

**LGPS PENSION BOARD CONSTITUTION MEMBERSHIP APPOINTMENT
REVIEW**

Report of the Chairman of the Pension Board

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1 Purpose of the Report

- 1.1 The purpose of this report is to provide a review of the appointment process for members of the Pension Board to ensure that the appointment process preserves knowledge and experience which could be lost if all pension board members retired at the same time after their four year term.

2 Background

- 2.1 Local Pension Boards were required to have been established by all Local Government Pension Scheme (LGPS) Administering Authorities by 1 April 2015, and to support the establishment of these Boards the Scheme Advisory Board (SAB) developed guidance on the operation of these boards for Administering Authorities.
- 2.2 The County Council established the Pension Board on 1 April 2015 in accordance with Section 5 of the Public Service Pensions Act 2013¹. In accordance with Sections 5(1) and (2) of the Act and Regulation 106 of the Local Government Pension Scheme Regulations 2013, the role of the Board is to:

Secure compliance with:

- The Local Government Pensions Scheme Regulations;
- Other legislation relating to the governance and administration of the 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.

¹ <http://www.legislation.gov.uk/ukpga/2013/25/section/5>

- 2.3 The Board has 8 full members, 4 representing employers and 4 representing fund members (active, deferred and retired) with 4 employer substitutes and 2 member substitute positions, one of which is currently vacant due to the resignation of a member representative.
- 2.4 Members of the Board hold their positions for a 4 year term, the term of office of the current board members (BMs) will end on the 31 March 2019. Members of the Pension Board, at their meeting held on 14 March 2017, asked officers as part of the review of the Board's constitution to look at the appointment process of board members in order to ensure that business continuity was maintained and importantly that knowledge and experience would not be lost when BMs retired.
- 2.5 Officers have consulted with legal colleagues to review the appointment process and the proposal put forward in this report is to have a rotational membership of the Pension Board whereby the BMs are appointed for a four year term with half of them standing down every two years (a bit like the election of Councillors by thirds on some Councils)
- 2.6 To implement any changes to the Board's constitution, amendments put forward by the Board will need to be considered and agreed by the Pensions Committee who will then recommend them to full Council for approval.

3 Board Member appointment proposals.

- 3.1 The transition from the current arrangement to a new system that establishes membership rotation is complex but once established will be straight forward and workable. As referred to in 2.3, there are two categories of BM, Employer BMs (EBMs) and Member BMs (MBMs) and at all times the numbers in each category are equal. The Hertfordshire LGPS Pension Board has 4 EBMs and 4 MBMs.
- 3.2 In order for rotation to work it is suggested that the appointment process is changed to a situation where, from the appointment of new BMs from 1 April 2019, half the BMs in each category have terms expiring on 31 March 2021 and the other half terms expiring on 31 March 2023. Any BM appointed from 1 April 2021 or 1 April 2023 would be appointed for a full 4 year term. This would result in the desired rotation of membership.
- 3.3 The two scenarios set out below require different provisions to achieve the rotation. The scenarios apply to both EBMs and MBMs, but for illustrative purposes EBMs will be used. The positions will be identical for MBMs.
- 3.4 **Scenario 1: All existing EBMs are re-appointed after their terms end on 31 March 2019**
1. Two of the existing EBMs are re-appointed for a four year term to expire on 31 March 2023.
 2. The remaining two existing EBMs are re-appointed for a two year term expiring on 31 March 2021.

3. The two existing EBMs retiring in 2021 may be re-appointed, if there are insufficient suitable new prospective EBMs who apply and, if they are re-appointed, it would be for a four year term expiring on 31 March 2025

3.5 Scenario 2: Some, but not all existing EBMs are re-appointed after their terms end on 31 March 2019

1. Up to two existing EBMs may be re-appointed for a four year term expiring on 31 March 2023.
2. Of the remaining EBMs to be (re-) appointed (whether existing or new) two are appointed for a two year term expiring on 31 March 2021 and the remainder (if any) for a four year term expiring on 31 March 2023.
3. Any EBM (re-)appointed for a two year term and retiring in 2021 may be re-appointed and, if so, it would be for a four year term expiring on 31 March 2025.

- 3.6 This process would ensure that, from April 2021, the rotation is in operation. A procedure would need to be put in place to decide on who is appointed for a four year term and who is appointed for a two year term and how to deal with any casual vacancies. Legal colleagues will recommend such a procedure in the process of advising on the detailed amendments to the constitution after board members have agreed on the principle of rotation.

4 Recommendations

- 4.1 The Pensions Board is invited to comment on the report, and discuss the proposal for board membership rotation.