

# WIRRAL COUNCIL

## PENSION COMMITTEE

17 NOVEMBER 2014

<b>SUBJECT:</b>	<b>CREATION OF NEW PENSION BOARD</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES</b>
<b>KEY DECISION?</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the requirement placed upon the Administering Authority to establish a local Pension Board. The Pension Board must be established in accordance with the Public Service Pensions Act 2013 and the national statutory governance framework delivered through the LGPS Regulations and guidance issued by the Scheme Advisory Board.
- 1.2 The draft LGPS Regulations provide a flexible approach for the creation of Pension Boards, this is mirrored within the draft Statutory guidance. The objective of the guidance is to provide administering authorities with the means to establish a local Pension Board that delivers improved accountability without restricting the flexibility of the regulations.

### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The recommendations made by Lord Hutton with regard to the governance and administration of Public Service Pension Schemes were accepted by the Government and were carried forward into the Public Service Pensions Act 2013 (PSPA13). The key recommendation to impact on the management of the disparate locally managed Local Government Pension Scheme was the requirement for:

*“A properly constituted trained and competent pension board with member nominees, responsible for meeting good standards of governance including effective and efficient administration.”*

- 2.2 During the last year, Members have been regularly apprised of the requirements of the Public Service Pensions Act 2013 (the Act), in particular the need to introduce a local Pension Board to assist the Scheme Manger (Wirral Council) in ensuring compliance with legislation and the Pensions Regulator’s requirements.
- 2.3 The Act requires that:

- The members of the Pension Board must not have a conflict of interest (though being a member of the LGPS is specifically mentioned as not being treated as a conflict in this circumstance)
- The Pension Board must have equal numbers of employer and member representatives
- Each Pension Board member to have an appropriate level of knowledge and understanding in relation to the Scheme, local policy and overall pension legislation to properly exercise their function as a Pension Board member.

2.4 The primary objective of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in the Scheme.

## 2.5 **PENSION BOARD REQUIREMENTS**

The LGPS legislation as drafted:

- Will require each administering authority to put a Pension Board in place in addition to any existing Pension Committee as the default position
- Will prevent members of the existing Pension Committee or officers of the administering involved in discharging the function of the LGPS from also being on the Pension Board to ensure independent oversight
- Will require the terms of reference and all appointments to the Pension Board to be agreed by the Administering Authority.

2.6 It is important to note that local authority legislation will not apply to the Pension Board as it will be constituted under the Public Service Pension Act and the LGPS Regulations will include the appropriate powers and limitations.

## 2.7 **STATUTORY GUIDANCE**

The Scheme Advisory Board have produced draft guidance that complements the regulations; outlining best practice for the creation and operation of the Pension Board. The guidance can be accessed from the following link:

<http://www.lgpsboard.org/index.php/about-the-board/board-consultations>

2.8 The guidance primarily focuses on providing information and in many cases options, rather than being prescriptive.

The guidance provides useful information such as:

- A list of key elements that should be considered as part of a Terms of Reference (5.33)
- Clarity that 'other' members may still be part of a Pension Board even though they are not explicitly mentioned in the latest draft regulations (5.7)
- Examples of 'conflicts of interest' that might apply to Pension Board members (7.18) demonstrating that any potential conflicts will, on the whole, be able to be managed
- Consideration of data protection and freedom of information requirements (8.15 and 8.20)
- Details of when breaches of law should be reported to the Pensions Regulator (8.22).
- Highlights the legal requirements relating to 'knowledge and understanding' as set out by the Pensions Regulator. It also suggests how this might practically apply to Pension Boards. (Section 6)

2.9 Although the implementation and creation of the new Pension Boards will be very challenging the ongoing requirement in relation to 'knowledge and understanding' for Pension Board members will necessitate a longer term focus and present the greater challenge.

### 3.0 **CREATION OF THE WIRRAL PENSION BOARD**

The key stages to implementing the Pension Board will include:

- Considering options for the structure of the pension board. The board should be representative of the significant range of employers/members in the fund.
- Developing the terms of reference and appropriate internal reporting channels to the Administering Authority. In addition, to ensure the effective governance of the Fund, a mechanism of escalation will be required to external bodies in circumstances of a fundamental failure of the Administering Authority to ensure the effective governance of the fund.
- Determine the means of communication to invite nominations for seats on the Pension Board and then the subsequent selection and appointment process. All employers and members within a fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.

- Determine a Training programme to provide for the acquisition and retention of knowledge and understanding for its members.
- Develop the content and format of reporting packs.

3.1 The Pension Board must be established no later than 1 April 2015. There is a consensus view informed by LGA that the Administering Authority must have approved the composition and terms of reference of the local Pension Board, but it does not necessarily mean that it has to be fully operational by this date.

However, it is anticipated that the Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no more than 4 months later than that date).

#### 4.0 **RELEVANT RISKS**

There remains a risk of the Administering Authority not being compliant with legislation on 1 April 2015 if the Pension Board has not been implemented due to the limited available resource, the required concentration of effort by Fund Officers and Legal services within the challenging timescale.

#### 5.0 **OTHER OPTIONS CONSIDERED**

Not relevant for this report

#### 6.0 **CONSULTATION**

Not relevant for this report

#### 7.0 **OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

None associated with the subject matter.

#### 8.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

There are none arising from this report

#### 9.0 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

Any cost associated with the Pension Board will be treated as an administration cost and charged direct to the Fund with the cost likely to be met through the employer contribution rate.

#### 10.0 **LEGAL IMPLICATIONS**

The establishment of the local Pension Board may require the approval of full Council and an amendment of the Council's constitution.

## 11.0 EQUALITIES IMPLICATIONS

- Has the potential impact of your proposal(s) been reviewed with regard to equality?
- No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

## 12.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

There are none arising from this report

## 13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

There are none arising from this report

## 14.0 RECOMMENDATION/S

To note the contents of the report and in particular the requirements for the Council to establish a Pension Board by 1 April 2015.

That Members authorise fund officers to work with the Administering Authority to develop arrangements for the establishment of a Pensions Board which ensure the requirements in the guidance issued by the Secretary of State are fulfilled. Details of those arrangements will be reported to a future meeting of this Committee.

## 15.0 REASON/S FOR RECOMMENDATION/S

There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role

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## BACKGROUND PAPERS/REFERENCE MATERIAL

Local Government Pension Scheme Draft Guidance on the creation and operation of Local Pension Boards in England and Wales.

## BRIEFING NOTES HISTORY

Briefing Note	Date
LGPS Update – Covered DCLG’s Previous	16 September 2013

<b>Discussion Paper on Scheme Governance</b>	
<b>DCLG Consultation on Draft Scheme Governance Regulations</b>	<b>15 September 214</b>

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>