

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance – Trade Union representation
<b>Report From:</b>	<i>Deputy Chief Executive and Director of Corporate Resources</i>

**Contact name:** Andrew Boutflower

**Tel:** 0370 779 6896

**Email:** andrew.boutflower@hants.gov.uk

#### **Purpose of this Report**

1. The Chairman of the Panel and Board has received a request from trade unions that the Panel and Board creates a new seat on the committee specifically for trade union representation. The request is appended to this paper alongside a recommendation from the Deputy Chief Executive and Director of Corporate Resources.

#### **Recommendation**

2. It is recommended that the Panel and Board;
3. Note the request that has been received for an additional specific trade union representative on the Panel and Board and that any changes to the composition of the Panel and Board would require the approval of the Secretary of State.
4. Agrees that the current composition of the Panel and Board, as approved by the Secretary of State, is most efficient and effective for the governance of the Pension Fund and continues to offer equality of opportunity to be a representative on the committee to all scheme members, including trade union members.

#### **Current form of the Panel and Board**

5. The Joint Pension Fund Panel and Board was created in 2015 following amendments to the Local Government Pension Scheme (LGPS regulations), requiring each Administering Authority to form a Local Pension Board. In order to have a joint panel and board, regulation 106 required the Secretary

of State to give approval in writing. It is understood that Hampshire was one of only two LGPS authorities to gain the specific Secretary of State approval to combine its pension committee with the Local Pension Board. It is a requirement of Pension Boards that they have an equal number of scheme member and employer representatives. The form of the Hampshire Pension Fund Panel and Board as approved by the Secretary of State is;

- 9 Administering Authority representatives (County Councillors)
  - 3 Employer representatives (unitary councils, district councils and other employers)
  - 3 Scheme member representatives (pensioners, deferred members and active scheme members).
6. The basis of Hampshire's case to the Secretary of State to combine the functions of Pension Fund Panel and Local Pensions Board, which have subsequently been demonstrated, were that it:
- Gave greater weight to the combined committee with responsibility for the management and governance of the Pension Fund.
  - Provided the most engaging role for those charged with the management and oversight of the Pension Fund.
  - Ensured the deepest understanding of all Pension Fund matters and the most effective decision making by exposing the members of the joint Panel and Board to the full operation of the Pension Fund.
  - Avoided any duplication and confusion in roles between a separate Panel and Board, ensuring that the Fund's stakeholders have clarity.
  - Provided an efficient solution by removing the additional administrative burden of supporting a separate Board.

### **Request for trade union representation**

7. The request that the Panel and Board creates a new seat on the committee specifically for trade union representation is contained in Appendix 1. The request for an additional representative is based on improving representation, governance and communication for the Pension Fund. In respect of communication, the Pension Fund's approach to member communications is described in its Communications Policy and the Pension Fund's main means of communications is its website and the Members' Portal. The correspondence from Unison cites the recent deputations that the Panel and Board have received on Responsible Investment (RI) as a trigger for the Fund needing to improve its communication. At its last meeting the Panel and Board agreed additional budget for the Pension Fund to add to its efforts on communication, especially with regard to RI. It is unclear how an additional trade union representative will be of benefit to the Fund's communications with its members. The Pension Fund's aim is to communicate directly with all its scheme members. Communication material is and will continue to be

available to all of the trade unions, so that they can include it in their own communications if they wish to do so.

8. It is considered that the current construct of the Joint Pension Fund Panel and Board provides very strong and effective governance for the Pension Fund, which is supported by Internal Audit reports. The Joint Panel and Board gives scheme member representatives full access and voting rights on all issues, including governance, administration and investment of the Pension Fund. In this respect Hampshire has been well ahead of the recommendations of the Scheme Advisory Board's Good Governance recommendations. This applies equally to the oversight and scrutiny of the ACCESS pool, where the ACCESS Business Plan, minutes of all ACCESS Joint Committee meetings, and any other pertinent matters in relation to pooling, are reported to the Panel and Board, including all scheme member representatives.
9. The trade union's assertion that there are nine County Councillors and three employer representatives representing the employers in the Hampshire Pension Fund is incorrect. As shown in paragraph 5, the Panel and Board has 9 County Councillors that are representatives of the Administering Authority, and an equal number of (3) scheme member and (3) employer representatives in line with the statutory requirements in respect of Pension Boards. Careful consideration was given in the current formation of the Panel and Board, balancing the representation of the Administering Authority, which has the legal responsibility for the management of the Pension Fund, with scheme member and employer representation. This format, which was approved by the Secretary of State, allows scheme member and employer representatives to have substantive involvement in decision making about wider aspects of the administration of the Pension Fund. This is felt to be considerably better than reverting to a pensions committee of just County Councillors and a separate Pension Board (with any number of representatives), which could have much-reduced oversight of some governance and administration issues.
10. As shown above in the current composition of the Panel and Board, seats were specifically allocated across all membership groups of scheme members (active, deferred and pensioners), to ensure full and broad representation. All scheme members (with the exception of Hampshire County Council employees, as set out in the Council's constitution) are able to apply for the representative roles, which are allocated based on criteria set-out in the Representation Policy. All three roles (plus the substitute) are open to trade union members, and indeed the Panel and Board's first active scheme member representative was a trade union member. Therefore the current three scheme member representative roles are open to all scheme members, including trade union members as they have been in the past, with an equal opportunity of appointment.

