

**LOCAL GOVERNMENT PENSION SCHEME – CREATION OF LOCAL PENSION
BOARDS**

Joint Report of the Deputy Chief Executive and the Chief Legal Officer

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1. Purpose of report and Summary

1.1 The purpose of this report is to provide Members of the Council with an update on the appointment process of members to the new Pension Board and to submit for final approval the Constitution of the new Pension Board.

2. Summary

2.1 The Public Service Pensions Act 2013 (PSPA 13) introduces new regulations (“the Regulations”) that require each administering authority to establish a Local Pension Board for the purposes of assisting the Administering Authority in line with the following requirements:

To secure compliance with:

- The Regulations;
- Other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS); and
- The requirements imposed by the Pension Regulator in relation to the LGPS; and
- To ensure the effective and efficient governance and administration of the LGPS.

2.2 The Regulations require that Local Pension Boards must be established by no later than 1 April 2015. This means that the Administering Authority must have approved the establishment of the Local Pension Board and its composition and also its terms of reference. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However, it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).

2.3 The County Council at its meeting on 25 November 2014 agreed the following recommendations:

- a) *the creation of a Local Pension Board for the Hertfordshire Local Government Pension Scheme and agrees the draft Constitution for the Board, as set out in Appendix A to the report;*
- b) *to commission officers to develop detailed terms of reference to be incorporated in the Local Pension Board's Constitution; to be approved by the next Pensions Committee on 27 February 2015;*
- c) *to delegate to the Deputy Chief Executive, in consultation with the Executive Member for Resources and Transformation, approval of final job descriptions and the appointment process for members of the Local Pension Board, to be in place by April 2015; and*
- d) *the employer representative for Hertfordshire County Council, the Administering Authority, is an elected Member of the County Council."*

3. Recommendations

- 3.1 The Pensions Committee considered a report on this item of business at its meeting on 27 February 2015. The Committee agreed to recommend to Council:-

"That County Council approves the following:

- a) *The Constitution of the Local Pension Board for the Hertfordshire Local Government Pension Scheme (LGPS) as set out in Appendix A to the report, subject to any final changes agreed by the Deputy Chief executive in consultation with the Chairman and Vice-Chairman of the Pension Committee.*
- b) *that the operation of the board and its membership be reviewed after the first year of operation."*

Additional officer recommendations:-

- 3.2 *That the Investment Sub-Committee cease to operate after its meeting in June 2015.*
- 3.3. *That the Constitution of the Pension Board form part of the Council's Constitution and that the Chief Legal Officer be authorised to make the necessary changes to the Council's Constitution to reflect this and the decisions mentioned at 3.1 and 3.2 above.*

4. Background

- 4.1 Lord Hutton was appointed by the Government to chair the Independent Public Service Pensions Commission (IPSPC) and undertake a fundamental review of public service pensions. The final report produced by the IPSPC made 27 recommendations for the reform of public service pension schemes. These recommendations included:

- A properly constituted, trained and competent pension board with member nominees, responsible for meeting good standards of governance, including effective and efficient administration;
- A pension policy group for each public service pension scheme at national level for considering major changes to scheme rules; and
- Independent oversight of the governance, administration and data transparency of public service pensions.

4.2 The majority of recommendations from the IPSPC report were implemented as part of the Public Service Pensions Act (PSPA) 2013. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 were laid before parliament on 28 January 2015. Amendments were made to the draft regulations to take account of responses to the Department for Communities and Local Government (DCLG) consultations that were issued last year and to which this Authority responded. Amendments made to the draft regulations included allowing elected Members to sit on local pension boards as long as they were not responsible for the discharge of any function under the regulations. In addition, the regulations were amended to remove the pre-condition of experience to be a member of a local pension board; but it remains essential that potential members can display the capacity to undertake the full role of being a local pension board member,

4.3 The LGPS Advisory Board has issued guidance to administering authorities on the creation and operations of Local Pension Boards in England and Wales. In addition, the Advisory Board has also provided template terms of reference for a local pension board. Officers have used this guidance to develop the Constitution for the Pension Board as well as the appointment process of membership of the Board. The guidance is not prescriptive and leaves a lot to local determination; this allows local administering authorities/scheme managers to set up their boards to fit local requirements and membership.

5. Appointment Process

5.1 The LGPS governance regulations require a Local Pension Board to comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total. The composition of the Board is left to the discretion of the local Administering Authority. The Hertfordshire Pension Board will be made up of eight members, four members each from the employer and member side.

