

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	<b>Lewisham Pension Board</b>		
<b>KEY DECISION</b>	No	<b>Item No:</b>	8
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date:</b>	9 September 2014

## **1. SUMMARY**

- 1.1 This report provides members with an overview of the requirement for a Pension Board and its draft terms of reference.

## **2. RECOMMENDATION**

- 2.1 The Committee is recommended to:

- (1) Note legislative requirement to set up a Pension board.
- (2) Agree the draft terms of reference for the Pension board, subject amendments following the final guidance expected to be issued in late September / early October.
- (3) Agree the payment of £4,000 (plus VAT) and an annual maintenance fee of £2,000 (plus VAT) for a hosted website that will provide the latest communications to members and employers on Pension related issues.

## **3. BACKGROUND**

- 3.1 Section Five of the Public Service Sector Pensions Act 2013 requires each administering authority to establish a local Pension Board no later than 1 April 2015. The responsibility of the Pension Board is to assist the administering authority with the following areas:

- (1) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- (2) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- (3) such other matters as the scheme regulations may specify.

- 3.2 The Act includes a requirement for the Department for Communities and Local Government (DCLG) to make regulations establishing a national scheme advisory board and enabling each Local Government Pension Scheme (LGPS) administering authority to establish a local Pension Board. On 23 June 2014, the DCLG issued draft regulations on scheme governance for LGPS. The paper: “The Local Government Pension Scheme (Amendment) Regulations 2014” has an eight week statutory consultation period. The closing date for responses was 15 August 2014.
- 3.3 The regulations form “Part 3 Governance” of the LGPS Regulations 2013 (the Principal Regulations). Some of these regulations come into force on 1 October 2014, the rest come into force on 1 January 2015. A summary of the paper is set out in the next section.

#### **4. THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2014**

The regulation is made up of the following sections:

##### *4.1 Regulation 106: Establishment*

Each administering authority is required to establish a local pension board by 1<sup>st</sup> April 2015. The Draft regulations is consulting on two alternative approaches to set up the pension board. The first is to treat the board as if it was established under section 101 of the Local Government Act 1972, and the second is to enable the administering authority to determine the procedures applicable to a local pension board.

##### *4.2 Regulation 107: Membership*

The pension board must have an equal number of employer and member representatives with relevant experience. The minimum membership number is four.

##### *4.3 Regulation 108: Conflicts of interest*

The administering authority must be satisfied that any person to be appointed as a member of the pension board does not have a conflict of interest.

##### *4.4 Regulation 109: Guidance*

Administering authorities must have regards to guidance issued by the Secretary of State.

##### *4.5 Regulation 110: Scheme advisory board – Establishment*

The Local Government Pension Advisory Board is to be established, and will have responsibility for advising the Secretary of State on the desirability of

making changes to the scheme, providing advice to administering authorities and local pension boards.

#### 4.6 *Regulation 111: Scheme advisory board – Membership*

The scheme advisory board is to be chaired by an appointment of the Secretary of State who can then appoint a further between 2 and 12 members with approval from the Secretary of State.

#### 4.7 *Regulation 112: Scheme advisory board - Conflicts of interest*

The Secretary of State must satisfy themselves that members of the scheme advisory board does not have a conflict of interest.

#### 4.8 *Regulation 113: Scheme advisory board – funding*

The scheme advisory board will need to agree its budget with the Secretary of State and then determine each administering authority's share of this cost.

#### 4.9 The draft regulation is attached at Appendix A.

#### 4.10 The main point of consultation is whether the Board should be established under Part 6 of the Local Government Act 1972, or whether an administering authority may determine the procedures including voting rights, the establishment of sub-committees, formation of joint committees and payment of expenses itself. Final guidance is expected to be released at the end of September or in early October.

### **5. LEWISHAM PROGRESS UPDATE: PENSIONS WORKING GROUP**

5.1 A Pension Board working group has been set up to support the creation of the Pension Board. The group consists of: Councillor Ingleby, Councillor Muldoon, David Austin (Pensions Investment and Administration), Helen Glass (Legal), Carol Eldridge (Pensions Administration), and Adeola Odeneye (Pensions Investment).

