

<b>MEETING</b>	<b>PENSIONS COMMITTEE</b>
<b>DATE</b>	<b>21 OCTOBER 2014</b>
<b>TITLE</b>	<b>LOCAL PENSION BOARD</b>
<b>AUTHOR</b>	<b>CAROLINE ROBERTS, INVESTMENT MANAGER</b>

## **1. INTRODUCTION**

- 1.1 In July 2014 the Department for Communities and Local Government (DCLG) issued Draft Regulations on Scheme Governance for the Local Government Pension Scheme. The deadline for response was 15 August 2014.
- 1.2 Due to the timing of the consultation it was necessary to discuss the response on behalf of the Pension Fund at the Investment Panel meeting on 31 July 2014. A response was prepared following the meeting and agreed with the Chairman and Vice Chairman of the Pensions Committee before submission to DCLG. Please see Appendix A for a copy of the response. A joint response on behalf of the eight funds in Wales was also submitted.
- 1.3 The main requirement in the draft regulations is the establishment of a Local Pension Board.

## **2. THE LOCAL PENSION BOARD**

### **2.1 Establishment of Local Pension Boards**

- Each administering authority must establish a local pension board no later than 1 April 2015.
- The role of the board is to assist the administering authority to ensure compliance with all relevant regulations, other legislation and requirements in relation to the scheme. The board will also assist the authority to ensure effective and efficient governance and administration of the scheme.
- The board may be combined with an existing committee into a single dual-function body. This arrangement requires approval of the Secretary of State.

### **2.2 Membership of the Local Pension Board**

- Each administering authority determines the membership of the local pension board.
- Membership must include employer and member representatives in equal numbers with a minimum requirement of 4 members in total.
- A councillor member of a local authority cannot be included either as an employer or member representative, but this does not prevent the appointment of councillor members, or any other person, to the local pension board as additional members above the required equal number of employer and employee member representatives.

- Local Pension Board members must have the relevant experience and capacity to perform their respective roles.
- The number of employer and member representatives appointed must represent a majority of total members.

### **2.3 Joint Pension Boards**

- The draft regulations require each administering authority to establish a local pension board. The extent to which administering authorities are already sharing or planning to share services suggests that provision should be made for a single pension board to serve more than one administering authority.
- DCLG believes that the default position must be one local pension board for each administering authority, but exceptions could be made where administration and management is shared.

### **2.4 Knowledge and Understanding**

- The regulations would require Local Pension Board members to have the relevant experience and capacity to perform their respective roles.
- Members of the Pensions Committee are recommended to have regard to the Knowledge and Skills Framework published by CIPFA but are under no regulatory requirement to do so.

## **3. GWYNEDD PENSION BOARD**

**3.1** The result of the consultation and the final regulations have not yet been published. However, it will be a requirement to constitute a Pension Board by 1st April 2015. Our response included a request to allow a joint Pension Board covering more than one fund. It is likely that a special case would have to be made for this option. It is unlikely that this would be feasible by April 2015.

**3.2** A preliminary officers meeting has been held to discuss the constitutional and operational requirements of a Pension Board. When the results of the consultation and the final regulations are published further work will be undertaken to establish the Pension Board.

## **4. CONCLUSION**

**4.1** Members are asked to note the content of the report. An update will be provided at the next meeting of the Pensions Committee.

**The Local Government Pension Scheme (Amendment) Regulations 2014  
Draft Regulations on Scheme Governance  
Consultation**

This response is submitted by Gwynedd Council, as administering authority for the Gwynedd Pension Fund.

Gwynedd Pension Fund is governed by the Pensions Committee established under the Council's committee structure and Constitution. The committee consists of seven elected members of Gwynedd Council, one elected member from the Isle of Anglesey County Council and one elected member from Conwy County Borough Council. These are the three largest employers in the fund. The Committee members comply with the CIPFA Knowledge and Skills Framework.

As the existing Committee operates within a robust governance framework the members are concerned that an extra layer will be introduced for oversight thus requiring additional resources at a time when efficiencies and savings are being sought and the cost of administration for local government pension schemes is under scrutiny.

The proposed option of combining the existing Committee and the new Board as one body would not work under the current governance arrangements in Gwynedd, as it is not possible to have a committee with the majority of its members from outside the elected representatives. The alternative version of Regulation 106(5) (Option 2) which allows discretion to establish procedures applicable to a local pension board would be more appropriate.

The Pensions Committee members consider that they have a role as employer and member representatives and the prohibition on elected members being appointed as such representatives on the new Board is a matter of concern. It is recognised that the members on the Pensions Committee could not fulfil that role but other elected members would be appropriate in a similar way to the operation of the Audit Committee within the Council's committee structure.

We are concerned that it may be difficult to obtain independent representatives of quality at a reasonable cost, especially if elected members are excluded.

While we note that the draft regulations' default position for pension boards is one local board per administering authority, we do not believe that joint pension boards serving more than one administering authority fund should be dismissed. There are cases where the joint approach, with a single pension board serving several LGPS funds, may provide some advantages.

This is likely to be the case where LGPS funds already have a strong working relationship, e.g. the 8 Welsh funds currently considering a CIV, and having a history of collaborating in their communication functions, etc.

Joint boards also provide an opportunity for a local pension board to have access to several different ways of working. There is something to be said for a local board getting a different view of things and being able to share best practice across administering authorities. Indeed,

this might lead to the desirable feature of the levelling up of governance standards within the LGPS community. This might also make it easier for the Scheme Advisory Board to do its job where the alternative is dealing with 89 separate LGPS funds.

We would welcome an amendment to the regulations that permits administering authorities to share boards, if necessary having to demonstrate to the Secretary of State's satisfaction the governance benefits of doing so.

Gwynedd Pension Fund currently offers a number of meetings for employers and employees as required, including an annual employer meeting. We do not believe it is necessary to make this a requirement in the Regulations.

We note that much of the detail will follow in accompanying statutory guidance. Given the short time period for implementation of the requirements the regulations need to be in place as soon as possible and early publication of views on the content of the statutory guidance will help administering authorities to develop appropriate terms of reference.