

B. ESTABLISHMENT OF A LOCAL PENSION BOARD

Introduction

1. This report concerns the proposed establishment of the Local Pension Board with effect from 1st April 2015 and the appointment of members to serve thereon.

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 2 to this report are the Terms of Reference for the Local Pension Board. Appendix 3 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.
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 is asked to appoint the two employer representatives.

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 9 December 2014 and 21 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 2 to this report. The name of the Pension Fund Management Board will also be changed to the Pension Fund Committee.

Decision of the Constitution Committee

14. The Constitution Committee at its meeting on 10 March 2015 agreed to ask the County Council to approve the terms of reference of the Local Pension Board, to the renaming of the Pension Fund Management Board as the Local Pension Committee and the appointment of two members of the County Council to serve on the Local Pensions Board.

(Motion to be moved:

- a) **That the terms of reference for the Leicestershire Local Pension Board as set out in Appendix 2 of the report to the Constitution Committee be approved;**
- b) **That Mr Kershaw CC and Mr Jennings CC be appointed to serve as the County Council representatives on the Leicestershire Local Pension Board;**
- c) **That the Pension Fund Management Board be renamed the Local Pensions Committee.)**

10 March 2015

N. J. Rushton CC
Chairman

Background Papers

Reports of the Chief Executive to the meeting of the Constitution Committee on 10th March, 2015 on:-

- a) Electoral review of Leicestershire County Council
- b) Establishment of a Local Pension Board

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=150&MId=4388&Ver=4>

Appendix 2**TERMS OF REFERENCE FOR THE LEICESTERSHIRE LOCAL PENSION BOARD**

1. The Leicestershire Local Pension Board shall not have the power to appoint subcommittees.
2. The Leicestershire Local Pension Board shall have the following general role and function:-
 - a. To assist the County Council, as administering authority, in securing compliance with:-
 - i. Legislation in force for the time being; and
 - ii. Requirements imposed by the Pensions Regulator in relation to the Scheme.
 - b. To assist the County Council, as administering authority, in ensuring the effective and efficient governance and administration of the Scheme.

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Appendix 3

OPERATIONAL PRINCIPLES FOR THE LEICESTERSHIRE LOCAL PENSION BOARD

Role of the Board

The Leicestershire Local Pension Board is a statutory committee of the County Council appointed to:-

- a. assist the County Council, as administering authority, in securing compliance with:-
 - i. Legislation in force for the time being; and
 - ii. Requirements imposed by the Pensions Regulator in relation to the Scheme.
- b. assist the County Council, as administering authority, in ensuring the effective and efficient governance and administration of the Scheme.

Standing Orders

The Meeting Procedure Rules (Standing Orders) laid down by the County Council and set out in Part 4A of its Constitution will apply with any necessary modifications including the following:-

The Chairman of the Leicestershire Local Pension Board will be one of the employer representatives from Leicestershire County Council, and will be elected on an annual basis by members of the Board. The Vice Chairman will be the other employer representative of Leicestershire County Council. In the event of the non-attendance of both the chair and Vice Chair the employer member representing Leicester City Council will substitute as Chair.

The Board shall have a formal quorum of three, which must include at least one of the employer representatives or their substitute.

Membership

The Leicestershire Local Pension Board will consist of three employer representatives and three scheme member representatives, as follows:-

- a. The employer representatives will comprise two elected members from Leicestershire County Council (the administering authority) and one from Leicester City Council and the selection of members by each authority will reflect the principles of maintaining the relevant political balance.
- b. The scheme member representatives must be members of the Fund in either and active, deferred or pensioner member capacity.

Scheme member representatives shall be appointed by a vote at the Fund's Annual General Meeting and will normally serve a term of three years, provided that they remain members of the Scheme, but shall be free to stand for re-election at the end of that period providing they are still members of the Fund.

At the setting up of the Leicestershire Local Pension Board the appointments will be for periods of one, two and three years in order to ensure that at least one scheme member representative position will become available at the Fund's Annual General Meeting.

There is a duty on the County Council as administering authority to ensure that employer and member representatives appointed to the Leicestershire Local Pension Board have the relevant experience and capacity to perform their respective roles.

It is not expected that individual members of the Local Pension Board will have all the required skills when they are appointed. The Scheme Manager will attempt, as far as is practical, to ensure that the training which is required to bring their skills up to an acceptable level is provided within a reasonable period of time. Local Pension Board members are expected to undertake training, as decided by the Scheme Manager, that it is considered will be useful to them from time to time.

Substitutes

Substitutes are only permitted for the employer representatives.

Code of Conduct

The Scheme Manager shall ensure that there are no potential or actual conflicts of interest between the work of the Leicestershire Local Pension Board and the personal interests of the Board members. Local Pension Board members have a responsibility to ensure that they declare any conflicts of interest.

The employer representatives on the Board will be bound by their relevant Codes of Conduct. Consideration will be given to the adoption of a Code of Conduct for scheme representatives in order to comply with the key principles of public life recommended by the Committee on Standards in Public Life.

Publication of Information

The Access to Information Procedure Rules, set out in Part 4B of the County Council's constitution, shall apply to the operation of the Board. The County Council, as administering authority, will also publish appropriate information relating to the Leicestershire Local Pension Board on its website.

Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:

- A Governance Adviser

- The Fund's Actuary;
- The Fund's Administrator;
- The Fund's Legal Adviser;
- The Fund's Investment Manager(s);
- The Fund's Investment Adviser(s);
- The Scheme Manager.
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

Remuneration and Allowances

The rules in relation to remuneration and allowances shall be the same as those applied to the Pension Fund Management Board.

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