

PENSION INVESTMENT COMMITTEE			
Report Title	Creation of London Borough of Lewisham Local Pension Board		
Key Decision	No	Item No.	6
Ward	n/a		
Contributors	Executive Director for Corporate Resources		
Class	Part 1	Date:	19 th February 2015

1. Summary

- 1.1 This report sets out the proposals for the establishment of the London Borough of Lewisham Local Pension Board.

2. Purpose

- 2.1 The purpose of the report is to inform members of the final details for the set up of the London Borough of Lewisham's Local Pension Board. Local Pension Boards must be established by the 1 April 2015 under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended). Established in this context means that the Administering Authority must have approved the establishment of the Local Pension Board, its composition and also the Terms of reference, in accordance with its constitution.

3. Recommendations

The Pension Investment Committee is recommended to:

- 3.1 Note the establishment of the London Borough of Lewisham Pension Board;
- 3.2 Note that the terms of reference have been submitted to the Constitutional Working Group to be held on 10th February 2015.

4. Policy Context

- 4.1 The London Borough of Lewisham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK.

- 4.2 The Fund is administered by London Borough of Lewisham, who is the Administering Authority. The Administering Authority runs the Fund to make sure it:
- receives the proper amount of contributions from employees and employers, and any transfer payments;
 - invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth;
 - uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

5. Background

- 5.1 At the June 2010 Budget, the Government invited Lord Hutton of Furness to chair the Independent Public Service Pensions Commission. The purpose of the commission was to carry out a fundamental structural review of public service pension provision, and to make recommendations on pension arrangements that are "sustainable and affordable in the long term, fair to both the public sector workforce and the taxpayer, and consistent with the fiscal challenges ahead, while protecting accrued rights".
- 5.2 The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") were made under section 7 of the Superannuation Act 1972 in anticipation of the superseding of the powers under that Act by the Powers contained in the Public Service Pension Act 2013.
- 5.3 The Public Service Pensions Act 2013 (the 2013 Act), which received Royal Assent on 25th April 2013, imposed various requirements on schemes made under section 1 of that Act. Sections 5 to 7 imposed requirements in respect of local pension boards and a scheme advisory board and sections 11 to 12 in relation to valuations and employers' costs.
- 5.4 Two consultation exercises on draft regulations to introduce a new part 3 to the 2013 Regulations on governance arrangements, including cost control, were held between 23 June to 15 August 2014 and 10 October to 21 November 2014. A third consultation on the methodology and assumptions underlying the proposed employer cost cap was also held between 12 December 2014 and 2 January 2015.
- 5.5 The 2013 Act provides an extended regulatory oversight to the Pension Regulator. The regulator is required to issue one or more codes of practice covering specific matters relating to public service pension schemes. The draft code of practice no. 14 was laid before Parliament on 12 January 2015.

- 5.6 In sub section 3 of section 7 of the 2013 Regulations, the responsible authority is required to take regard to advice given by the Scheme Advisory Board. On 28th January 2015, the shadow scheme advisory board issued guidance on the creation and operation of local pension boards in England and Wales.
[http://www.lgpsboard.org/images/Guidance/LGPS Board Guidance FINAL PUBLISHED.pdf](http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHED.pdf)
- 5.7 On 28th January 2015, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 was laid before Parliament. This regulation sets out the final requirements for the establishment of local pension boards.
<http://www.legislation.gov.uk/ukxi/2015/57/contents/made>
- 5.8 The Pension Board Working Group was set up to support the creation of the Pension Board. The group consists of: Councillor Ingleby (Chair of Pensions Investment Committee), Councillor Muldoon (Vice Chair of Pensions Investment Committee), David Austin (Pensions Investment and Administration), Helen Glass (Legal), Carol Eldridge (Pensions Administration), and Adeola Odeneye (Pensions Investment). The group has also sort advice from Lewisham's Pension Advisors Hymans Robertson.
- 5.9 On 9th September and 13th November 2014 the following papers were submitted to the Pension Investment Committee: a) Pension Board Report and b) Pension Board Update.
<http://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CId=181&Year=0>
- 5.10 A Summary of the recent relevant regulations, code of practice and guidance is provided in appendix A.

6. Proposals

Governance Structure

- 6.1 The Pension Board will fit in Council Structure as follows:
The Pension Board will report its findings to the Pension Investment Committee or relevant Officers for information and recommendations for action. However, in the event that the Pension Investment Committee or relevant Officers fail to agree to the recommendations of the Pension Board; the Pension Board reserves the right to escalate the issue to full Council.

Terms of Reference

- 6.2 The template for the terms of reference was provided by the shadow advisory board. This has been reviewed by the Pension Board Working Group and adapted for Lewisham. A copy of the proposed Lewisham Pension Board terms of reference , subject to review by the Constitutional Working Group and adoption at full Council, is detailed in Appendix B.

