

MUNICIPAL YEAR 2014/2015 REPORT NO. 207

MEETING TITLE AND DATE:

Council – 25 March 2015

REPORT OF:

Director of Finance, Resources
& Customer Services

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Agenda – Part: 1	Item: 10
Subject: Establishing the Local Pension Board	
Wards: Non specific	
Cabinet Member Consulted: N/A	

1. EXECUTIVE SUMMARY

- 1.1 This report is concerned with the introduction of new pension governance structures.
- 1.2 The Public Service Pensions Act 2013 provides the platform for a number of changes to public service pension schemes, including the introduction of the new benefit structure from 1 April 2014 and a number of key changes impacting on the governance of public service pension schemes. The key governance elements included in the Act are:
 - The new local roles of Scheme Manager and Pension Board which must be established by 1 April 2015.
 - The requirement to have a National Scheme Advisory Board
 - The extension of the Pension Regulator's role into the public sector.

The Local Government Pension Scheme Regulations have recently been amended to implement these requirements.

- 1.3 Council is recommended to establish a Pension Board as now required with a largely supervisory role and a Pension Policy and Investment Committee to take decisions on behalf of the Council as Administering authority for the LBE Pension Fund.

2. RECOMMENDATIONS

To approve the establishment of the Pension Board and Pension Policy and Investment Committee with the terms of reference set out at Appendices 1 & 2 and to amend the Council's Constitution accordingly.

3. INTRODUCTION

- 3.1 The requirement to establish a Pension Board was enshrined in the Public Service Pensions Act and as such will become a regulatory requirement from April 2015. Ensuring that the Pension Board is established in time and able to fulfil its regulatory functions along with any associated statutory guidance, is not without some cost. However, in the context of a £760 million Pension Fund, the costs are not expected to be significant and should help to further demonstrate the good governance of the Fund.
- 3.2 Members of the Pension Board will be asked to attend training to ensure they are able to demonstrate the necessary understanding and capacity required by the regulations.
- 3.3 Other costs are likely to arise in terms of ensuring that there are sufficient resources to be able to service the Board and that where required, costs of training are met by the Fund. Again, in the context of the Fund, these additional costs are not expected to be significant.

4. BACKGROUND

- 4.1 The Public Service Pensions Act 2013 sets out the need for Pension Boards for all public sector pension schemes, including the unfunded ones such as the Teachers' Pension Scheme, as well as the Local Government Pension Scheme (LGPS).
- 4.2 The Act sets out that this will need to be operational from 1st April 2015. The governance regulations have been published, setting out the requirements for LGPS Pension Boards.

5. REGULATIONS RELATING TO THE LOCAL PENSION BOARD.

- 5.1 The regulations require a minimum of four members, with equal numbers of scheme member and employer representatives. Elected members or officers of an administering authority who are responsible for the discharge of any function under the Regulations may not become a member of that authority's Local Pension Board.
- 5.2 The Board, as per the Public Sector Pensions Act 2013 (PSPA 2013), will have a compliance role. The Board will not be a decision making body, but instead will assist the Council in securing compliance with the PSPA 2013 and other relevant legislation; with meeting any other requirements placed on the Fund by the Pensions Regulator; & with the efficient and effective administration of the Pension Fund. The Board will not be a committee of the Council in terms of the Local Government Act 1972
- 5.3 The Council, as an administering authority, is required by the draft regulations to be satisfied that all members of the Local Pension Board have the 'relevant experience and capacity to perform their respective roles'. It is expected that the level of understanding required will be further clarified by statutory guidance.

Members of the Board will therefore be required to attend training to ensure that this requirement is met.

6. PROPOSED COMPOSITION FOR THE BOARD AND COMMITTEE

6.1 Following discussion with the Staff Side, the existing Pension Board, and the Member & Democratic Services Group, it is now recommended that Board should consist of 8 voting members, with up to 3 additional non-voting (co-opted) members as follows:

- (a) 4 scheme members appointed by the Staff Side after a nomination and selection process with a view to representing all scheme members (including, as far as practicable, those employed or formerly employed by admitted and scheduled bodies) and after consultation with the recognised trade unions;
- (b) 4 Employer Representatives, 3 of whom shall be Councillors appointed by the Council and the remaining member shall be appointed by the Administering Authority from nominees of admitted and scheduled bodies.
- (c) Up to 3 other members, who are not entitled to vote, appointed to the Board by the agreement of both the Administering Authority and the Board.

