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|                                 | <p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>COUNCIL</b></p> <p align="center"><b>25 FEBRUARY 2015</b></p> |
| <p><b>THE ESTABLISHMENT OF A PENSION BOARD</b></p>   |  |
| <p><b>Report of the Cabinet Member for Finance: Councillor Max Schmid</b></p>                                    |  |
| <p><b>Open Report</b></p>  |  |
| <p><b>Classification - For Decision</b></p> <p><b>Key Decision: No</b></p>                                       |  |
| <p><b>Wards Affected: None</b></p>   |  |
| <p><b>Accountable Executive Director: Jane West, Executive Director for Finance and Corporate Governance</b></p> |  |
| <p><b>Report Author: Jonathan Hunt, Tri-Borough Director for Treasury and Pensions</b></p>                       | <p><b>Contact Details:</b><br/> Tel: 020 7641 1804<br/> E-mail: jonathanhunt@westminster.gov.uk</p>  |

## **1. EXECUTIVE SUMMARY**

- 1.1. The Public Service Pensions Act 2013 provides that the Secretary of State may by regulations establish schemes for the payment of pensions and other benefits for various categories of worker including local government workers. Such regulations for a scheme (“scheme regulations”) must provide for the establishment of a Pension Board to assist the scheme manager (i.e. the Council or the committees to which such responsibility has been delegated), to monitor and ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.
- 1.2. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 are due to come into effect on 20 February 2015 and require a Pension Board to be established by 1 April 2015.

## **2. RECOMMENDATIONS**

- 2.1. That the establishment of a Pension Board and its terms of reference attached at Appendix 1 of the report be approved.
- 2.2. That the approval of the Pension Board Code of Conduct, Conflicts of Interests Policy, Training Policy and the process for selecting non-councillor members of the Board be delegated to the Executive Director of Finance and Corporate Governance following consultation with Chair of the Audit, Pension and Standards Committee.

## **3. REASONS FOR DECISION**

- 3.1. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 are due to come into effect on 20 February 2015 and require a Pension Board to be established by 1 April 2015.

## **4. INTRODUCTION AND BACKGROUND**

- 4.1. The Public Service Pensions Act 2013 (the “Act”) together with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 provide that each administering authority must establish a Pension Board by 1 April 2015. The role of the Board is to assist the scheme manager with the effective and efficient management and administration of the Local Government Pension Scheme.
- 4.2. The Department for Communities and Local Government have been consulting on the implementation of Pension Boards, as required by the Public Sector Pensions Act 2013. This was initially reported to the Audit, Pensions and Standards Committee in September 2014 and since then a further set of draft regulations and draft guidance were issued. It was also discussed with the Pensions Sub-Committee at its meeting in January. The final Regulations were laid before Parliament and the final version of the guidance issued on 28 January 2015.

## **5. PROPOSAL AND ISSUES**

- 5.1. The creation of the Board is a matter reserved for full Council and so it is proposed to seek approval for the Board to be established at the 25 February 2015 meeting.
- 5.2. 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 Hammersmith and Fulham, it proposed that the Pensions Sub-Committee (under delegation of the Audit, Pensions and Standards Committee) will continue to deal with these matters and make decisions regarding them.

- 5.3. 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 LBHF's case, the Pensions Sub-Committee) in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme. The guidance has provided some further suggestions about what the Board will do, but leaving it very much up to local determination. It is however clear that, while the Board can make recommendations to the Pensions Sub-Committee, it will be up to the Sub-Committee whether to action 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.
- 5.4. The proposed terms of reference, attached as Appendix 1, do not go into great detail on the specific areas the Board will focus on as part of its role. Suggestions as to areas of work have been published by DCLG and it is proposed that Officers review the proposals and discuss with the Board when established to determine which areas it wishes to include in its work plan.
- 5.5. The consultation in the summer on regulations raised the possibility of joint pension boards. The shared service response argued that such an arrangement for the three funds would allow for efficiencies and it would be advantageous for it to be available as an option. The Regulations provide that where the administration and management of a scheme is wholly or mainly shared by two or more administering authorities those administering authorities may establish a joint pension board if approval in writing has been obtained from the Secretary of State. This will be explored however in the interim three separate Boards are being set up for the three councils.
- 5.6. 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. The proposed terms of reference in Appendix 1 propose a membership of six to ensure that a quorum is easily achieved at each meeting.
- 5.7. 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 Executive Director of Finance and Corporate Governance following consultation with Chair of the Audit, Pension and Standards Committee.

- 5.8. All costs arising from the operation of the Pension Board will be met by the Pension Fund as required by the regulations.

## **6. CONSULTATION**

- 6.1. The draft proposals have been discussed with the Audit, Pensions and Standards Committee, and the Pensions Sub-Committee.

## **7. EQUALITY IMPLICATIONS**

- 7.1. There are no equality implications.

## **8. LEGAL IMPLICATIONS**

- 8.1. 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.

- 8.2. Implications verified/completed by: LeVerne Parker Chief Solicitor and Head of Regeneration Law Bi-Borough Legal Services 020 7361 2180.

