



<b>Report for:</b>	Pensions Committee 24 March 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 To update the Pensions Committee on the final Regulations relating to the establishment of Pension Boards and the status of the application made to operate a combined Committee and Board.

1.2 The position may change between the date of writing the report and the meeting.

**2. Cabinet Member Introduction**

1.3 Not applicable.

**3. Recommendations**

1.4 The Committee is requested to note the current position that Full Council has been asked to approve the establishment, and terms of reference, of a stand-alone Pension Board as the Secretary of State has not confirmed approval to operate a combined Committee and Board.

**4. Other options considered**

1.5 The Committee has previously considered three options:

- Combined Pensions Committee and Board,
- Joint Board with other London Councils



- Stand alone Board for Haringey

1.6 Preference has been expressed for a Combined Board & Committee and approval for this arrangement has been sought from the Secretary of State. The final Regulations have effectively ruled out a board shared with other Councils.

1.7 The reasons for preferring a combined Board and Committee include:

- a) All relevant discussions & decisions on pension matters should take place at one committee.
- b) The proposed Board has a scrutiny rather than decision making role that the Committee already performs.
- c) The Pension Fund governance is strong as reflected in recent internal and external audit reports.
- d) The Pensions Committee membership includes directly appointed representatives of the employees and other employers, representation being a key aspect of the regulations. The Committee is willing to increase this representation and extend voting rights to employee and employer representatives.
- e) Establishing a separate Board will incur additional costs with no clear benefits.

## **5. Background information**

1.8 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. The requirements of the Act are implemented through the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (“the Regulations”) (appendix 1). These regulations require Board’s to be established by 1<sup>st</sup> April 2015.

1.9 The final regulations were issued in January 2015. There are no substantial changes. As a reminder, the functions of the Board are to:

- a) Assist LB Haringey as Scheme Manager:
  - To secure compliance with the LGPS Regulations 2013 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
- b) To ensure the effective and efficient governance and administration of the LGPS and any connected Scheme.

1.10 The role of the Board is to assist the Pensions Committee not replace it.



- 1.11 As agreed at the December Committee the Chair wrote to the Secretary of State seeking approval to combine the functions of the Board, with the existing Pensions Committee in accordance with section 106(2) of the regulations.
- 1.12 Initially the DCLG offered a meeting, and then on 23<sup>rd</sup> February emailed – “we are still firming up the criteria that we would ask applicants for combined boards to submit to us for consideration. We will do our level best to get something to you within the next few days. Hopefully, we will be able to avoid the need for any meeting, but if that does become necessary, I think we would be looking at early March.”
- 1.13 No further communication has been received.
- 1.14 In the light of the non substantive response to our request and the looming 1<sup>st</sup> April 2015 deadline to have established the Board, we have had no option but to establish a stand alone Board and to submit the terms of reference for a stand alone Board for approval by Full Council on 23<sup>rd</sup> March. If Secretary of State approval is subsequently given the composition of the Board can be reviewed. A copy of the Terms of Reference submitted to Full Council are attached (appendix 2)
- 1.15 The current position is both uncertain and far from ideal. We will continue to pursue the Committee’s preferred option with the DCLG.

## **6. Comments of the Chief Financial Officer and financial Implications**

- 1.16 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.

## **7. Assistant Director of Corporate Governance comments and Legal Implications**

- 1.17 The Assistant Director of Corporate Governance has been consulted on the contents of this report.
- 1.18 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 the Local Government Pension Scheme Regulations 2013 and any legislation relating to the governance and



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administration of the LGPS (b) securing compliance with requirements imposed by the Pensions Regulator, and (c) ensuring the effective and efficient governance and administration of the LGPS and any connected scheme.

- 1.19 The role of scheme manager is delegated to the Council's Pensions Committee and the Local Government Pension Scheme Regulations 2013 require the establishment of local pension boards by 1 April 2015.
- 1.20 The Board will be a free standing body and Section 101 of the Local Government Act 1972 (arrangements for discharge of functions by local authorities) and section 102 of the 1972 Act (appointment of committees) do not apply to the Board. The Members Code of Conduct will therefore not apply and it is advisable for the Council to have a Pension Board Code of Conduct and a Conflict of Interests policy.
- 1.21 In accordance with Regulation 106(6) the Council may determine the procedures applicable to its Board, save that no member of the Board shall have a right to vote on any question unless they are an employer or member representative.
- 1.22 The terms of reference of the Board at Appendix 2 comply with the Regulations.
- 1.23 Whilst Secretary of State approval has been sought for a combined Pensions Committee and Board, this would present both legal and practical difficulties that would have to be addressed if this option was to be taken forward at some future date. Secretary of State approval can also be subject to conditions and these conditions would have to be acceptable to the Council.

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

- 8.1 The preference of the London Borough of Haringey as an Administering Authority within the Local Government Pension Scheme is to establish a joint Pensions Committee and Board which is permitted under Regulation 106(2) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 subject to written approval from the Secretary of State. However as this report has previously indicated the DCLG has not yet responded to the Council's application for a joint arrangement.
- 8.2 As no clear response has yet been received from the DCLG and there is a requirement under Regulation 106(1) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to establish a Pension Board by 1 April 2015 the Council effectively has no option at this stage than to establish a stand alone Pension Board.
- 8.3 The establishment of a standalone Pension Board is not the Council's preferred option and given a joint Pension Committee and Board is permissible, with the Secretary of State's approval, the Council should continue to actively seek a



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full response to the proposal for a joint arrangement it has submitted to the DCLG.

**9. Equalities and Community Cohesion Comments**

9.1 There are no equalities issues arising from this report.

**10. Head of Procurement Comments**

10.1 Not applicable

**11. Policy Implications**

10.2 None.

**12. Use of Appendices**

10.3 Appendix 1: Final Regulations

Appendix 2: Pension Board Terms of Reference

**13. Local Government (Access to Information) Act 1985**

10.4 Not applicable.