11. In conclusion it is worth remembering that Hampshire had to go to considerable effort and make a strong case to the Secretary of State to form the Joint Panel and Board. It is recommended that the current composition of the Panel and Board is the most efficient and effective for the governance of the Pension Fund enabling joined up pension administration when compared to a separate committee and pension board. The current approach continues to offer the equal opportunity to be a representative on the committee to all scheme members including trade union members. Any request to make changes to the Pension Fund Panel & Board governance would need the approval of the Secretary of State and full County Council. On the basis that Hampshire's arrangements are considered to be far more efficient and effective than reverting to a traditional pensions committee and Pension Board and is one of only two such arrangements nationally, it is felt that there is little to be gained by re-opening this matter with Government. Doing so could cause a wider review with a risk that approval for the joint panel and board is withdrawn by the Secretary of State.

**REQUIRED CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	no
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because of the ongoing management of the Hampshire Pension Fund.</b>	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

DocumentLocation

None

## **EQUALITIES IMPACT ASSESSMENTS:**

### **Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **Equalities Impact Assessment:**

All pension scheme members (other than employees of Hampshire County Council) have an equal opportunity to apply to be one of the three scheme member representatives'.

Dear Cllr Kemp-Gee

I am writing on behalf of UNISON, UNITE and the GMB to formally request that the Hampshire Pension Fund Panel and Board (HPFP&B) create an additional scheme member representative role to be filled by one of our representatives.

As you know, Regulation 107(1) gives complete discretion to the administering authority on the membership, the manner of appointment and the terms of appointment of pension boards providing an equal number of employer and member reps are appointed. It is within this regulation that we are making our request.

In doing so, we are seeking to increase the representation of members and enhance governance of the scheme. It will also aid better communication to members through our network of branches that can easily communicate with active, deferred and retired members. In addition, I should make it clear that we also represent the interests of all scheme members and not just those who are members of a trade union.

Communication is in fact an important area in which the trade unions could assist the fund. We are aware that there have been two deputations made to the last two meetings of the fund by outside bodies, both of which raised concerns around the perceived lack of action and communication by the fund, especially regarding climate change investments. It is our view that the addition of an additional scheme member representative will help to communicate with these and other bodies. For example, through our extensive networks and facilities we are able to contact and poll a wide range of members on any matters regarding the fund.

Furthermore, it would be timely to make this addition to the governance of the fund as the Governance Policy is due for review. Also, when the joint Hampshire Pension Fund Panel and Board was given approval, it was before the Pooling of funds was put into place. The addition of an additional scheme member representative will enable increased governance and also allow for scrutiny to be made of the investments made in the ACCESS group. Of the most local Pension Funds to Hampshire who are in the ACCESS group UNISON, for example, already has scheme member representatives on the East Sussex, West Sussex,

Kent and the Isle of Wight Pension Boards. All union scheme member representatives receive training provided nationally over and above what is offered by their local pension funds. They also meet regularly to network, exchange ideas and receive training at a regional level, as well as receiving reports and advice from trade union representatives on the national Scheme Advisory Board.

We also believe there is a clear rationale for increasing representation. There are nine Hampshire County Councillor representatives and three other Councillors representing 404 employers. Yet there are currently only three scheme members and one substitute representing 179,000 scheme members. The Hampshire Pension Fund is a very large one and the adding of an additional scheme member representative can therefore only improve its governance.

I should also make it clear that if the Hampshire Pension Fund Panel and Board were to agree to our request, the trade unions will instigate an open process for selecting the right candidate that will ensure the most suitable individual, including in terms of their knowledge, expertise and experience will be successful. In line with the fund rules, they would of course serve for the same term as all other member representatives.

Finally, I know that in the past you have publicly expressed the view that representation is best achieved at a local level, and therefore I hope you will see that this request would help achieve a greater transparency and involvement with the scheme's members.

I look forward to receiving the panel's response.

Yours sincerely

LGPS Forum Secretary | UNISON South East