

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.

Daniel Kanaris / Karen McWilliam

June 2014

Prepared by Karen McWilliam / Daniel Kanaris
Consulting
Retirement
Presentation to CIPFA

AON Hewitt



But we've already got a Pension Committee (or Panel or Board)!



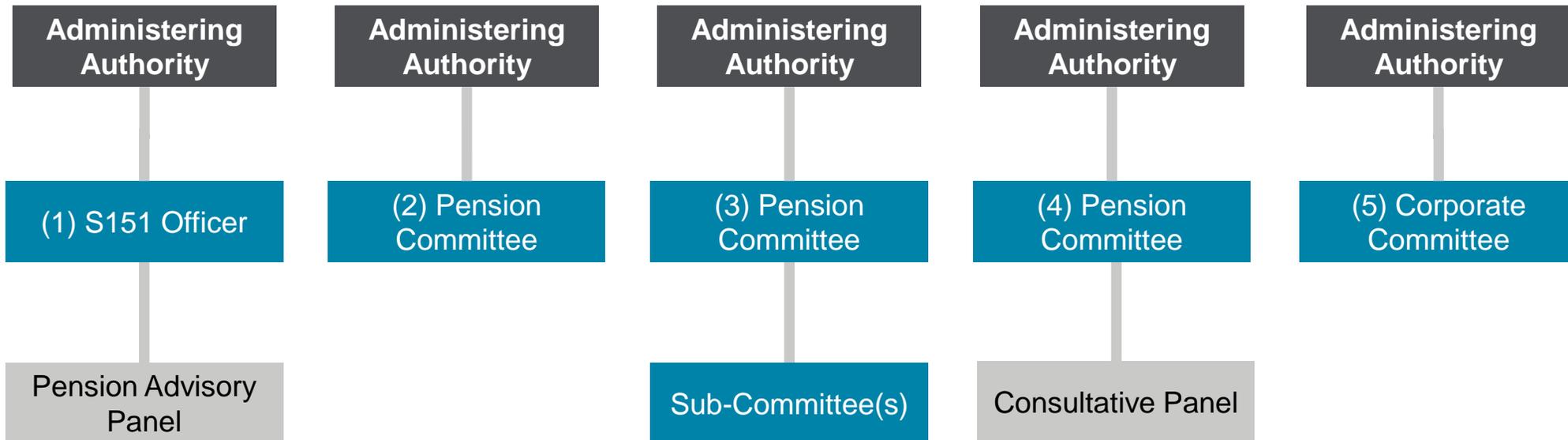
But you don't have one of these **new** Pension Boards...

So let's look at.....

