

Creating Pension Boards

The background features three glowing lightbulbs against a bright blue sky with a sun in the top right. Each lightbulb contains a small green tree and a patch of grass. The lightbulbs are positioned at different heights and angles, creating a sense of depth. The overall theme is one of innovation and environmental friendliness.

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Consulting
Retirement
Presentation to CIPFA Pensions Network

AON Hewitt

Creating Pension Boards

- Overview of the draft LGPS governance regulations
- Timescales
- Expected Guidance
- Combined and Joint Pension Boards
- Terms of Reference
- Project Planning
- Final Thoughts



Overview of Contents

Delegations

- Secretary of State and Administering Authorities may delegate any functions under these regulations

Local pension boards

- Establishment
- Membership
- Conflicts of interest
- Guidance

Other policy issues in covering letter

- Combined Committee/Pension Board
- Establishment of Pension Board
- Funding of Scheme Advisory Board
- Joint Pension Boards
- AGMs, employer forums etc
- Public Sector Equality Duty
- Knowledge and Understanding

Regulation 106 – Establishment

- **Each administering authority to establish a local pension board no later than 1 April 2015**
- **Responsible for assisting the administering authority:**
 - **To secure compliance with:**
 - **these regulations**
 - **Any other legislation relating to the governance and administration of the Scheme**
 - **Requirements imposed by the Pensions Regulator on the Scheme**
 - **To ensure effective and efficient governance and administration of the Scheme**
- **Where the scheme manager is a committee of a local authority, the local pension board can be that committee**
 - Approval required by Secretary of State
 - Conditions as Secretary of State thinks fit
 - Approval can be withdrawn
- Pension Board expenses are to be regarded as Fund administration costs.

NOTE - All items in **bold** are effectively repeating provisions in Public Service Pensions Act 2013

Regulation 106 – Establishment

Two alternatives relating to procedures being consulted on....

- Where it is established by a local authority, Part 6 of the Local Government Act applies to the Board as if it were a local authority committee

Or

- An administering authority may determine the procedures including voting rights, the establishment of sub-committees, formation of joint committees and payment of expenses

What is in Part 6 of the Local Government Act?

- Can be found here - <http://www.legislation.gov.uk/ukpga/1972/70/contents>
- Includes (amongst lots of things):
 - Delegating functions to a committee
 - That committee delegating functions further (to a sub-committee or officer)
 - Determining the membership of a committee
 - Including non-local authority members on a committee i.e. co-optees
 - Disqualifications from being a member of a committee – excludes paid employees of a local authority (apparently) and individuals with recent prison convictions
 - Conflicts



Regulation 107 - Membership

Each administering authority shall determine:

- The membership of the local pension board
- The manner in which members are appointed and removed
- The terms of appointment of members

2 or more...

Employer representatives

- Not a councillor
- Has relevant experience and capacity

=*

2 or more.....

Scheme member representatives

- Not a councillor
- Has relevant experience and capacity

+

Others

- Must be less than total of employer plus scheme member reps

*Equal representation required by Public Service Pensions Act 2013

Regulation 108 & 109 – Conflict of interest and Guidance

- **Each administering authority to be satisfied that appointees to a pension board do not have a conflict of interest***
- **Ongoing satisfaction of this**
- **Appointees to provide reasonable information to the administering authority in this regard**

- ***“Conflict of interest” is defined in Public Service Pensions Act 2013 as:**
 - **“a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)”.**

- An administering authority must have regard to Secretary of State’s guidance

NOTE - All items in **bold** are effectively repeating provisions in Public Service Pensions Act 2013

Timescales

- Consultation launched – Monday 23 June
- Closing date – Friday 15 August
- Proposed effective dates:
 - 1 October 2014 – for delegations, membership and Sec of State approval (combined pension board)
 - 1 January 2015 – otherwise
 - 1 April 2015 – deadline for establishing Pension Board
- Made and laid – “The Autumn”



Expected Guidance

Area of Guidance	Secretary of State Statutory Guidance	Scheme Advisory Board Best Practice Guidance
Combined &/or Joint Pension Boards		X
Creation and Maintenance of Pension Boards*		X
TPR Code of Practice	X	√ (lower priority)

*Possible Content:

- Role/Purpose
- Establishment
- Constitution Membership
- Appointment
- Term of Office
- Termination
- Attendance requirements
- Facility time
- Non - compliance
- Knowledge and Understanding
- Conflict of Interest
- Reporting
- Information
- Payments

Combined Boards

Administering Authority = Scheme Manager

Securing Compliance + Delegated Management (Decision Making)

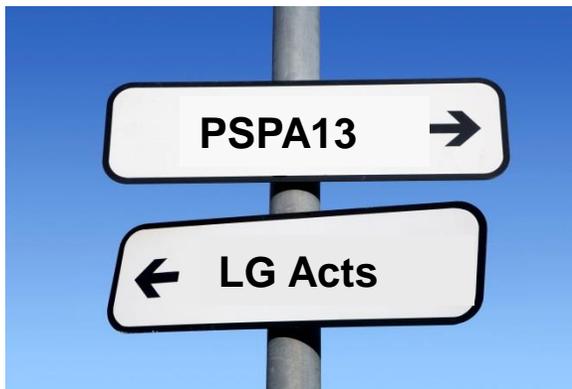
“Combined” Pension
Committee/ Board

Member
rep(s) = Employer
rep(s)

*Loss of control to
administering
authority*

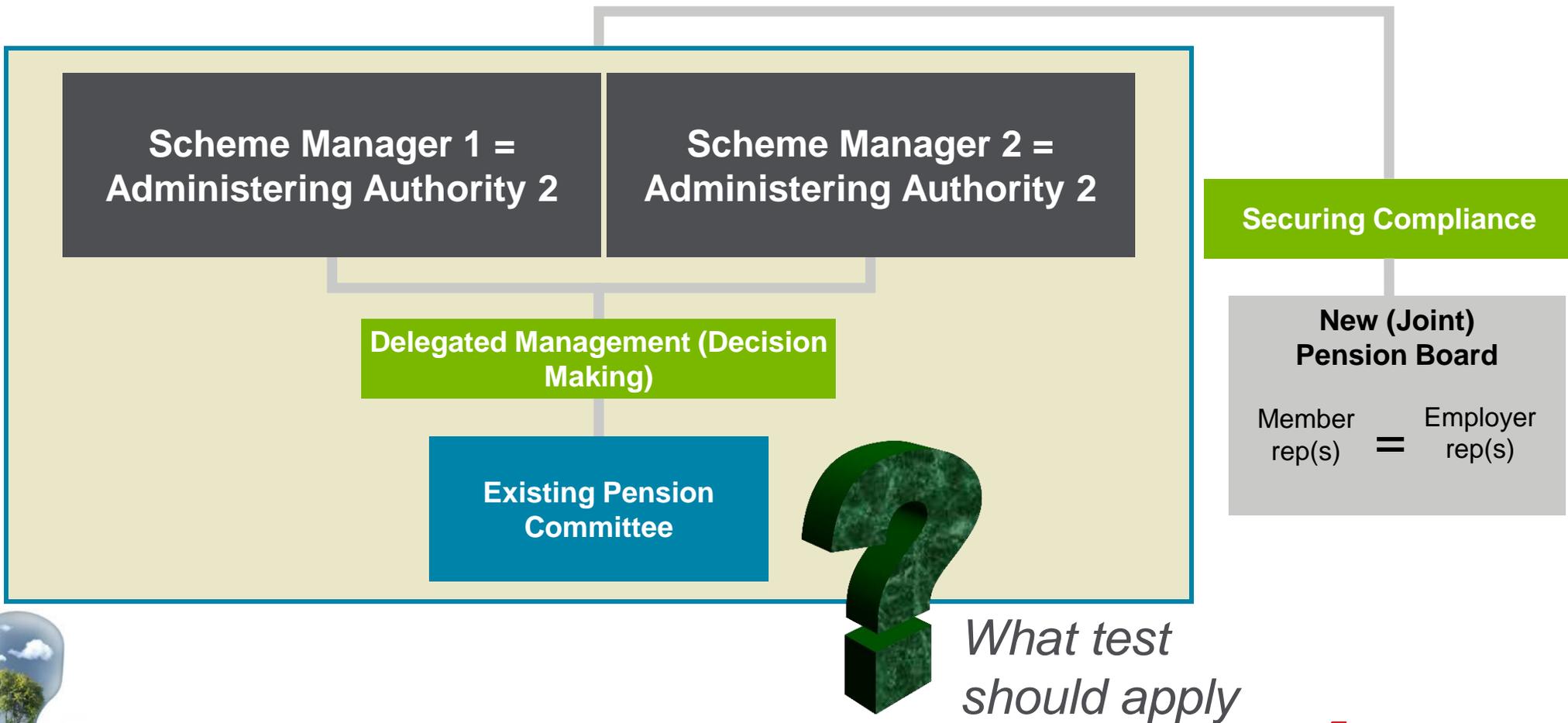
← Would often
require
rebalancing

- Need to demonstrate to DCLG
- Self scrutiny?
- Political and legal difficulties with
 - No local authority elected members
 - No employees from administering authority
 - Voting rights (or not)
 - Political balance



Joint Boards

- Where “administration and management is mainly or wholly shared”



Somewhere Pension Board

Terms of Reference

Contents

1. Functions and responsibilities
2. Membership – reps and others
3. The appointment process
4. Term of appointments
5. Attendance by non-members
6. Voting
7. Substitutes
8. Appointment/term of Chair/Vice Chair
9. Information (requests)

Contents – continued

10. Frequency and Quorum
11. Conflicts of Interest
12. Establishing working groups/sub-boards
13. Publishing items/entry to public
14. Conduct
15. Payments
16. Reporting / escalation
17. Training
18. Use of advisers and officers

Membership?

EAs and/or AA?
Current PC members?

EAs and/or AA?
Unions or not?
Active, Pensioners, Deferred?
Current PC members?

2 or more...

Employer representatives

- Not a councillor
- Has relevant experience and capacity

=
+

2 or more.....

Scheme member representatives

- Not a councillor
- Has relevant experience and capacity

Others

- Must be less than total of employer plus scheme member reps

Any others?
e.g. AA/PC members and/or independents?
Watch equality



*What about
the Chair*

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Appointment process

- Fair, transparent and proportionate
- The Pension Regulator Code of Practice for MNT:
<http://www.thepensionsregulator.gov.uk/codes/code-mnt-mnd-arrangements.aspx#s1970>
- Examples of selection methods
 - nomination/application process then:
 - a ballot (postal or at an AGM/forum)
 - selection panels (officers and/or committee members)
 - selection by other Constitution/Appointments type Committee
 - via a representative body (e.g. a union, local LGA, etc)
- Cambridgeshire example – 9 week process minimum

