

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
11th July 2014**

REPORT BY: Strategic Director of Resources

SUBJECT: Consultation – LGPS Governance Arrangements

REPORT FOR: Information

1. Background

- 1.1 On 23rd June 2014, DCLG issued draft regulations on Scheme governance for consultation. Responses are invited to be submitted by 15th August 2014. The details of the consultation are set out below for information.
- 1.2 In June 2013, DCLG published an informal discussion paper inviting comment on how the requirements of the Public Service Pensions Act 2013 in respect of the governance of public service pension schemes, such as the LGPS, should be taken forward into the new LGPS 2014. The outcome of that exercise and additional comments from the Shadow Scheme Advisory Board have informed the preparation of these draft regulations.
- 1.3 The main provisions of the draft regulations are concerned with the following matters (each of which are considered in more detail later on in this report):
- The delegation of LGPS functions (section 2 below)
 - The establishment of local pension boards (section 3 below)
 - The membership of local pension boards (section 4 below)
 - Local pension boards and conflicts of interest (section 5 below)
 - Local pension boards and guidance (section 6 below)
 - A national Scheme Advisory Board (section 7 below)

2 The delegation of LGPS functions.

- 2.1 Proposes that administering authorities (such as Powys County Council) be given the explicit power to delegate any LGPS function, including the power to delegate.
- 2.2 The additional flexibility that this provides the Council in dealing with

LGPS issues, including these new governance arrangements, is welcomed.

3 The establishment of local pension boards.

- 3.1 Proposed that each administering authority must establish a local pension board by 1st April 2015.
- 3.2 Sets out the role of a local pension board to assist the administering authority to secure compliance with LGPS regulations, overriding legislation (for example HMRC requirements, Public Service Pensions Act 2013 etc), and with the requirements of the Pensions Regulator.
- 3.3 Also requires a local pension board to assist the administering authority to ensure the effective and efficient governance and administration of the Scheme.
- 3.4 Allows for a combined pensions committee and local pension board, subject to explicit approval by the Secretary of State. The following points are worth noting:
 - a) It must be noted that such a combined body would be subject to two separate legal codes – i.e as a section 101 Local Government Act committee (as at present) and under the Public Service Pensions Act 2013 (as a local pension board).
 - b) In addition, it is considered that such a combined body may have difficulty in ensuring that all of its members have, on the one hand ‘knowledge and understanding’ as is required of members of pension committees and, on the other ‘experience and capacity’, as required for members of local pension boards.
 - c) Furthermore, additional difficulties may be apparent with such an approach with regard to the requirements of local government law in relation to voting rights and the political composition of committees.
 - d) Respondents are specifically invited to address the issue of whether or not the regulations should allow for combined pension committees and local pension boards.
- 3.5 Means of establishing a local pension board. The draft regulations offer two alternative proposals.
 - i) Firstly, that a local pension board be established as though it were a section 101 committee. However, whilst this approach provides a simple method for establishing a local pension board, it may be that local pension boards should be established on a basis best suited to their specific role and responsibilities; or.
 - ii) Alternatively, the regulations could be drafted to include a provision to allow administering authorities to establish local pension boards and

to determine the procedures to be adopted, including voting rights; political composition; establishment of sub-committees; payment of expenses, etc.

Respondents are specifically invited to express their preference between the two alternative approaches to the establishment of local pension boards.

- 3.6 Costs of local pension boards are to be charged to the Fund.

4 The membership of local pension boards.

- 4.1 Requires each administering authority to determine the membership of their local pension board, the manner of appointment and removal, and the terms of the appointments.
- 4.2 In determining membership, must have equal numbers of employer and scheme member representatives and have a minimum number of 4 appointees.
- 4.3 States that a councillor member of a local authority may not be on a local pension board as either an employer or scheme member representative. However, councillor members may be appointed over and above such representatives.
- 4.4 Requires that the administering authority is satisfied that employer and scheme member representatives have the relevant experience and capacity to fulfil their roles. This contrasts with the requirements in respect of members of pension committees, who whilst being recommended to have regard to the Knowledge and Skills Framework published by CIPFA, are under no regulatory obligation.
- 4.5 Respondents are specifically invited to comment on whether or not these regulations should be drafted to include a requirement for members of pension committees to comply with the Framework and other relevant training.

5 Local pension boards and conflicts of interest.

- 5.1 Requires the administering authority to be satisfied that a person appointed to a local pension board has no conflicts of interest and requires that this be monitored over time. To facilitate this, appointees are obliged to provide relevant information to administering authorities, as required.

6 Local pension boards and guidance.

- 6.1 Requires administering authorities to have regard to guidance issued by the Secretary of State in relation to local pension boards. Such

guidance will be drafted by DCLG with reference to advice from both the national Scheme Advisory Board and the Pensions Regulator.

7 A national Scheme Advisory Board

- 7.1 Provides that a Scheme Advisory Board be established by and provide advice to, the Secretary of State with regards to changes to the LGPS.
- 7.2 Extends the Scheme Advisory Board's scope to include advice and guidance to administering authorities and local pension boards on all LGPS matters.
- 7.3 Sets out the Board's membership appointment process and numbers.
- 7.4 Determines that the costs of the Board are to be considered as Scheme administration costs and be recharged to administering authorities in such proportions as the Board decides. Value for money is to be monitored by the Secretary of State including annual budget approval.

Views from respondents are invited on how value for money may be achieved, together with any other comments of the funding of the national Scheme advisory Board.

8 Joint Pension Boards.

- 8.1 Given the extent to which some administering authorities are already sharing LGPS arrangements, or are considering doing so, it is thought that allowing for a single pension board to serve more than one administering authority should be considered.
- 8.2 However, DCLG have suggested that such an approach would run counter to the spirit of the Public Service Pensions Act 2013 were a single pensions board to seek to serve a significant number of administering authorities. DCLG have stated that in their view, the default position must be a local pension board for each administering authority, but that exceptions may be made where LGPS management and administration are wholly or largely shared by two or more administering authorities.
- 8.3 Respondents are specifically invited to comment on whether or not provision should be made to allow for joint pension boards and, if so, what test if any would need to be met in order to allow them.

9 Annual general meetings, Employer forums etc.

- 9.1 Respondents are specifically invited to comment on whether or not provision should be made to require administering authorities to facilitate employer and scheme member forums, on at least an annual

basis.

10 Public Sector Equality Duty.

- 10.1 The Equality Duty is a duty on all public bodies to ensure that public bodies consider the needs of all individuals in their day to day work.
- 10.2 Respondents are specifically invited to comment on this issue and whether or not provision should be made to require both the national Scheme Advisory Board and local pension boards to have regard to the requirements of the Equality Duty.
- 11 Committee is asked to note that due to the consultation deadline of 15th August and that the next committee meeting is not until September, the Pension Fund's response will be delegated to the Chair and Vice Chair with advice from the Strategic Director of Resources. Committee members who wish to comment on this consultation should pass these on to the Pensions Manager, as soon as possible.

Recommendation:		Reason for Recommendation:	
To note the contents of this report		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
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Relevant Portfolio Member(s):	Councillor Dai Davies
Relevant Local Member(s):	