5.2 The group have prepared a draft Pension Board terms of reference, person specifications for employer/employee representatives, and an Independent member. These documents are attached as Appendix B, C and D respectively.

5.3 The main points in the documents that PIC are asked to comment on are the:

- Remit of the Pension Board and how this may change the remit of PIC;
- Appointment process of Pension Board members; and
- Essential criteria for representatives.

### **6. PENSIONS WEBSITE HOSTED EXTERNALLY**

6.1 The information that must be provided to scheme members is set out in the Disclosure Regulations 2013. Schemes must provide the required information,

along with confirmation that members may request further information if required and the type of information that is available.

- 6.2 Schemes must disclose information about the scheme and the benefits it provides and currently Lewisham has an internal intranet site that is accessible to employees only. It therefore does not meet the requirement for retired members or those working for other bodies and their employers. In addition, maintaining this site following the introduction of the new 'Care Scheme' alongside the old 'Final Salary' scheme means the volume and complexity of changes in pensions makes keeping the site up to date without additional resource very difficult.
- 6.3 Delays in ensuring that the most recent information is available could result in an employee or employer making an ill informed decision which could ultimately lead to the Pensions Ombudsman imposing a fine on the Council. Any fine imposed, along with the costs of rectifying the error, could be substantial.
- 6.4 Rather than increase the in-house team's resources to do this and try to find an internal IT solution to meet both employee and employer needs, officers are proposing to invest in a site that is hosted externally by dedicated pensions experts. The advantage of this would be that changes to the regulations are kept up to date promptly which should cut down on the number of queries to the in-house team.
- 6.5 The host will also upload any Lewisham documents to the site that the Council requests. For example, the annual Fund Report, Valuation document, our Discretions Policy, and forms/ letters used by the administration team.
- 6.6 Unlike the current intranet site this proposed solution will also allow the Pensioners and Deferred members access to the site as well as other employers. This will better fulfil the objectives of the Fund's communication policy.
- 6.7 Hymans Robertson supply an externally hosted website for Local Government Pension Fund clients. The website would use their off the shelf LGPS template which includes all the generic content for LGPS members, and allows Lewisham to give the site a local identity with the Lewisham own logo, colour scheme and images. The cost of the site is a one off fee of £4,000 (+VAT) for set up, plus a £2,000 (+VAT) annual hosting and maintenance fee.
- 6.8 Hymans currently supply the site to 12 LGPS funds, including Croydon, and Barking and Dagenham. There is also further information and detail on the product at: <http://lgpspensionsweb.hymans.co.uk/>

## **7. FINANCIAL IMPLICATIONS**

- 7.1 The Pension Board members will be volunteers, remuneration will be based on the Council's standard co-optee allowance. There is also a statutory requirement for each administering authority to contribute towards the costs of running a

scheme advisory board. At present, no indication has been given to the value of this contribution.

- 7.2 The cost of the proposed website is a one off fee of £4,000 (+VAT) for set up, plus a £2,000 (+VAT) annual hosting and maintenance fee. If agreed, this payment will be paid from the pension fund account.

## **8. LEGAL IMPLICATIONS**

- 8.1.1 The legal implications relating to the establishment of a Pensions Board are set out in the body of the Report. This is a statutory requirement although it is expected that there will be some discretion given to individual Administering Authorities as to the number of members on the Board, remit, subject to the statutory requirements which will be laid out in the Regulations, training and remuneration of Board members.
- 8.1.2 It will be for Council to determine the terms of reference of the Board, having regard to the views of this Committee to which the management of the Pension Fund has been delegated and the Constitution Working Party.

## **9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 There are no crime and disorder implications directly arising from this report.

## **10. EQUALITIES IMPLICATIONS**

- 10.1 There are no equalities implications directly arising from this report.

## **11. ENVIRONMENTAL IMPLICATIONS**

- 11.1 There are no environmental implications directly arising from this report.

### **FURTHER INFORMATION**

If there are any queries on this report or you require further information, please contact:

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Adeola Odeneye, Principal Accountant Strategic Finance on 020 8314 6147