

<b>Item No.</b> 3.3	<b>Classification:</b> Open	<b>Date:</b> 25 February 2015	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Establishment of a Local Pension Board	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Constitutional Steering Panel	

## RECOMMENDATIONS

The constitutional steering panel recommends that council assembly adopts the following changes:

1. That council assembly notes the statutory requirement for Southwark Council to establish a local pension board in accordance with the local government pension scheme regulations 2015 (the regulations).
2. That council assembly agrees to the establishment of a local pension board.
3. That council assembly agrees the role and function and constitution of the local pension board as set out in Appendix A in conjunction with the requirements of the regulations.
4. That council assembly agrees the amendment to the appropriate sections of the council constitution to include the local pension board.
5. That the proper constitutional officer be authorised to make any necessary consequential changes to the constitution as a result of the above.

## BACKGROUND INFORMATION

6. The London Borough of Southwark Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Southwark Council. Southwark Council is therefore the administering authority and scheme manager for Southwark LGPS.
7. The administration of the Pension Fund is delegated to the strategic director of finance and corporate services (SDFCS), who takes into account the advice of the pensions advisory panel (PAP) when performing this function.
8. The Public Services Pensions Act 2013 (PSPA 2013) sections 5(1) and (2) requires that the local government pension scheme regulations must provide for the establishment of a pension board to assist the scheme manager in relation to
  - i) 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.
  - ii) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the pensions regulator.
  - iii) such other matters that the scheme regulations may specify
9. The local government pension scheme (amendment) (governance) regulations 2015 has been made to reflect the requirements of the PSPA 2013 and comes

into force on 20 February 2015.

10. The LGPS guidance on the creation of local pension boards in England and Wales was issued by the secretary of state on 28 January 2015. The guidance provides practical steps to assist scheme managers in the creation of local pension boards. Regulation 109 of the LGPS (amendment) (governance) regulations 2015 provide that administering authorities must have regard to the guidance.
11. All administering authorities are required to establish a local pension board by 1 April 2015.
12. This provision is set out in regulation 106 of the Local Government Pension Scheme (LGPS) (amendment) (Governance) regulations 2015.
13. At the meeting on 5 December 2014 the pensions advisory panel approved (PAP) a proposal for the creation of a local pension board.
14. The creation of a local pension board will not change how the council administers the pension fund nor will it change the role and functions of the PAP. The role of the pension board is one of oversight and to assist the administering authority to comply with the relevant regulations.
15. All constitutional changes are considered by constitutional steering panel, which then recommends changes to council assembly. Changes to the constitution are generally agreed by council assembly, unless another body or individual is authorised to do so – see Article 1.15. On 11 February 2015 the constitutional steering panel considered the report and agreed to recommend the establishment of a local pension board and the necessary constitutional changes to the next meeting of council assembly.

#### **KEY ISSUES FOR CONSIDERATION**

16. The local pension board needs to be established in order to comply with the PSPA 2013.
17. The LGPS (amendment) (governance) regulations 2015 underpinning PSPA on the detail of the establishment of the local pension board were laid before parliament on 28 January 2015 and come into force on 20 February 2015.
18. The regulations require the local pension board to be established by 1 April 2015. The last meeting of council assembly that can approve the creation of the pension board before the statutory deadline is on 25 March 2015.

#### **Membership of the board**

19. The regulations provide for each administering authority to determine the membership of the local pension board, the manner in which members of the board may be appointed and removed and the terms of the appointment.
20. The regulation also states the local pension board must include an equal number of employer representatives and scheme member representatives of no less than four members all together. The draft guidance also allows for the appointment of an independent chair.
21. There is a legal requirement under the Pensions Act 2004 that every individual

who is a member of a local pension board must be conversant with the relevant regulations governing the LGPS and have knowledge and understanding of the laws relating to pensions

22. The administering authority must be satisfied that any member that it wishes to appoint has the capacity to represent the employers or members (as appropriate) of the fund and the time to commit to attend meetings and undertake training to effectively represent employers and members.
23. No officer or elected member of Southwark Council, who has responsibility for the discharge or any of the functions in the regulations (apart from any function relating to the pension board or the local government pension scheme advisory board) may be a member of the local pension board.
24. Each member of the board will serve a period of two years, subject to compliance with the conditions of appointment.
25. The appointment of the independent chair will be for one year in the first year of operation.

### **Appointment to the board**

26. There is no limit to the number of years that board members can be re-elected.
27. Employer Scheme representatives and substitutes will be nominated by the Strategic Director of Finance and Corporate Services (SDFCS).
28. Employee Scheme representatives will be nominated via the employee representative organisations of the Council; which are deemed to be the trades unions.
29. For the first year of operation the SDFCS will appointment the independent Chair of the LPB. Thereafter, the local pension board members will arrange appointment.
30. Details for appointment and termination of board members will be set out in the terms of reference for the local pension board.

Table 1: The membership of the board is set out in the table below:

<b>Group</b>	<b>Total</b>
Scheme member representatives	2
Employer representatives	2
Independent chair	1

### **Community impact statement**

31. There are no specific implications for members of the public.

### **Resource implications**

32. There are no other specific budget implications from the proposals set out in this report. Any costs will be borne by the pension fund.
33. The constitution is published on the council's website and is available for viewing online. Limited numbers of the constitution are produced in binder form with loose

leaf pages and dividers. This means that any additional costs arising from the reproduction of small sections of the constitution are reduced compared to the reprinting of the whole constitution. It is anticipated that the cost can be contained within existing budgets.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

34. Any legal and constitutional issues are outlined in the body of the report.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Public Services Pensions Act 2013	Finance and Corporate Services, Council Offices, 160 Tooley Street, London SE1 2QH	Yvonne Thompson-Hoyte 020 7525 0040
The Local Government Pension Scheme LGPS(Amendment) (Governance) Regulations 2015	Finance and Corporate Services, Council Offices, 160 Tooley Street, London SE1 2QH	Yvonne Thompson-Hoyte 020 7525 0040
LGPS guidance on the creation of local pension boards in England and Wales	Finance and Corporate Services, Council Offices, 160 Tooley Street, London SE1 2QH	Yvonne Thompson-Hoyte 020 7525 0040

## APPENDICES

No.	Title
Appendix A	Proposed Constitutional Change: Roles and Functions and Constitution of the Board

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report Author</b>	Fay Hammond, Departmental Finance Manager Yvonne Thompson-Hoyte, Pension Fund Accountant	
<b>Version</b>	Final	
<b>Dated</b>	12 February 2015	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Incorporated in report
Strategic Director of Finance and Corporate Services	N/a	N/a
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	12 February 2015	