Pension Board Establishment

Appointments

6.3 The appointment process will be as follows:

Employer:

6.4 The London Borough of Lewisham will send communications out to all employers contributing into the pension fund. Lewisham will appoint employer representatives based on the criteria set out in the job specification. Scheduled, Admitted bodies and Academies will be written to informing them of the decision.

Employee:

6.5 The London Borough of Lewisham will send communications out to all employees. Lewisham will appoint employee representatives based on the criteria set out in the job specification.

Independent Chair:

6.6 The post for independent chair will be advertised on the Council's website. An interview process will be undertaken to ensure the Chair has the relevant competencies to chair the Pension Board.

6.7 It is a precondition that all members have the capacity to fulfil their responsibilities, this includes having the commitment to train and attend meetings. The competencies are laid out in the person specifications are detailed in Appendix C

6.8 The letters that will be sent out to employers and employees are detailed in Appendix D.

Support

6.9 Support to the Board will be provided by Lewisham Governance Services. There will be a recharge of relevant staff costs to the Pension Fund. There will be additional support provided by Officers in the Payroll and Pensions, and Pensions and Treasury teams.

Budget

6.10 It is anticipated that there will be minimal operational expenses. Members will be reimbursed for expenses directly incurred. There will also be an allowance in accordance with the Council's policy for co opted members. The support will be provided by officers of the Council (see above). The board will have access to resources for the occasions when research will need to be undertaken, or independent advice will need to be sought. The costs incurred will be borne by the Pension Fund.

7. Status of Pension Board

7.1 The proposed terms of reference was agreed at the Pension Board Working Group on 2nd February 2015. Kath Nicholson, the Head of

Law, has reviewed the terms of reference and submitted a report to the Constitutional Working Group (CWG). The report contains the additional information to establish the Pension Board that will need to be included in the Council's constitution, and any issues / concerns with the final terms of reference. If approved, the CWG will submit a report to full Council on 25th February 2015 recommending the change in the Council's constitution.

- 7.2 If approved at the February Council meeting, Lewisham Council will have complied with the 2013 regulations and established a local Pension Board before 1 April 2015. The next phase of recruiting members to the board will commence in March 2015. The latest month for the first meeting for the Pension Board will be July 2015.

8. Financial implications

- 8.1 The local Pension Board will require minimal resourcing. The meetings will be held in a Council building and the agenda and minutes will be published on a Council website. All members will be reimbursed for reasonable travel expenses, and the Chair will receive an annual allowance in accordance with the arrangements for co-opted members, as set out in the Council's Constitution.
- 8.2 The Council has purchased a hosted pension website from Hymans Robertsons. This website will be the main point of communications for Pension related issues. The cost of this has already been committed from the pension fund. This was agreed in the September meeting of the Pension Investment Committee.
- 8.3 The national scheme advisory board will impose a levy on Administering Authorities in order to fund their formation and ongoing duties. This levy will be in proportion to the size of each administering authority's pension fund. A provisional figure is to be provided by the DCLG for 2015-16 by the end of February.
- 8.4 All costs incurred will be borne by the Pension Fund.

9. Legal implications

- 9.1 These are set out in the body of the Report.
- 9.2 As stated in paragraph 7 of this Report, the changes to the Council's Constitution necessitated the establishment of a local Pensions Board as required by the 2013 Act and the 2013 Regulations. These will be considered by the Council's Constitutional Working Party which will have regard to the views of the Pension Investment Committee's Working group and will make recommendations to Council to enable the terms of reference of the new Pensions Board to be agreed in time for the legislative deadline of the 1st April 2015.

10. Crime and Disorder Implications

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

11. Equalities Implications

11.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

11.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

12. Environmental Implications

12.1 There are no environmental implications directly arising from this report.

13. Conclusion

13.1 The establishment of a local Pension Board is a statutory requirement. In accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 Lewisham Council has taken the appropriate steps to establish and create a local Pension Board.

Background Documents

Public Service Pensions Act 2013	25 th April 2013	www.legislation.gov.uk
The Local Government Pension Scheme Regulations 2013	19 th September 2013	www.legislation.gov.uk
The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015	28 th January 2015	www.legislation.gov.uk
Draft code of practice no. 14 Governance and administration of public service pension schemes	12 th January 2015	The Pension Regulator
Guidance on the creation and operation of Local Pension Boards in England and Wales	28 th January 2015	LGPS Shadow Advisory Board
Pension Board Report	9 th September 2014	Pension Investment Committee
Pension Board Update	13 th November 2014	Pension Investment Committee

List the name, date and location/author of all relevant background documents.

If there are any queries on this report please contact **David Austin, Head of Corporate Resources**, 020 8314 9114.