

	<h2>General Functions Committee</h2> <h3>23 March 2015</h3>
Title	Establishment of Local Pension Board
Report of	Chief Finance Officer
Wards	Not Applicable
Status	Public
Enclosures	Appendix 1 – Local Government Pension Scheme – Guidance on the creation and operation of Local Pension Boards Appendix 2 – Proposed Terms of Reference for Pension Board Appendix 3 – Work Plan for Pension Board 2015/16
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<h2>Summary</h2>
<p>The Public Service Pensions Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective management of local pension funds. The Department for Communities and Local Government (DCLG) has issued regulations for consultation concerning the implementation of Pension Boards. This report summarises the DCLG regulations, the role of the board and its likely composition.</p>

<h2>Recommendations</h2>
<p>1. That the committee approve the establishment of a Pension Board and agree the terms of reference set out in Appendix 2 of the report and determine whether or not to adopt Option 1, Option 2 or Option 3 for the composition of</p>

the board.

- 2. That, subject to the committee agreeing recommendation 1 above, the committee appoints a councillor (not a member of the Pension Fund Committee) as one of the council representatives on the board.**
- 3. That approval of the Pension Board Code of Conduct, Conflict of Interests Policy, Training Policy and the process of selecting non-councillor members of the board be delegated to the Monitoring Officer in consultation with the Chief Finance Officer and Chairman of the General Functions Committee.**
- 4. That the committee approve the draft work plan for the first year of the Pension Board as set out in Appendix 3.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Department for Communities and Local Government has been consulting on the implementation of Pension Boards, as required by the Public Service Pensions Act 2013. The final regulations were laid before Parliament and the final version of the guidance issued on 4 February 2015 (Appendix 1).
- 1.2 The Act and the regulations provide that the “scheme manager” will be responsible for administering, investing and managing the pension fund and may delegate these responsibilities to a committee, an officer or an investment manager (as appropriate). In the case of the London Borough of Barnet (LBB) the Pension Fund Committee is the scheme manager and it is proposed that the committee will continue to discharge these functions.
- 1.3 The Act states that the scheme regulations will provide for the establishment of the Pension Board which will be responsible for assisting the scheme manager (in LBB’s case, the Pension Fund Committee) in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme. The regulations allow for either a separate board or a single body combining the roles of the committee and the board. A single body will have to meet the membership requirements detailed in section 3 below and section 10 of the guidance (Appendix 1) and requires Secretary of State approval which, if granted, may contain conditions.
- 1.4 Whilst the guidance has provided some further suggestions about what the board will do, specific local functions have primarily been left up to the local authority’s determination. It is however clear that, while the board can make recommendations to the Pension Fund Committee, it will be up to the committee whether to take action in relation to the recommendations. The board will not be a decision making body, but will contribute to the governance of the pension scheme by providing advice and scrutiny.
- 1.5 The Pension Board must be established by 1 April 2015 and the Pension Board must meet within the first four months of the 2015/16 financial year.

2. REASONS FOR RECOMMENDATIONS

- 2.1 A Pension Board must be established by the 1 April 2015 otherwise there could be intervention by the regulator, legal action by way of a judicial review or a complaint to the Local Government or Pensions Ombudsmen.
- 2.2 The regulations require Pension Boards to have an equal number of employer representatives and scheme member representatives, the total of which cannot be less than four. One clarification that has arisen from the final regulations is that councillors may now be members of the Pension Board as long as they do not have any direct involvement in the running of the pension fund (i.e. a member on the Pension Fund Committee). The proposed terms of reference attached at Appendix 2 propose a membership of five to ensure that a quorum is easily achieved at each meeting.
- 2.3 The terms of reference contain a number of provisions concerning training and knowledge requirements for the members of the board, conflicts of interest, the management and reporting of meetings. The terms of reference also refer to a number of separate policy documents relating to the operation of the board. These are currently being drafted and it is proposed that approval of these documents is delegated to the Monitoring Officer in consultation with the Chief Finance Officer and Chairman of the General Functions Committee.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The alternative option is to discharge the Local Pension Board function through the Pension Fund Committee. As this requires written approval from the Secretary of State to appoint the existing committee as the Local Pension Board this option is not recommended.
- 3.2 If the existing committee is appointed the membership has to be reviewed to still incorporate the member and employer mix stated in the regulations.

4. POST DECISION IMPLEMENTATION

- 4.1 Following approval and appointment of the council representative by the General Functions Committee, the Monitoring Officer in consultation with the Chief Finance Officer and Chairman of the General Functions Committee will carry out an exercise to recruit and appoint the remaining four members of the board.
- 4.2 In accordance with the regulations, the first meeting of the Pension Board will be arranged within the four months of the 1 April 2015
- 4.3 The required training will be provided for all members.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Local Pension Board will support the delivery of the council's corporate priorities as expressed through the Corporate Plan by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the fund.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 All costs of implementing and running the Local Pension Board will be funded from the Barnet Pension Fund.

5.2.2 The Local Pension Board will agree its work plan annually, together with the budget required to deliver it. As the expenses of the board are to be met by the Barnet Pension Fund, the board's budget will be submitted to the Barnet Pension Fund Committee for approval annually. The board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the Pension Fund Committee.

5.3 Legal and Constitutional References

5.3.1 The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require the council to establish a Pension Board by 1 April 2015. The proposed terms of reference comply with the requirements of the legislation and due regard has been paid to the guidance. In order to exercise their functions it may be necessary for members of the Pension Board to receive exempt information or reports. Any such information would be provided specifically for that purpose and should not be disclosed by the board to any other party. This is a matter which will be dealt with in the Pension Board Code of Conduct

5.3.2 The council's constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the General Functions Committee which includes:

- i. Discharging all other council functions that are not reserved to full council; and
- ii. appointing representatives on outside bodies.

5.4 Risk Management

5.4.1 If this Pension Board is not agreed or within the time constraints set out in this report the council could be at risk of judicial review or intervention by the regulator.

5.5 Equalities and Diversity

5.5.1 There are no equalities and diversity issues arising from this report.

5.6 Consultation and Engagement

5.6.1 Officers have consulted with trade union representatives on the composition

of the Local Pension Board. At the request of the trade unions, a further option (Option 3) for the composition of the board has been included in the proposed terms of reference for Pension Board.

6. BACKGROUND PAPERS

6.1 None.