



<b>Report for:</b>	Pensions Committee 15 December 2014	<b>Item number</b>	
<b>Title:</b>	Establishment of Pension Board		
<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

## 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 regulations for consultation concerning the implementation of pension boards (“Boards”). Draft guidance on implementing these regulations has also been issued by the Shadow Advisory Board.
- 1.2 The Committee (once meeting informally) has discussed its approach to Pension Boards and expressed its preference to seek a combined Committee and Board. This note discussed actions taken since the November meeting. A verbal update will be given at the meeting on:
- The status of the draft regulations.
  - Discussions on a joint Board
  - Consultation with unions
- 1.3 As a fall back if a combined Committee and Board is not permitted, proposed terms of reference for a stand alone Board is included.

## 2. Cabinet Member Introduction

- 2.1 Not applicable.



### **3. Recommendations**

3.1 The Committee is requested to:

- Approve the draft letter to the Secretary of State
- Delegate authority to the Chair to amend the draft letter to the Secretary of State in light of the final regulations and to sign the letter.
- Recommend to Full Council the Board's terms of reference if authority to combine is not received.

### **4. Other options considered**

4.1 The Members of the Committee during their briefing session have considered three options:

- Combined Pensions Committee and Board,
- Joint Board with other London Councils
- Stand alone Board for Haringey

4.2 Preference has been expressed at the briefing session for a Combined Board & Committee as the preferred outcome for Haringey.

### **5. Background information**

5.1 The Public Sector Pensions Act 2013 includes a requirement that local 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 Regulations 2014. These regulations, which remain in draft, require Board's to be established by 1<sup>st</sup> April 2015.

#### Previous Discussions

5.3 The Committee has discussed the draft regulations, most recently on 20<sup>th</sup> November when the Members attended an informal briefing session and expressed the following preferences:

- The Secretary of State is asked to approve that the existing Pensions Committee take on the responsibilities of the Board.
- That if a separate Board is required, its role will not be extended beyond that required by regulations.
- The membership of the Board will be 2 or 3 employee and an identical number of employer representatives and one independent.



- The unions will be invited to appoint active member representatives but that pensioners and deferred members should also have an opportunity to be represented.
- Remuneration may be required to attract membership of the Board, in particular for the Chair, who will be expected to have relevant experience.
- Operating a joint Board will mitigate the costs, enable comparisons across funds and reduce the difficulty of finding suitable Board members.

#### Actions since Briefing Session

- 5.4 Following the briefing session on 20<sup>th</sup> November, the Chief Financial Officer has written to his colleagues at other London Council's seeking a meeting with those who are interested in sharing a pension board. An update on responses will be given to the meeting.
- 5.5 The Council has received letters from Unison and GMB seeking information on the Council's approach to establishing pension boards. Responses have been sent outlining the conclusions reached and offering a meeting with both unions.
- 5.6 The draft regulations provide for approval by the Secretary of State for the Pension Committee and Board to be the same committee. A draft letter to the Secretary of State is attached. The letter may need amending after the regulations are finalised and authority is requested to enable the Chair to agree and amendments.

#### Terms of Reference

- 5.7 Should the Secretary of State not agree to combining the Committee and Board, the Council will be required to establish its own or a joint Pension Board. Either way the terms of reference (ToR) for a Board will need to be agreed. If the Board is stand alone for Haringey only, then the ToR will require to be approved by Full Council prior to 31<sup>st</sup> March 2014 and potentially even earlier by the Council and Employee Joint Consultative Committee. This meeting is the final opportunity for the Pensions Committee to amend the proposed ToR. See appendix 2. Should the Secretary of State agree to a combined Committee & Board, the ToR of the Pensions Committee will have to be amended to incorporate the responsibilities placed on the Board.
- 5.8 The next meeting of the Committee is after the March Full Council. It may be necessary to hold an additional meeting in February if the Committee wishes to discuss the response from the Secretary of State and comments from union and employer consultation.

## **6. Conclusions**



6.1 We are fast approaching the deadline of 1<sup>st</sup> April 2015 to meet the expected statutory deadline of having a Pensions Board in place. The request to operate a merged Board will be sent as soon as the regulations are finalised. In the meantime, the Council should continue preparations for a stand alone or joint board should the Secretary of State not agree to our request.

## **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 local pension 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 a further draft of what, subject to the outcome of further consultation, is to become the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014. When these regulations come into effect the local pension boards must be established by 1 April 2015. Further statutory consultation will now end on 21 November 2014.

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

## **9. Comments from the Independent advisor**

9.1 The draft Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 allow an Administering Authority to make application to the Secretary of State for a combined Pension Committee and Pension Board. Whether to grant such an application



**Haringey** Council

and the terms of any such approval is a matter for the Secretary of State.

9.2 The statutory role of a standalone Pension Board, under the Public Service Pensions Act 2013 is to “assist” not replace or assume the role of the Pensions Committee.

9.3 The Pension Board, if a standalone body, may need to seek specialist advice. This advice should be independent. I suggest that the Pensions Committee consider very carefully whether any of the existing advisors should be asked to provide support or advice (as opposed to merely providing information) to the Pension Board. Indeed the draft guidance of October 2014 from the national Shadow Scheme Advisory Board (paragraphs 7.38 and 7.39) appears to counsel against the use by Pension Boards of existing advisors to the Pensions Committee

## **10. Equalities and Community Cohesion Comments**

10.1 There are no equalities issues arising from this report.

## **11. Head of Procurement Comments**

11.1 Not applicable

## **12. Policy Implications**

12.1 None.

## **13. Use of Appendices**

13.1 Appendix 1: Draft letter to the Secretary of State (to follow)  
Appendix 2: Pension Board Terms of Reference

## **14. Local Government (Access to Information) Act 1985**

14.1 Not applicable.