## **9. FINANCIAL AND RESOURCES IMPLICATIONS**

- 9.1. The establishment of a Pension Board is a legal requirement and the costs of supporting and staffing the work related to the Pension Board will be met by the pension fund – since the work directly and solely relates to the running of the pension fund.

- 9.2. Implications verified/completed by: Jonathan Hunt, Tri-Borough Director for Pensions & Treasury, 020 7641 1804.

## **10. RISK MANAGEMENT**

- 10.1. Not applicable

## **11. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 11.1. None

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

| <b>No.</b> | <b>Description of Background Papers</b> | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b> |
|------------|---|--|-----------------------------|
| 1.         | None                                    |  |                             |

## **Appendix 1: Proposed Terms of Reference for Pension Board**

Terms of Reference – London Borough of Hammersmith & Fulham

The purpose of this document is to set out the terms of reference for the local Pension Board of the London Borough of Hammersmith & Fulham Pension Fund.

### **1. Role of the Local Pension Board**

The role of the local Pension Board is defined by section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013. It is to assist the administering authority (the Council) with:

- Securing compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the LGPS
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the scheme and
- Ensuring effective and efficient governance and administration of the scheme-recommendations to the Pensions Sub-Committee.

### **2. Membership**

#### **a. Appointment process**

The Pension Board shall consist of six members and be constituted as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council; and
- Three scheme member representatives whether from the Council or an admitted or scheduled body.

The process for selecting non-Council nominated employer members of the Pension Board is set out in a separate document “Selection of Pension Board members”.

#### **b. Quorum**

The Pension Board shall be quorate when three Pension Board Members are in attendance.

#### **c. Chair of the Board**

The Chair and Vice Chair of the Board will be appointed by members of the Board as the first business at their first meeting.

#### **d. Substitute Members**

Each Scheme Member representative may agree a nominate substitute at the first meeting who would act in the Board member’s absence.

Each Employer representative is there on behalf of the employer so may be replaced by the nominating body with another individual representing the same employer.

e. Periods of Office

Each Board Member shall be appointed for a fixed period of two years, which can be extended for a further two year period subject to re-nomination.

f. Termination

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least two meetings each year. In the event of consistent non-attendance by any Board member, then the membership of that particular Board member should be reviewed by the other Board members with advice from Officers.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all the other Board members present at the meeting.

A Board member may choose not to continue in their role, and so shall notify the Board accordingly following which the process for a replacement shall start.

3. Board Meetings

a. Frequency of meetings

The Board shall as a minimum meet twice a year, and where possible, should aim to do so four weeks before the Pensions Sub-Committee meets. Meetings shall take place at a time and place agreed by the Pensions Board on an annual basis.

b. Voting Rights

Each Board member will be entitled to vote and where a vote is taken the matter will be decided by a majority of the Board members present and voting but it is expected that the Pension Board will as far as possible reach a consensus. In the event of an equality of votes, the Chair will have a second and or a casting vote.

c. Notice and Circulation of Papers

The papers for each Board meeting shall be circulated to all Board members one calendar week in advance of each meeting. The papers shall be published on the Council's website unless they contain material considered to be exempt or confidential, as defined by the Local Government Act 1972 and subsequently agreed as such by the Board.

d. Minutes

Minutes of all non-confidential or non-exempt parts of the Board's meetings shall be recorded and published on the Council's website.

e. Secretariat Service

Council officers will provide the Board with the secretariat services required.

4. Role of Advisers

a. Access to Council advisers

The Board may request that one of the Council's advisers attends a Board meeting to provide advice or information to the Board. The request should be submitted to the Executive Director for Finance and Corporate Governance.

b. Appointment of advisers specifically for the Board

If the Board requires advice outside that already provided to the Council, then the request should be made to the Pensions Sub-Committee and Council officers.

5. Budget and Expenses

a. Budget

An annual budget will be agreed by the Board for professional advice, training or other purposes if such matters are required and Officers being authorised to incur expenditure to implement the programme.

b. Expenses

Each Board member may claim, upon production of the relevant receipts, travel expenses directly incurred in the work of the Pension Board.

6. Additional policies relating to the Board Operations

a. Code of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore, all Board members are required to abide by the Pension Board Code of Conduct.

b. Conflict of Interests

The Board is required to always act within these terms of reference. Board members should abide by the separately prepared Conflicts Policy and keep the policy under review.

c. Knowledge and Understanding

All Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with the separate policy on knowledge and understanding and maintain appropriate records.

7. Reporting

a. Annual report on activity

The Pension Board should prepare an annual report on its activities and its compliance with these terms of reference and the associated policies. This report should be addressed to full Council each year, in the first six months of the financial year, reporting on the activities of the Pension Board for the previous financial year. Such a report will be



submitted to the Pension Sub-Committee for noting prior to submission to Council.

b. Reporting Recommendations

If the Pension Board determines that it wishes to make recommendations to the Pension Sub-Committee, such recommendations should be reported to the next meeting of the Pension Sub-Committee. The Pension Sub-Committee's response to the recommendation will be reported to the next meeting of the Pension Board.