

Pension Fund Committee

11 September 2014



Pension Boards - Draft LGPS Regulations on Scheme Governance

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Purpose of the Report

- 1 To inform Members of the draft LGPS Regulations which require the introduction of local 'Pension Boards'.

Background

- 2 The Department for Communities and Local Government (CLG) has introduced draft amendment regulations outlining their intention to introduce local Pension Boards as well as a national Scheme Advisory Board within the Local Government Pension Scheme (LGPS).
- 3 The provisions primarily cover topics such as membership of the Boards and potential conflicts of interest.
- 4 The draft Regulations have been issued with the intention of allowing authorities flexibility in how they establish their local Pension Boards, and a consultation exercise has been undertaken by CLG.

The Draft Regulations

- 5 The draft Regulations say that each Administering Authority must establish a Pension Board by 1 April 2015, and the expenses of the Board are to be regarded as part of the administration cost of the Pension Fund.
- 6 The Board is responsible for assisting the Administering Authority with securing compliance with:
 - the Regulations,
 - any other legislation relating to the governance and administration of the Scheme, and
 - requirements imposed by the Pensions Regulator in relation to the Scheme

as well as ensuring the effective and efficient governance and administration of the Scheme.

- 7 The local Pension Board can only be the same as an existing committee if approval is obtained from the Secretary of State.
- 8 The local Pension Board can either be established as if it were a committee under section 101 of Part 6 of the Local Government Act 1972, or the Administering Authority is responsible for determining procedures that apply to the Pension Board.
- 9 The local Pension Board is to include “an equal number, which is no less than four in total, of employer representatives and member representatives”. Each Administering Authority will establish the membership and manner of appointment, but it shall not include a member of a local authority (i.e. councillor) as any of those representatives.
- 10 Also, the total of employer and member representatives must exceed the number of other members of the local Pensions Board.
- 11 The representative must have relevant experience and capacity to represent their stakeholders on the Local Pension Board.
- 12 The Administering Authority must be satisfied that any person appointed to or sitting on a local Pension Board does not have a conflict of interest.
- 13 The Secretary of State may issue guidance, which administering authorities must have regard to.
- 14 There are other matters covered including Joint Pension Boards, Knowledge and Skills, Public Sector Equality Duty and Annual General Meetings which are also covered by the draft Regulations.

The Scheme Advisory Board

- 15 The draft Regulations also say that a Scheme Advisory Board is to be established with the responsibility of providing advice to the Secretary of State on the desirability of making changes to the Scheme and for providing advice to administering authorities and local Pensions Boards in relation to the effective and efficient administration and management of the LGPS and its pension funds.
- 16 The draft Regulations also propose the structure of the Scheme Advisory Board and the appointment of its members.
- 17 Each Administering Authority will need to meet the costs of the Scheme Advisory Board in the proportions determined by the Board, and must pay at the time determined by the Board.

Next Steps

- 18 The outcome of the consultation on the draft Regulations is awaited and consideration will need to be given to the establishment of a local Pension Board in line with the Regulations, when available.

- 19 As there is a deadline of 1 April 2015 to implement a Pensions Board, work will begin to understand the Terms of Reference for a local Pensions Board and the appointment of representatives to it.
- 20 Further reports to the Pension Fund Committee will be brought on progress towards the establishment of a local Pension Board by 1 April 2015.

Recommendations

- 21 Members are asked to note the contents of this report.

Background Papers

- (a) Local Government Pension Scheme (England and Wales) new governance arrangements - Discussion Paper
- (b) The Local Government Pension Scheme (Amendment) Regulations 2014 – Draft Regulations on Scheme Governance
- (c) Aon Hewitt – Governance Spotlight – June 2014

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