

## CYNGOR SIR POWYS COUNTY COUNCIL.

Pensions and Investment Committee  
5<sup>th</sup> June 2013

REPORT BY: Strategic Director of Resources

SUBJECT: LGPS 2014 – Governance Structures

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**REPORT FOR: Information**

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- 1 This report is an update to the report submitted in February on the Public Service Pensions Bill. The Bill received Royal Assent on 25<sup>th</sup> April and is therefore referred to hereafter as ‘the Act’. This seems to be an appropriate time to reflect on the main themes and their likely impact on the broad governance arrangements for the Pension Fund.
  
- 2 The Act sets out 4 distinct roles to be performed for each of the public service pension schemes, including the Local Government Pension Scheme (LGPS):
  - 2.1 The Responsible Authority
  - 2.2 The Scheme Manager
  - 2.3 The Pension Board
  - 2.4 The national Scheme Advisory Board
  
- 3 Under the Act, the **Responsible Authority** is the person who makes regulations for the scheme, in the case of the LGPS this is the Secretary of State for Communities and Local Government. Although not mentioned in the Act, the Secretary of State will continue to be responsible for policy. Clause 3(5) of the Act provides that the consent of HM Treasury is required before any regulations can be made.
  
- 4 The **Scheme Manager** is ‘to be the person responsible for managing or administering’ the scheme and any other statutory scheme connected with it. It has been confirmed in both Hansard and correspondence between the Government and the LGA that for the LGPS the Scheme Manager is the administering authority as currently defined by LGPS

regulations, ie Powys County Council for the Powys Pension Fund.

- 5 The **Pension Board** is a board with responsibility for assisting the Scheme Manager in securing compliance with scheme regulations, other legislation covering governance and administration and the requirements of the Pensions Regulator. It has been confirmed that such boards will operate at the fund level for the LGPS.
  
- 6 The national **Scheme Advisory Board** has a responsibility for providing advice to the Responsible Authority and the Pension Boards. The remit and membership of this board will be set out in regulations which have yet to be drafted or consulted upon. In order to assist that process a shadow board is in the process of being set up in order to put this structure to the test before setting it out in regulation.
  
- 7 At the Fund level, the **Scheme Manager** manages and administers the scheme assisted by the **Pension Board**. Under the Act these are two distinct roles for the administering authority one of which (the **Scheme Manager**) is very much a hands on, decision making, management and investment function with the added task of ensuring there are no conflicts of interest for any pension board members. The other (the **Pension Board**) would appear to be much more of a compliance and scrutiny role with a responsibility to ensure that the former is complying with its statutory responsibilities.

Clause 5(7) of the Act deliberately provides that scheme regulations may allow for the **Pension Board** to be either the same as the existing statutory pensions committee or a separate body. At present, this Committee is the local section 101 statutory committee that reflects its own situation under the scheme regulations that already performs many of the functions set out in the Act. Nevertheless, the Council will need to consider as part of a forthcoming consultation exercise, whether the two distinct roles described in the Act can best be fulfilled either within existing or separate structures

- 8 As currently envisaged, it will not be a Fund discretion on how to meet the Act requirements in relation to the above, but set nationally for the LGPS as a whole.

At first glance, it would seem administratively expedient to allow the same committee to fulfil both roles (scheme manager and pensions board) if only in terms of available time and resources. However, there are some significant issues to consider:

- 8.1 The roles are very different and may require different resources, for example, investment skills in one role and audit skills in the other
- 8.2 A single committee constitution may not be able to effectively encompass the decision making requirement of the scheme manager role and the 'assistance' role of the pensions board
- 8.3 The cross scrutiny functions will prove difficult to apply and demonstrate within one committee
- 8.4 Clause 5(4)(c) requires regulations to provide that the pension board should have equal numbers of employer and member representatives. Combining the two roles would include applying that requirement to the committee responsible for both roles.
- 9 Committee is asked to note the contents of this report in preparation for a formal consultation process later in the year.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
• To note the contents of the report.		Best practice	
<b>Person(s) To Action Decision:</b>			
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
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<b>Relevant Local Member(s):</b>	