

MUNICIPAL YEAR 2006/2007 REPORT NO. 35

MEETING TITLE AND DATE:

Council
28th June 2006

REPORT OF:

Director of Finance and
Corporate Resources

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Agenda – Part: 1	Item: 9
Subject: Amendments to the Pension Board Terms of Reference	
Wards: All	
Cabinet Member consulted: Cllr. T. Neville JP	

1. EXECUTIVE SUMMARY

- 1.1 This report proposes changes to the Pension Board terms of reference to reflect the need to maintain a pro-active and effective co-ordinating role over the management of the Pension Fund.

2. RECOMMENDATIONS

- 2.1 Council is requested to approve the new structure and terms of reference of the Pension Board.

3. BACKGROUND

- 3.1 The London Borough of Enfield Pension Fund has a value of £500 million (as at 31st March 2006) with approximately 11,000 members. It is one of the best funded local authority schemes, with one of the lowest employer's contribution rates in England. This reflects the prudent manner in which the Fund has been managed over many years.

- 3.2 In order that we can maintain and improve our position, it is important that we continue to use innovative methods to ensure that effective decision making continues to be effective.
- 3.3 It is proposed that the Pension Board will undertake a wider role than the previous Pension Investment Panel and will help bring it more into line with the principles of the Myners report. The Myners report was commissioned by the Government to improve the efficiency of the investment decision making of pension funds.
- 3.4 The Pension Board will undertake an overseeing role of both investments and administrative matters, setting the Pension Fund's objectives and strategy.

The Board will be responsible for:

- The governance of the Pension Fund in accordance with statutory regulations;
 - reviewing the performance of the Fund's investments and administration;
 - appointments to the Investment sub committee;
 - actuarial valuations and appointment of the actuary;
 - approving all admissions into the Fund;
 - submission to Full Council of an Annual Report outlining the work of the board;
 - overseeing communications with Fund Members;
 - corporate governance issues and those relating to socially responsible investments; and
 - compliance with the Myners report.
- 3.5 The investment sub-committee made up of five members from the Pension Board will deal with matters relating to investments.
- 3.6 The Board's independent pension adviser will act as a non-executive to the board with full voting rights.
- 3.7 Appendix 1 shows the terms of reference for the Pension Board and Appendix 2 shows the terms of reference for the Investment Strategy sub-committee.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None.

5. REASONS FOR RECOMMENDATIONS

- 5.1 To inform the Council of the proposed changes to the terms of reference.

6. COMMENTS OF THE DIRECTOR OF FINANCE & CORPORATE RESOURCES

6.1 Financial Implications

There are no financial implications pertaining to this report.

6.2 Legal Implications

Section 101 of the Local Government Act 1972 provides for the Council to discharge any of its functions by a Committee or Sub-committee subject to the responsibilities of the Cabinet. The revised terms of reference of the Pension Board will be incorporated into the Council's Constitution. The Local Government & Housing Act 1989 provides that a person appointed to a committee can only serve as a no-voting member.

Sections 13 (3) and (4) of the Local Government and Housing Act 1989 allow an Administering Authority discretion as to whether or not a member of a Pension Committee who is not a member of that Authority is to be treated as a voting or non-voting member.

The general view is that the Regulations allow discretion for Administering Authorities to confer voting rights on Non-Elected Members but this is an area that has not been tested in the Courts. The ODPM is aware that some Administering Authorities do confer voting rights on lay members.

7. PUTTING ENFIELD FIRST

7.1 The Pension Fund supports Objective 5b: the delivery of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Background papers

- 1. Local Government Pension Scheme: Pension Fund Making – Guidance Notes (2006).**
- 2. CIPFA Pension Panel – March 2006.**
- 3. The Myners report**

London Borough of Enfield Pension Board – Terms of Reference

1. Board Membership

The Board consists of eight members appointed by Full Council who are responsible for the administration of the London Borough of Enfield Pension Fund in accordance with Statutory Regulations. The eight board members are:

- Cllr Neville (Chairman)
- Carolan Dobson (*Independent Professional Adviser*)
- Cllr Hall
- Cllr Lavender
- Cllr Lemonides
- Cllr Pipe
- Cllr Stafford
- Cllr Taylor

Two union representatives - non voting role

2. Board Responsibilities

The Board is responsible for:

- The governance of the Pension Fund in accordance with statutory regulations;
- reviewing the performance of the Fund's investments and administration;
- appointment to the Investment sub committee;
- actuarial valuations and appointment of the actuary;
- approving all admissions into the Fund;
- submission to Full Council of an Annual Report outlining the work of the board;
- overseeing communications with Fund Members;
- corporate governance issues and those relating to socially responsible investments; and
- compliance with the Myners report.

