

## **Pension Boards: Model Constitution**

### **1. Introduction**

1.1 Each Local Government Pension Scheme Manager in England and Wales is required to establish a Pensions Board separate from the ..... Pensions Committee that acts as the Scheme Manager.

1.2 The ..... (*name of fund*) Pension Board is established under the provisions of the ..... Regulations 2015.

### **2. Objectives**

2.1 The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator and any other relevant legislation.

2.2 The Pension Board will determine the areas they wish to consider including, amongst others:

- Reports produced for the pensions committee
- Seek reports from the scheme managers on any aspect of the fund
- Monitor investments and the investment principles/strategy/guidance
- Monitor fund investment and custodian transaction costs
- The fund annual report
- External voting and engagement provisions
- Fund administrative performance
- Actuarial reports and valuations
- Funding policy
- Any other matters that the pensions board deem appropriate

### **3. Membership**

3.1 Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the fund. Pension Board representatives must not also participate in or act as members of the pensions committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.

*(As a minimum there will be 4 trade union and 4 employer representatives with the expectation that larger funds will require greater numbers. Numbers from organisations on either side will broadly reflect respective membership in the scheme.)*

3.2 There will be ..... (*number*) trade union representatives appointed by the trade unions as follows:

UNISON .....  
GMB .....  
Unite .....

3.3 There will be ..... (*number*) employer representatives appointed by the respective employer organisations as follows:

Councils .....  
Scheduled bodies .....  
Admitted bodies .....

*(In smaller funds it may be possible to name the councils and other bodies. In larger funds describe the way representatives of these groups are appointed e.g. at the pension fund annual meeting)*

3.4 Pension Board representatives will serve for a period of four years and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be locally determined. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

3.5 Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out in (6) below.

3.6 Advisors may attend meetings of the Pension Board in a non-voting capacity.

3.7 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established. The Pension Board will adopt policies and protocols for handling any conflicts that were unanticipated and might arise during membership.

#### **4. Meetings**

4.1 The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board.

4.2 Pensions Board meetings will be administered by ..... (*pension fund or administering authority depending on local practice*) as agreed with Joint Secretaries appointed by the trade union and employers sides of the Pension Board. All reasonable administration costs shall be met by the fund.

4.3 The Pensions Board should meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.

4.4 The Pensions Board may establish sub-committees.

4.5 While the statutory roles and function of the pension committee and pensions board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the pension committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

#### **5. Dispute resolution**

5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.

5.2 In the first instance, if at least half of the members agree, then the pension board can refer back a decision of the pensions committee for further consideration if any of the following grounds are met:

- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pensions Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;

- That the decision of the Pensions Committee could be considered illegal or contrary to regulations;
- That the decision of the Pensions Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
- That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme

5.3 If there is no agreement after the matter has been referred back to the pensions Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the fund website and included in the fund annual report.

5.4 The England/Wales LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the pension board in relation to the matter.

## **6. Training**

6.1 All members (and named substitutes) of the Pensions Board must undertake a training programme in accordance with any guidance issued by the pensions regulator and complying with best practice training requirements of the Pensions Committee.

6.2 The Pensions Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for pension board members

6.3 The Scheme Manager will keep an updated list of the documents with which they consider pension board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

## **7. Access to Information**

7.1 The Scheme Manager and Pensions Board will together ensure that information is published about the activities of the board including:

- the full terms of reference for the pension board, including details of how they will operate
- the pension board appointment process
- who each individual pension board member represents and
- any specific roles and responsibilities of individual pension board members.

7.2 The minutes of the Pension Board will be published on the fund website. The Pensions Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.



## **UNISON key demands for boards**

- Model terms of reference are attached for consultation
- A board structure should reflect the size of the fund – 4 members 2 employer 2 scheme member is the statutory minimum at present. The more assets under management the greater the workload.
- Independent board members should be kept to a minimum as they do not represent anyone
- The chair should be rotated between employer and scheme member reps
- The board must meet the same amount of time as the pension committee as its legal duty is to advise and assist the authority. It can't do that if it meets less than the pensions committee.
- Board reps should receive facility time for attending meetings, training and preparation, no less than 1 hour per week. 52 hours plus training and meeting time.
- We believe UNISON has the internal expertise and resources to ensure that scheme members are represented effectively at fund and scheme advisory board level.
- UNISON has provide a dedicated central resource for LGPS governance, including advice, training, legal and web resources.
- UNISON board representatives will be able to take advantage of our extensive branch, regional and national networks.
- One of the former partner unions of UNISON, NALGO, was created in 1922 to negotiate the first stage of what now is the modern LGPS and we expect to continue to ensure that it works for all scheme members.
- We consider the role of UNISON LGPS board and pension committee reps is to represent the fiduciary interests of all classes of scheme member. UNISON is the largest representative body for employees and scheme members in the UK.
- UNISON has been at the heart of the reform of governance within the LGPS. We have two members on the current Shadow Board for England and Wales and we expect that to continue into 2015.
- Board members should be appointed from nominations by UNISON
- If not then there should be an election by scheme members

## **We should argue for the following**

- 2 each for a fund below £500m in asset value
- 3 each in any above £500m- £3bn in asset value
- 4 each in any fund between £3bn-£10bn in asset value
- 5 each in any fund above £10bn
- Request election of scheme reps – via their web sites – whe appointments

