Officer has consulted with the IRPW.

4.00	RISK MANAGEMENT
4.01	The role of the Chair is key part of the overall risk management of the Fund. There is a risk that the potential conflict for Committee and Board members that arises as a result of this paper is not properly managed, and that the outcome of the deliberations and the Council decision could impact on the individual members involved.

5.00	APPENDICES
5.01	Appendix 1 – Clwyd Pension Fund Committee & Board Allowances

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Clwyd Pension Fund Training Policy Clwyd Pension Fund Board Protocol Flintshire County Council Constitution</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) The Fund – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) The Committee – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>