3. The Board fiduciary duty:

- To ensure that contributions are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly and prudently invested.

4. The Board is accountable to:

- The Full Council on the management of the Pension affairs.

5. Board Structure

The Board operates under a framework whereby investment decisions are delegated to the Investment Strategy sub committee (See Appendix 2 for terms of reference of the Investment Strategy sub-committee).

The quorum for the transaction of business at a meeting of the Pension Board shall be 3 members present in person.

Decisions arising at any meeting of the Pension Board shall be determined by a majority of votes and the Chairman shall have a casting vote.

6. Board Meetings

The Board has agreed a schedule of meetings for 2006/07 as follows:

Date	Board/Sub-Committee
2006	
7 th June	Officers meeting with Chairman
28 th June	Officers meeting with Chairman
30 th June	Board Meeting – 9.30am Hewitts offices
12 th July	Investment sub-committee – 9.30am – 1.30pm Hewitts
26 th July	Induction Training on LDPS – Hewitts offices - all day
16 th August	Investment sub-committee – Manager selection 10.30 – 5.00pm
13 th September	Board Meeting – 4.00pm Civic Centre
7 th November	Investment sub-com – 10.00am London (venue tbc)
2007	
20 th February	Investment sub-com – 10.00am London (venue tbc)
6 th March	Board Meeting – 4.00pm Civic Centre

Terms of Reference of the Investment Strategy Sub-Committee

- 1.1. The London Borough of Enfield Pension Fund Board has established an Investment Committee comprising five of its members, appointed at the first meeting of the Board.
- 1.2. It is envisaged that if any Board member wishes to serve on the Committee, he should be able to commit himself for a period of not less than 4 years subject to renewal at each annual Council.
- 1.3. The Board Members and elected/nominated employees are entitled to attend the Committee meetings.
- 1.4. Any appointed investment adviser can attend Investment Committee meetings.

Terms of appointment

- 2.1 It is the responsibility of the Investment Committee to:
 - 2.1.1 Make recommendations to the Board on the long-term strategic asset allocation.
 - 2.1.2 Make recommendations to the Board on the investment management structure.
 - 2.1.3 Recommend to the Board the appointment and removal of the investment managers and investment advisers.
 - 2.1.4 Make recommendations to the Board on the performance benchmarks and investment guidelines to be set for the investment managers.
 - 2.1.5 Supervise the activities of the investment managers and monitor their performance and risk against agreed benchmarks.
 - 2.1.6 Report to the Board on the discharge of the Investment Committee's responsibilities.
 - 2.1.7 Make recommendations to the Board on the Statement of Investment Principles, CIPFA investment issues and other investment related compliance issues.
 - 2.1.8 Make recommendations to the Board on any other investment related issue as the Committee see fit.
- 2.2 The Investment Committee has power, within the investment guidelines and objectives as approved by the Board, from time to time to:
 - 2.2.1 Carry out tenders and manager selection exercises before recommending managers to the Board.

- 2.2.2 Give directions to the external managers on behalf of the Board with regard to any matter requiring the consent of the Board or on which the managers seek directions.
- 2.3 The Investment Committee shall regulate its meetings and proceedings as it thinks fit, save that:
 - 2.3.1 The Chairman of the Investment Committee shall be the Chairman of the Pension Board and may at any time be removed by the Board.
 - 2.3.2 Notice of each meeting of the Investment Committee shall be given to every Board member, and any Board member may attend the meeting.
 - 2.3.3 The quorum for the transaction of business at a meeting of the Investment Committee shall be 3 members present in person or by telephone or approving by e-mail.
 - 2.3.4 Questions arising at any meeting of the Investment Committee shall be determined by a majority and the Chairman shall have a casting vote.
 - 2.3.5 Any member of the Investment Committee may require any question to be referred for decision to the Board.
 - 2.3.6 The Investment Committee papers will be distributed to all Board members together with minutes of the Investment Committee meeting.