5.2 Each employer or member representative on a Local Pension Board will potentially represent a significant range of employers or members. It is, therefore, important that the methodology for appointment ensures that representative members are truly representative. The guidance does not prescribe any particular methodology for the appointment of employer and member representative and leaves it to the Administering Authority to establish an appropriate process. For example, the guidance suggests that employer representatives could be selected through existing employer forums. The constituent membership of the employer bodies in the Hertfordshire Scheme is as follows:

- Schools and Academies – 47.8%
- Administering Authority - 18.2%

- District/Borough Councils & Police – 15.4%
- Other small employers pool – 17.7%

- 5.3 The employer side appointments for the Board will be made by nomination and the employer bodies such as the Schools Forum¹ have been asked to nominate a representative to represent the schools and academies. The district and borough councils will nominate a senior officer or elected member to be their representative member. The County Council, as Administering Authority, will appoint an elected Member as long as that elected Member is not responsible for the discharge of any functions under the LGPS regulations. The University of Hertfordshire has been invited to represent the other employer bodies and a letter has been sent to all the other employers in this pool to inform them of this intention, and to allow them an opportunity to object to this appointment or put forward alternative proposals. The University of Hertfordshire was invited to represent this pool as they were the largest employer in that group.
- 5.4 It is important to ensure that the appointment process to the Board is equitable and that all employers and Members have the opportunity to be represented on the Board. The appointment process has been designed to attract people with relevant experience, skills and capacity required to undertake the role and is representative of the constituent membership of both employers and Members.
- 5.5 The process of appointing member representatives is through an appointment by inviting applications. Officers working with the London Pensions Fund Authority (LPFA) have issued communications to all members inviting them to put forward an application to sit on the Board. The LPFA has created a section of the Pension website for this process and further information can be found on the site <http://www.yourpension.org.uk/Hertfordshire/Fund-information/Local-Pension-Board.aspx>. Officers will short list the applicants and formal interviews will take place in March 2015 before appointments are made to assess the ability of the individual to meet the requirements of the role and make appointment on merit.

6 The Local Pension Board Constitution

- 6.1 At the Pensions Committee meeting on 14 November 2014, it was agreed that final terms of reference would be incorporated in the draft Constitution and brought back to Committee and full Council for final approval at their respective meetings in February and March 2015. The Constitution, attached as Appendix A to the report, has been prepared having regard to LGPS Advisory Board guidance, their template terms of reference and some terms of reference documents prepared by other LGPS administering authorities.. The Constitution of the Board sets out how the Board is established, its objects, and its terms of reference.
- 7.2 In summary the Constitution of the Board includes the following:
- Name of the Board
 - Role and functions of the Board
 - Membership and terms of office

¹ The schools forum is made up of head teachers, governors and other non-school members who represent maintained schools, academies, the private voluntary sector and elected members.

- Knowledge and understanding
- Meetings and proceedings for the Board
- Voting
- Appointment of a Chair/Vice-Chair
- Standards and conflicts of interest
- Information
- Expenses and allowances

7.3 The Constitution is required to be agreed by the Pensions Committee and approved by Council. The agreed Constitution will be presented to the Board at its first meeting.

8. Financial Implications

8.1 The cost of setting up and operating the Local Pension Board (LPB) will be part of the costs of the administration of the pension fund and will fall to the Fund as prescribed in the new Regulations. These will be additional costs attributable to the Pension Fund and not to the County Council.

9. Equality Implications

9.1 In determining appointments to the Board, officers have and will ensure that the application and appointment process does not disadvantage any applicant with protected characteristics.

10. Chief Legal Officer Comments

10.1 The proposals to set up a Pensions Board as set out in this Report comply with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. It is recommended that the constitution of the Pension Board is included as an Annex to the County Council's Constitution.

10.2 It is proposed that the Investment Sub-Committee ceases to operate after its meeting to be held in June 2015 and that after that meeting the Pensions Committee absorbs the work which is currently undertaken by that Sub-Committee.

11. Fire Boards

11.1 The Public Service Pensions Act 2013 places an additional requirement on fire and rescue authorities to create a Local Pension Board for the fire pension scheme. A report on the Fire Board will come to a later meeting of the Council.

Background Information

Public Service Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents/enacted/data.htm>

Local Government Pension Scheme (LGPS) – Guidance on the creation and operation of Local Pension Boards in England and Wales.

[http://www.lgpsboard.org/images/Guidance/LGPS Board Guidance FINAL PUBLISH ED.pdf](http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISH_ED.pdf)