

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**REPORT TO COUNCIL  
23 September 2021**

**REPORT AUTHOR: Head of Finance and Section 151 Officer**

**REPORT TITLE: Pensions and Investment Committee Chair's Allowances**

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**REPORT FOR: Decision**

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**1. Purpose**

1.1 At the meeting of the Pensions and Investment Committee on the 9<sup>th</sup> of July, the Committee resolved to make the request to the County Council that it considers whether a payment equivalent to a Senior Responsibility Allowance (SRA) is paid to the Chair of the Pensions and Investment Committee and re-charged to the Pension Fund, to reflect the responsibilities placed on the chair of that Committee and the increasing demands being placed on the role.

**2. Background**

2.1 At the Council meeting on the 16<sup>th</sup> May 2019, council agreed to the recommendations presented in a report on Member's Salaries, Allowances and Expenses, following a review by the Democratic Services Committee, which ultimately decided not to award a SRA to the Chair of the Pensions and Investment Committee.

The report suggested that the reasons for this was;

- "that in view of the workload that the chair of the Pensions and Investment Committee should not be paid a senior salary"

2.2 The report presented in May 2019 may not have included full evidence of the workload of the chair of the Pensions and Investment Committee and did not reference the increasing demands placed upon the Chair as a result of the implementation of Wales Pension Partnership (WPP), following the Government's initiative to pool Local Government Pension Scheme assets for benefits of scale.

The chair of each Pension Committee in Wales is a member of the Joint Governance Committee (JGC) of the WPP. The WPP is a combined investment vehicle for the 8 LGPS Pension Funds in Wales to pool their investments and equates to approximately £18 billion in value (present value). The JGC acts very much like a local pensions committee and is responsible for decisions taken on behalf of the WPP.

In terms of the workload of the chair of the Pensions and Investment Committee (and in turn as a member of the WPP JGC), an approximate annual workload can be demonstrated as follows:

- Chairperson at an annual meeting of Powys Pension Fund employers.
- At least 4 formal meetings of the Powys Pensions and Investment Committee.
- Regular training obligations and attendance at various pension events.
- At least one annual meeting with the Section 151 Officer and Chair of the Pensions Board
- Numerous conversations and meetings with Officers

In addition to the bullet points above, the creation of the WPP has meant that the demand for the number of meetings (and preparation for those meetings) will at least double, with the pressure on the chair being somewhat more challenging at each of those meetings, as the Joint Governance Committee Member representative of the Powys Pension Fund.

2.3 Upon further investigations, it is confirmed that the Chairs of the other pension fund committees in Wales receive an additional allowance (or equivalent), via alternative means:

- via SRA from the allocated number to that Council
- via an alternative source due to them being Cabinet members or the Chair of another Committee
- via an alternative route, paid from the Pension Fund at the discretion of the Council.

It should be noted that it is just the additional responsibility allowance that is recharged to the pension fund (i.e. the equivalent of the Senior Responsibility Allowance). The main payment is made via the council in the same way as all the Councillors.

2.4 The costs would be the equivalent to the Senior Responsibilities Allowance and would attract the appropriate National Insurance and pension contributions. The Pension Committee have agreed that the costs would be borne by the pension fund.

### **3. Advice**

3.1 It is proposed that Council reconsiders the allocation of a payment equivalent to a Senior Responsibility Allowance (SRA) to be paid to the Chair of the Pensions and Investment Committee, to reflect the responsibilities placed on the chair of that Committee and the increasing demands being placed on the role.

3.2 The Chair of the Powys Local Pension Board has considered this matter, together with Council Officers and makes the following observations:

### **Risk Analysis of Failure to Recruit, Retain and Motivate a Suitable Chair**

#### **a) Potential Financial Risks include:**

- failure to effectively manage a £750+m Investment Fund would result in lower returns leading to higher employer contribution rates
- failure of the Fund maintaining opted up professional investor status under MiFID II (Markets in Financial Instruments Directive).
- Consequences of losing such status include:
  - being denied access to more complex asset classes, resulting in less diversification of assets, hence greater concentration risk
  - higher (retail) investment management fees
  - potentially be ineligible as a client for Investment Advisors if categorised as a retail investor

#### **b) Potential Administration Risks and Compliance Risks include:**

- failure to pay pensions accurately and on time
- poor performance statistics
- incorrect Triennial Valuation calculations and hence employer contribution rates
- Ombudsman cases

#### **c) Reputational Risks would result from:**

- Sanctions, e.g. Intervention Reports, or worse, from Pension Regulator
- The LGPS Scheme Advisory Board imposing external support to raise standards following a potential poor Independent Governance Review
- Critical external audit reports

## **4. Resource Implications**

4.1 The additional payment equivalent to the senior responsibility allowance (SRA) would be recharged to the pension fund at a cost of £8793.00 plus on-costs per annum (totalling £10,530.00 after pension and national insurance contributions, based on the 2021/22 figure), increasing in line with the SRA paid by the council.

4.2 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation.

## **5. Legal implications**

- 5.1 Legal : The recommendation can be supported from a legal point of view .
- 5.2 The Head of Legal and Democratic Services (Monitoring Officer ) has commented as follows: “ I note the legal comment and have nothing to add to the report”.

## **6. Data Protection**

- 6.1 No data Protection implications

## **7. Comment from local member(s)**

- 7.1 N/A

## **8. Impact Assessment**

- 8.1 No impact assessment required

## **9. Recommendation**

That the Council accepts the recommendations of the Pensions and Investment Committee and agrees that an amount equivalent to a senior responsibility allowance should be paid to the chair of the Pensions and Investment Committee and the additional cost to be recharged to the Pension Fund, to reflect the responsibilities placed on the chair of the Pensions and Investment Committee and the increasing demands being placed on the role.

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