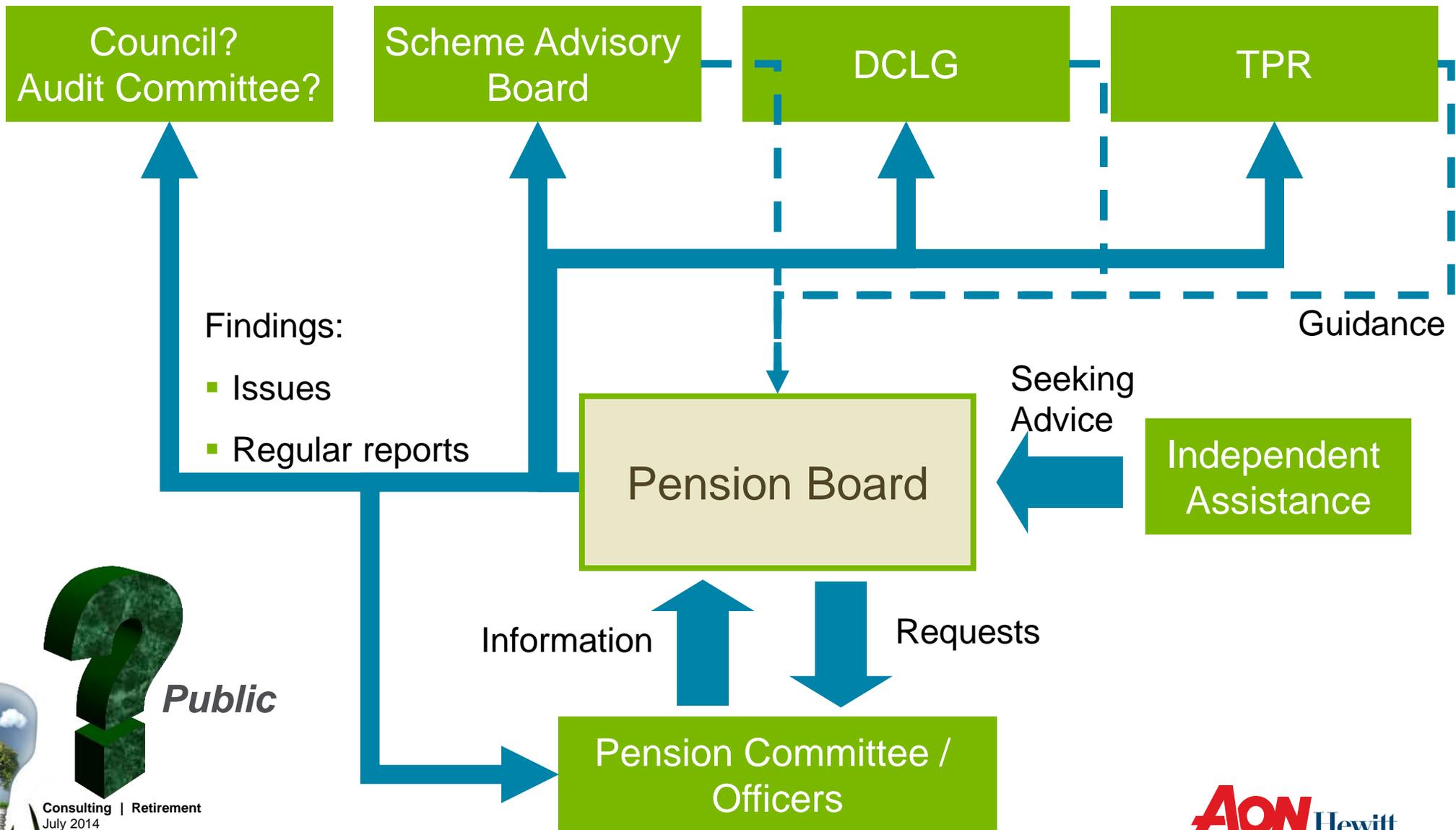


Relevant experience and capacity

Essential Criteria	Desirable Criteria
<ul style="list-style-type: none">▪ Demonstrate commitment to the role.▪ Demonstrate commitment to undertake training as determined by the Fund.▪ Willingness to travel with the Committee within the UK with some over-night stays.▪ Experience of understanding complex financial matters.▪ Experience of working effectively with colleagues as part of a team.▪ The ability to come to an objective view based on evidence provided.▪ To be discreet with sensitive information.	<ul style="list-style-type: none">▪ Knowledge of Pension Funds and Schemes.▪ Knowledge of public sector and local government finance.▪ Experience of participating in meetings open to the public and press.▪ Mathematical/statistical literacy.



Reporting / Information / Advisers



Conduct

- Examples of considerations:
 - Principles of Public Life
 - Rights (e.g. to request information)
 - Gifts and Hospitality
 - Confidentiality
 - Use of facilities
 - Personal interests
 - Politics