- The background and structure options
- Other considerations
- Some planning

Current governance structures

Just some of a range of current permutations



Advisory

Decision maker

The Public Service Pensions Act

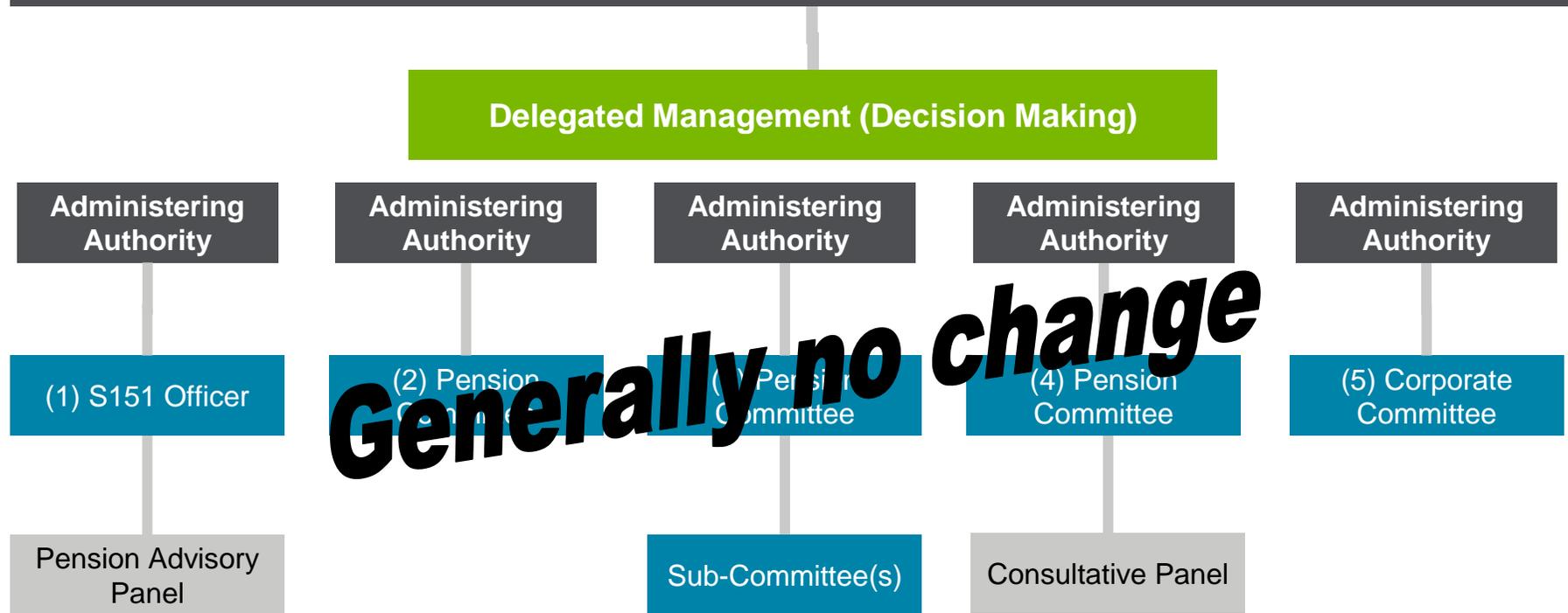
- Made on 25 April 2013
- Applies to public sector pension schemes
- Key elements
 - New public sector pension schemes
 - Key design elements
 - Cost sharing mechanism to cap employer costs
 - Independent oversight role of the appropriateness of valuations and employer contribution rates
 - **"Scheme Managers"** and **"Pension Boards"**
 - Extending the Pensions Regulator's ("tPR") role
 - Scheme Advisory Board (national)
- Timescales
 - In accordance with HMT Directions and scheme specific regulations
 - By 1 April 2015



Scheme Manager

- “Scheme regulations ...must provide for a person to be responsible for managing or administering ...called the **scheme manager**”

Scheme Manager = Administering Authority



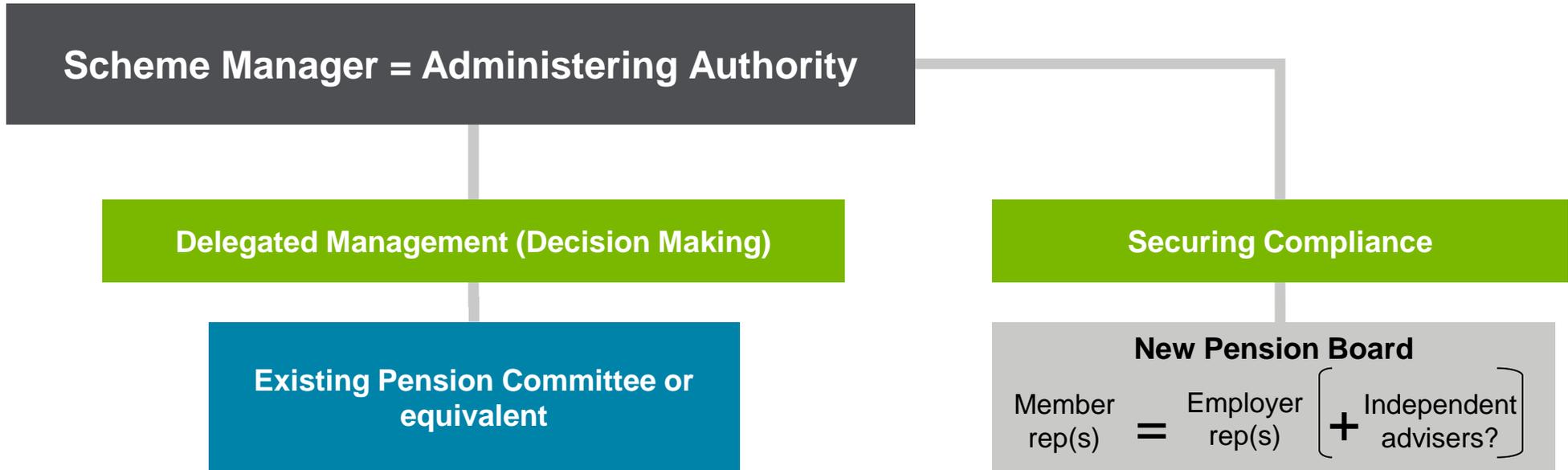
Source – Public Service Pensions Act 2013

