

STRATHCLYDE PENSION FUND (SPF) – AUTHORITY REPRESENTATION

1. SUMMARY

- 1.1 In February 2005 Strategic Finance prepared a report for the Audit Committee covering the Fund's governance arrangements and performance. The report noted that the Fund would shortly be conducting a review of representation of member organisations within its governance structures. The review is now underway and the Council has been asked to comment on a consultation document that reshapes representation within the Fund (Appendix 1).
- 1.2 This report presents the proposed response to the consultation.

2. RECOMMENDATION

- 2.1 That members consider the proposed response to the consultation document received from Glasgow City Council.

3. DETAIL

Background

- 3.1 The administration of the SPF is a statutory duty laid upon Glasgow City Council (GCC) by Regulations made under the Superannuation Act 1972. This means that GCC are responsible for all actions taken with regard to the scheme. The executive operation of the Fund is governed by the Pensions Sub-Committee of the GCC Finance Committee. The administrative organisation of the Fund is described in the report at Appendix 1.
- 3.2 General interest in the workings of the SPF has increased recently given demographic changes and deterioration of stock market returns. These have resulted in major increases in the employer's contribution to the fund over the last 10 years from around 3% of employees' salaries to 14.4%.
- 3.3 In response to the increased level of interest GCC has decided to alter the Fund's governance arrangements based on consultation with member organisations. This review will conclude in September and the Council has been asked to provide comments by 12 August.

Existing Representation and GCC Proposals

- 3.4 At present the Council has no formal representation within the Fund. We are entitled to make representations to the Pensions Sub-Committee but GCC is not bound to abide by any comments made.
- 3.5 Glasgow's proposal is based on the principle that it has full responsibility for the Fund in law so it will retain all executive powers. A Representative Forum would be developed that would represent all of the member organisations along with trade union membership. This forum would be chaired by the Convener of the Pensions Sub-Committee and the minutes of the forum meetings would be discussed at that committee. However, any decisions made by the forum would not be binding on Fund.
- 3.6 The Forum would meet on a quarterly basis with an agenda based on the Pension Sub-Committee agenda. It would be fully staffed by officers from the SPF Office.

Proposed Response

- 3.7 It is recognised that, under the current legislation, the Representative Forum option is an improvement on the existing measures. Although there is no executive role, it will permit member organisations to discuss issues that are of common concern and relay them to the Fund.
- 3.8 There are, however, several changes that should be made to the proposal to increase responsiveness and transparency:
- 1 member from each authority should be represented rather than 3 from 4 authorities in any one year. This would enable all 12 member authorities to be represented rather than using 3 year rotation.
 - Glasgow City Council should not be represented on the Forum as there is already adequate representation through the Pensions Sub-Committee.
 - The Forum Chair should be drawn from the general Forum membership to ensure there is less scope for conflicts of interest.
 - The Chair of the Forum should have the right to deliver the Forum minutes to the Pension Sub-Committee and to speak at the Sub-Committee meetings on behalf of the Forum.
 - The proposal should make clear that the Forum is a public meeting and that the minutes will be public documents.
- 3.9 The Audit Committee considered a report on the Local Government Pension Scheme on 4 March 2005. Arising from this the Head of Strategic Finance was asked to seek clarification on GCC's proposals for reviewing the governance of the Strathclyde Pension Fund. The Audit Committee on 3 June was advised of the timescale for this review and the Chair and Vice-Chair of

the Committee requested a copy of the GCC proposals when they became available. They have made the following comments:

“The GCC proposal does not address the current 'accountability gap'. The Council and other member organisations, other than Glasgow City Council, will continue to have no executive or management responsibility over the pension fund. The creation of a Representative Forum, although a marginal advance on the current arrangements does not address this issue. Under the proposal, the Representative Forum may still be overruled by the GCC Pensions Sub-Committee, in the event that there is a difference of opinion between its members and Glasgow City Council. It is expected that this issue will be raised at the next meeting of the Audit Committee.”

Bruce West
Head of Strategic Finance
3 August 2005