

CONSTITUTION COMMITTEE – 10 MARCH 2015

REPORT OF THE CHIEF EXECUTIVE

ESTABLISHMENT OF A LOCAL PENSION BOARD

Purpose

1. The purpose of this report is to enable recommendations to be put to the meeting of the County Council on 25 March 2015 relating to the proposed establishment of the Local Pension Board.

Background

2. Article 15 of the County Council's Constitution requires that changes to the Constitution should only be approved by the full County Council after consideration of the proposal by the Chief Executive and the Constitution Committee and/or Corporate Governance Committee and/or Employment Committee.
3. In June 2013 a discussion paper was issued by the Department for Communities and Local Government (DCLG) concerning potential new governance arrangements for the Local Government Pension Scheme (LGPS). On 29th January 2015, just over two months before the Local Pension Board needed to be in place, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 were laid. The regulations came into force on 20th February 2015, with the requirement that a Local Pension Board be established by 1 April 2015.
4. The Local Pension Board will not be a decision-making committee. It will instead be expected to assist the administering authority in securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. There is scope for the Terms of Reference for the Local Pension Board to be set at a local level, and it is expected that these will evolve over time. The Board will undertake a formal review process to assess how well it is performing with a view to seeking continuous improvement in the Board's performance. Attached as Appendix A to this report are the Terms of Reference for the Local Pension Board. Appendix B is a Statement of Operational Principles for the Local Pension Board, which sets out further detail of the way in which the Board will operate.

Structure of the Local Pension Board

5. The Pension Fund Management Board at its meeting on 14 November 2014 agreed that the Local Pension Board would comprise three

scheme members (i.e. employee) representatives and three employer representatives, the latter all being elected members, two from Leicestershire County Council and one from Leicester City Council. An extract from the minutes of the meeting is attached as Appendix C to this report.

6. In order to comply with the tight statutory timescales, it has been necessary to undertake the majority of the preparatory work before seeking formal agreement of the terms of reference. The three scheme member representatives were appointed at the Pension Fund Management Board's Annual General Meeting on 8 January 2015. This action was taken with the support of the local Unison representatives. The County Council will be asked to appoint the two employer representatives at its meeting on 25 March.

Meetings of the Local Pension Board.

7. It is currently anticipated that meetings of the Local Pension Board will be held quarterly, and that these meetings will be held about a month after the normal quarterly meetings of the Pension Fund Management Board. This is to allow the Local Pension Board to consider anything agreed by the Pension Fund Management Board which is relevant to the role of the Local Pension Board, in a timely manner. This would give a meeting timetable of late June, early October, mid-December and late March.
8. It is anticipated that the remit of the Local Pension Board will change over time, and expand as the skills of the individuals grow. Some of the issues that are expected to be considered are:
 - Quarterly Administration Report;
 - Ensuring compliance with Legislation and the requirements of the Pensions Regulator;
 - Updates on potential changes to LGPS Regulations;
 - Reports relating to internal audit work;
 - Consideration of policies;
 - Scrutiny of the decision-making of Pension Fund Management Board and Investment Subcommittee.
9. The above list is not intended to be definitive and there will no doubt be many other matters that are relevant for consideration by the Local Pension Board. There will also be items that will be specifically highlighted as relating to training for members of the Local Pension Board.

Impact of the Local Pension Board on the Pension Fund Management Board

10. Consideration has been given as to whether the new committee should have any impact on the membership of the Pension Fund Management Board. It is likely that relatively few of the matters currently considered

by the Pension Fund Management Board will be referred to the Local Pension Board. There is a need to ensure that all stakeholders are, as far as practical, represented on the Pension Fund Management Board so that they can contribute to discussions concerning the Fund's investments – the performance of the investments of the Pension Fund and the risks associated with achieving an acceptable return have a meaningful impact onto employer contribution rates. As such it is recommended that no change is made to the membership of the Pension Fund Management Board.

11. Given that the Regulations refer to the term 'Local Pension Board,' it seems sensible to incorporate this into the name of the new committee, and to call it the Leicestershire Local Pension Board. In order to avoid confusion it is suggested that the name of the Pension Fund Management Board be changed. The Pension Fund Committee would appear appropriate, with the Investment Subcommittee remaining as it is in both name and structure.

Consultation

12. A six week period of consultation with stakeholders, including all employing bodies within the Leicestershire Local Government Pension Scheme and the trade unions, Unison and GMB, regarding the proposed governance structure took place between 9th December 2014 and 21st January 2015. No significant comments were received from employing bodies.

Changes to the Constitution

13. The Local Pension Board is a separate Committee rather than a subcommittee of the Pension Fund Management Board. The only changes needed to the Constitution are therefore to insert the terms of reference for the Local Pension Board into the County Council's Constitution at Section B of Part 3, Responsibility for Functions; these are set out in Appendix A to this report. The name of the Pension Fund Management Board will also be changed to the Pension Fund Committee.

Resources Implications

14. The proposals will result in an additional four meetings per annum. Servicing these meetings will be undertaken within existing staffing resources in the Chief Executive's and Corporate Resources Departments.

Recommendation

15. (a) That the County Council be recommended to approve the terms of reference of the Local Pension Board, as set out in Appendix A to this report and the renaming of the Pension Fund Management Board as the Local Pension Committee;

- (b) That, subject to (a) above, the County Council be recommended to make the necessary appointments;

Background Papers

The Constitution of Leicestershire County Council.
Reports to the Pension Fund Management Board, on 14 November 2014, 8 January 2015 and 27 February 2015.

Circulation under the Local Issues Alert Procedure

None.

Officer to Contact

David Morgan
County Solicitor
☎ – 0116 305 6007
Email – david.morgan@leics.gov.uk

List of Appendices

Appendix A – Terms of Reference for the Local Pension Board
Appendix B – Operational Principles for the Local Pension Board
Appendix C – Extract from minutes of the Pension Fund Management Board, 14 November 2014.

Equal Opportunities and Human Rights Implications

None.