

HERTFORDSHIRE COUNTY COUNCIL

PENSIONS BOARD

WEDNESDAY 20 SEPTEMBER 2017 AT 11:00AM

Agenda Item No:

8

LGPS PENSION BOARD CONSTITUTION MEMBERSHIP APPOINTMENT REVIEW

Report of the Director of Resources

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1 Purpose of the Report

- 1.1 The purpose of this report is to provide an update on the review of the Pension Board Constitution and to address some of the questions raised by members of the Board at their most recent meeting in July 2017.

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 LGPS 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.

- 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

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

member substitute positions, both of which are currently vacant due to resignation of the member representatives.

- 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 reviewed the appointment process, and the proposal put forward in the report to the Board in July proposed 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. Members of the Board were satisfied that this would address the concerns about business continuity and the preservation of knowledge and experience within the Board.
- 2.6 This report will address the following areas of the constitution that board members asked officers to consider as part of the review of the constitution:
- Member rotation process;
 - Term of office for Board members;
 - Appointment of new Board members;
 - Appointment of substitute members as permanent members; and
 - Remuneration of Board members.
- 2.7 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 Member representative appointment proposals and rotation.

- 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 (and must be) 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 This process would ensure that, from April 2021, the rotation is in operation. Subject to 3.4 below, a suggested procedure for rotation of BMs (to be applied

separately in the two categories of EBMs and MBMs) is that existing BMs who will have served a four year term by 2019, and who are re-appointed following a selection process, will be appointed for a two year term expiring on 31 March 2021. Any new BM would be appointed for a full four year term.

- 3.4 If the procedure at 3.3 above (applied separately in each category of BM) fails to produce the same number of BMs to be appointed for a two year term as are to be appointed for a four year term, then lots will be drawn to determine which BMs are to serve for four years and which for two years.

4 Term of office for Board members.

- 4.1 The Constitution, appendix A, sets out in 4.7.3 that the term of office for Board members will normally be four years subject to review after the first year of operation. The constitution as it is written does not prohibit re-appointment after four years as this is beneficial in retaining experience on the board.
- 4.2 After officer review it's proposed that the term of office is four years with a suggested maximum of two terms (a total of eight years). Rotation of Board membership will also help address the issue of all Board members standing down at the same time.
- 4.3 In the event of a BM resigning or otherwise ceasing to be a BM during their term (a casual vacancy) than any new BM appointed will be appointed for the remainder of the previous member's term.

5 Appointment of new members and substitute members

- 5.1 The Constitution 4.7.1 to 4.7.2 sets out the appointment process for member representatives. The Board has expressed, as part of the review of the constitution, an interest in representation on the appointment panel.
- 5.2 At the end of the Board's four year term on 31 March 2019 all board members will need to stand down and seek reappointment. In the case of employer representatives, they will need to be re-nominated by their employer bodies and member representatives will be selected by an application process. For member representatives the application and appointment process will be determined by the County Council.
- 5.3 Regarding the future appointment of substitute members to permanent member positions it is proposed that they too will go through the application process set out in the constitution. The rationale behind this proposal is that automatic elevation of substitute members to permanent board members will give the perception of a 'closed shop' and this should be avoided and that those members, although experienced, should go through the same appointment process.
- 5.4 The application process, as set out in 4.7.1, is flexible enough for the appointment of new members. Officers will review the board member role and responsibilities in conjunction with the Chairman and Vice-Chairman and subject

to any amendments will start the process for inviting applications to fill the two vacant member substitute roles.

6 Expenses and allowances

- 6.1 Officers have reviewed the payment of allowances and expenses to board members and agree that they should be paid in accordance with the County Council scheme for member allowances as at present.

7 Recommendations

- 7.1 The Pensions Board is invited to comment on the report.