6.2 Guidance on the creation and operation of Local Pension Boards issued by the Shadow Scheme Advisory Board notes that “the methodology for appointing employer and member representatives is not prescribed by the Regulations. It will therefore fall to each Administering Authority to establish an appropriate process. Options may includeselecting member representatives through existing representative organisations for example recognised trade unions...”. This accords with the Authority’s practice that employee relations are conducted through the trades unions and the staff side is considered to represent the whole workforce.

6.3 It is also desirable to retain the present member expertise on investment and actuarial issues. It is therefore proposed to form a 6-member Pension Policy & Investment Committee which will be based on the current Investment sub-Committee practice.

7. TERMS OF REFERENCE

7.1 Establishment of the Local Pension Board will require the following changes to the Council’s Constitution.

- (a) Adoption of the Local Pension Board Terms of Reference as detailed in Appendix 1.
- (b) Replacement of the Pension Board and Investment Sub Committee with the Pension Policy & Investment Committee and the Terms of Reference detailed in Appendix 2.

8. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES

8.1 Financial Comments

All costs to train the Local Pension Board members and to administer the Board will be financed through the Pension Board. The annual budget will be agreed at the first meeting of the new board.

8.2 Legal Implications

- 8.2.1 The recommendations set out in this report will help meet the Council's statutory duties and obligations for the governance and administration of pensions.
- 8.2.2 The Public Service Pensions Act 2013 ('The Act') introduces a new governance structure for the governance and administration of public service pension schemes to take effect from 1 April 2015.
- 8.2.3 The Act provides for a local Pensions Board to be established, consisting of a proportionate number of employer and member representatives - a minimum of 4 in total - with responsibility for assisting the scheme manager in (a) securing compliance with legislation relating to the governance and administration of the fund and requirements imposed by the Pensions Regulator and (b) ensuring the effective and efficient governance and administration of the Scheme.
- 8.2.4 The Act also provides for explicit regulatory oversight of pension schemes by the Pensions Regulator. The Board must have regard to the Code of Practice: Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator, which provides practical guidance in relation to the governance, standards of conduct and general practices expected of local government pension schemes.
- 8.2.5 The terms of reference of the Board must comply with The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014.
- 8.2.6 The Council, as the administering authority, has a legal obligation to secure that persons appointed to the board have the relevant experience and capacity to represent employers and members on the board. Pension board members must be conversant with the rules and relevant policy administering the scheme and have knowledge and understanding of the law relating to pensions and any other prescribed matters.
- 8.2.7 There is no prescribed methodology for appointments to the board. All employers and members within a fund should have equal opportunity to be nominated via an open and transparent process for appointments. Where scheme members are not able to apply to be members of the panel or put forward their own suitably qualified representatives, there is a risk of challenge..

8.2.8 Any changes to the Council's Constitution arising as a result of these legislative changes must be approved by full Council.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 The Council is required to establish a Board. This papers outlines the options chosen for the set-up and administration of the Board and Committee.

10. REASON FOR RECOMMENDATIONS

10.1 To meet the provisions of The Public Service Pensions Act 2013 and DCLG regulations.

11. KEY RISKS

11.1 The key risk is the failure to have a properly appointed Local Pension Board in place by 31st March and to have an adequate training programme for the members of the Board.

12. IMPACT ON COUNCIL PRIORITIES

12.1 Fairness for All – The recommendations in the report fully accord with this Council priority.

12.2 Growth and Sustainability – The recommendations in the report accord with this Council priority.

12.3 Strong Communities – The recommendations in the report fully accord with this Council priority.

13. EQUALITIES IMPACT IMPLICATIONS

13.1 The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

13.2 The Council does not discriminate on grounds of age, colour, disability, ethnic origin, gender, HIV status, immigration status, marital status, social or economic status, nationality or national origins, race, faith, religious beliefs, responsibility for dependants, sexual orientation, gender identity, pregnancy and maternity, trade union membership or unrelated criminal conviction. The Council will promote equality of access and opportunity for those in our community who suffer from unfair treatment on any of these grounds including those disadvantaged through multiple forms of discrimination.

13.3 The use of Equality Impact Assessments helps the Council to analyse and assess the impact of services and policies which will help achieve its aims. The Council recognises that undertaking full assessments will help to improve the efficiency

and effectiveness of the Council by ensuring that residents and service users' needs are met

14. PERFORMANCE MANAGEMENT IMPLICATIONS

The establishment of the Local Pension Board will ensure there is proper oversight of the London Borough of Enfield Pension Fund.

15. HEALTH & SAFETY IMPLICATIONS

None.

16. HUMAN RESOURCES IMPLICATIONS

All Local Pension Fund members will be have a full training programme with regular reviews of their knowledge.

17. PUBLIC HEALTH IMPLICATIONS

None.