- Consider whether all or part of Code of Conduct can be adopted



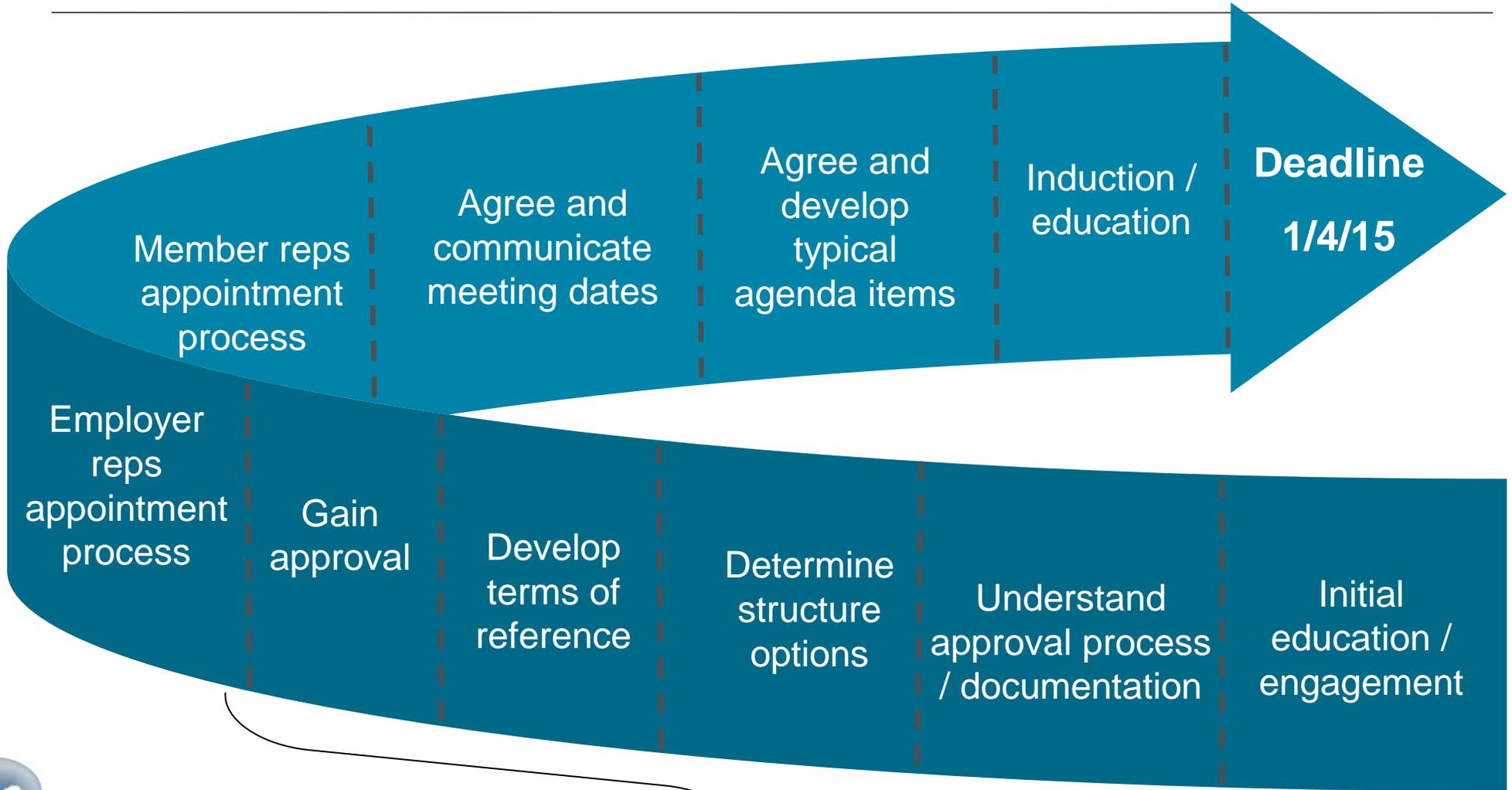
Payments - considerations

Category	Considerations
Scheme Member Reps	<ul style="list-style-type: none">■ Employees receiving salary (probably)<ul style="list-style-type: none">– but pressure on time off■ Deferreds – some paid but perhaps personal time off■ Pensioners probably not
Employer Reps	<ul style="list-style-type: none">■ Probably receiving salary
Others	<ul style="list-style-type: none">■ Elected members receive allowances■ A chairperson's additional payment■ Advisers' payments

*Consistency with
Pension Committee
members*



Steps to implementing a Pension Board



Critical to engage with Monitoring Officer / Democratic Services

To wait will be too late

PC Task and Finish Group / Working Party/ Delegated Decisions	Now
Consider options / develop terms	July - September
Regulations laid	September / mid-October 2014
Finalise terms	Potentially just 2 weeks
Council approval	November or December 2014
Appointments	January / February 2015
Induction training – say 3 x ½ days	February / March 2015

Deadline

1/4/15



Final thoughts...

- Get to know your Council's Constitution and Code of Conduct
- Speak to your Monitoring Officer/Democratic Services NOW
- And start developing your options

Don't forget....

- Training policy/plan will need to be expanded/updated
- Governance Policy/Statement need to be updated

While you're at it....

- Check your Constitution if it needs to be updated
 - 1972 Superannuation Act → include PSPA13





Any questions?

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