



Report for:	Pensions Committee 18 th September 2014	Item number	
Title:	Establishment of Pension Board		
Report authorised by :	Kevin Bartle, Assistant Director – Finance (CFO)		
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Ward(s) affected: N/A	Report for Non Key Decision		

1. Describe the issue under consideration

- 1.1 The Public Sector Pensions Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective and efficient management of local pension funds. DCLG has issued draft regulation for consultation concerning the implementation of pension boards (“Board”). Final regulations are expected in the next few days.
- 1.2 This note summaries the draft regulations, the role of the Board and its likely composition.
- 1.3 Decisions will await the publication of the final regulations. However, the Committee will wish to consider the appropriate role for the Board and the implications for the Committee. Guidance from the Shadow Advisory Board and the approaches adopted by other schemes will emerge later in the year.

2. Cabinet Member Introduction

- 2.1 Not applicable.



3. Recommendations

- 3.1 To note the information provided in this report, and specifically that no final decisions are requested at this stage.
- 3.2 That a special session is arranged to explore the issues in more detail prior to the next Committee meeting, where decisions will be made.

4. Other options considered

- 4.1 No proposals are made at this time. The options to be discussed include combining the Board and the Committee, the Board's remit, composition, appointment process, remuneration and reporting lines.

5. Background information

- 5.1 The Public Sector Pensions Act 2013 included a requirement that pension boards be established to assist administering authorities with the effective and efficient management and administration of the Scheme.
- 5.2 The requirements of the Act are to be implemented through The LGPS (Amendment) Regulations 2014. Pages 8-11 & 17-18 of the attached draft regulations (appendix 1) contain the proposed Board provisions. Final regulations are expected in a few days.
- 5.3 Officers responded to the consultation. The response is attached (appendix 2).
- 5.4 Although details are still to be confirmed, it is clear that we will have to have a Pension Board to be operational by April 2015. The Committee need to start preparing for it.
- 5.5 The draft regulations allow for either a separate Board or a single body combining the roles of the Committee and the Board. A single body with have to meet the membership requirements discussed in sections 5.8 below and require Secretary of State approval, which if granted may contain conditions.

Board Responsibilities

- 5.6 The main purpose / functions of the Board are to:
 - a) Assist LB Haringey as Scheme Manager; –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS,



- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator, and
- in such other matters as the LGPS regulations may specify.

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- b) Secure the effective and efficient governance and administration of the LB Haringey Pension Fund.

5.7 The responsibilities revolve around the processes followed by the Committee and officer to take decisions and manage the affairs of the pension fund. It does not necessarily mean that any activity performed by the Committee will be transferred to the Board. In essence the Board will ensure that the decisions made by the Committee comply with regulations, best practice and that the processes followed by the Committee and officers are logical and consider all relevant information.

Membership of the Board

5.8 The regulations contain the following requirements for Board Membership:

- a) That there should be equal numbers of employer and employer representatives.
- b) That Councillors can't be (a).
- c) That others to (a) can be appointed, including Councillors, but in aggregate others must be less in number than (a).

5.9 The regulations do not specify what is meant by employee or employer representatives or the process by which they are appointed. Neither is there any guidance on who has or does not have voting rights.

5.10 The draft regulations place emphasis on Board members being "up to the job". Employer and Employer Board members are required to have relevant experience and capacity to undertake the roles and all members must be free of conflicts of interest. These terms are relatively undefined, except that being a member of the pension scheme is not a conflict. It is hoped that future clarification on these terms will emerge.

5.11 The Committee is asked to consider whether they prefer a separate body, or would like to explore a joint Committee and Board i.e., apply to the Secretary of State to combine the roles.

5.12 In either case the Committee will have to decide the structure, number and eventually who will be chosen to be the Board members

Reporting



5.13 The Board role is to assist the “Scheme Manager”, who is the Council. The Council has delegated this role to the Committee. Therefore, it is appropriate for the Board to communicate its finding and recommendations to the Committee.

6. Conclusions

6.1 No decisions are required at this stage. Members may wish to have a special session to explore the issues in more detail before the Committee’s next meeting, where it is expected that decisions will be made.

7. Comments of the Chief Financial Officer and financial Implications

7.1 The proposals are part of a process of tightening up oversight and governance standards in LGPS. The proposals will not alter the fundamental role of the Council in administering the Haringey fund or setting an investment strategy. While increased scrutiny of processes and controls is beneficial, there will be challenges to ensure an effective interaction between Committee, Board and Officers.

8. Assistant Director of Corporate Governance comments and Legal Implications

8.1 The Assistant Director of Corporate Governance has been consulted on the contents of this report. Section 5 of the Public Service Pensions Act 2013 requires the establishment through regulations of a board with responsibility of assisting the scheme manager in (a) securing compliance with legislations relating to the governance and administration of the fund, (b) securing compliance with requirements imposed by the Pensions Regulator and (c) such other matters as pension scheme regulations may specify.

8.2 The Department for Communities and Local Government has now published the draft of what is to become the Local Government Pension Scheme (Amendment) Regulations 2014. Following statutory consultation these Regulations will come into effect on 1 October 2014 and the local pension boards must be in place by 1 April 2015.

8.3 The terms of reference of the Board must comply with these Regulations.

9. Equalities and Community Cohesion Comments

9.1 There are no equalities issues arising from this report.

10. Head of Procurement Comments



Haringey Council

10.1 Not applicable

11. Policy Implications

11.1 None.

12. Use of Appendices

12.1 Appendix 1: Draft Regulations.

Appendix 2: Response to the draft regulations

13. Local Government (Access to Information) Act 1985

13.1 Not applicable.