Pensions Board

- “Scheme regulations... must provide for the establishment of a **board**... for assisting the scheme manager... in... the following matters:
 - ...securing compliance with... regulations relating to the governance and administration...
 - and with requirements... by the Pension Regulator
 - ...such other matters... regulations may specify
- Must not have a conflict of interest
- Must have employer representatives and member representatives in equal numbers
- Must be conversant with the rules of the scheme and any document recording policy about the administration of the scheme.
- Must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.”

Source – Public Service Pensions Act 2013

What it means for you – DCLG default

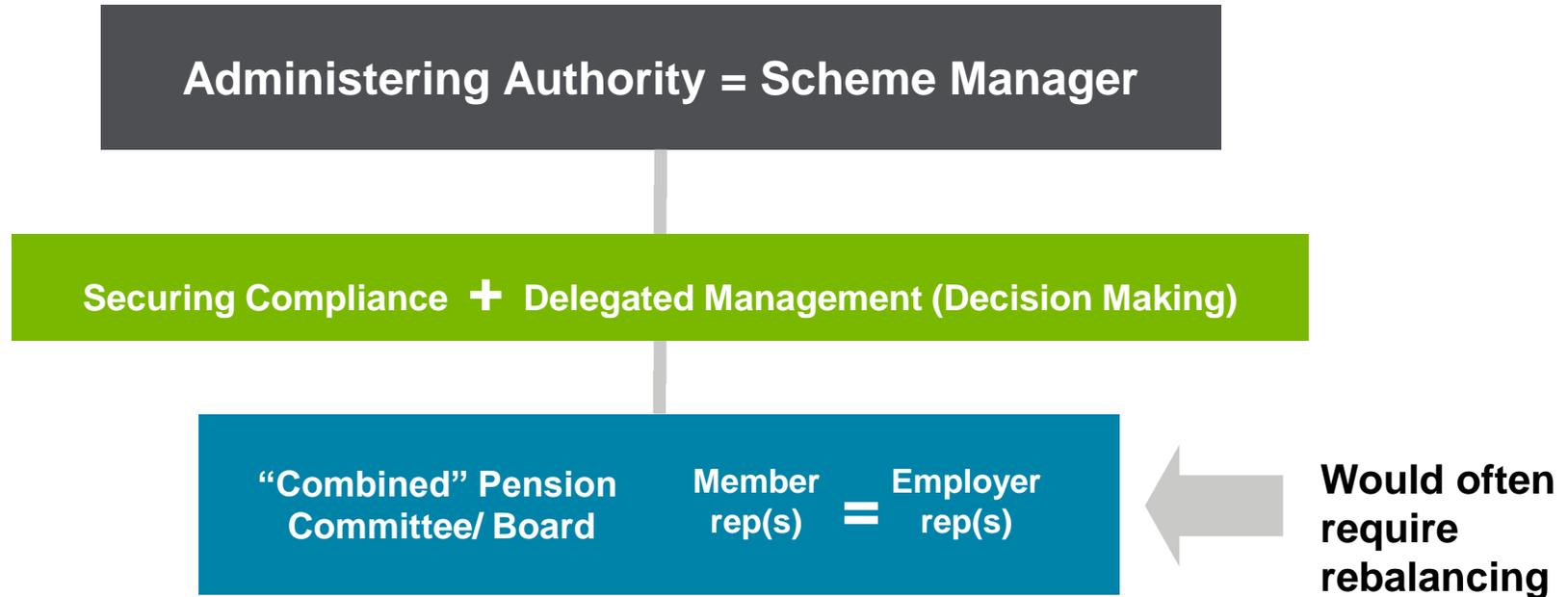


Key:

Decision maker

Oversight

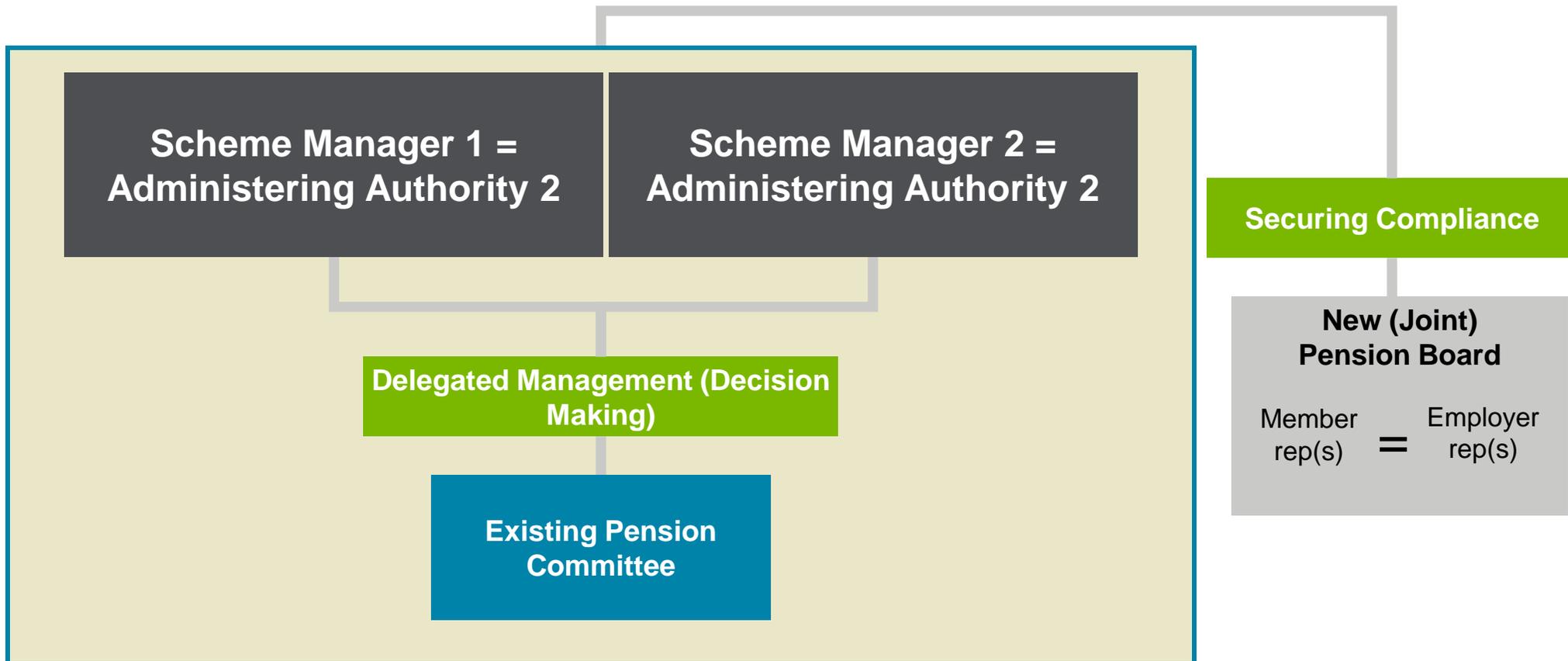
What it means for you – DCLG option 2



Need to demonstrate to DCLG /
Scheme Advisory Board that
requirements are being fully met



Or possibly?



Demonstrate to DCLG / Scheme Advisory Board wholly or mainly joined-up Scheme Manager role



Potential areas of national prescription

Pension Boards will not be subject to local government legislation

Reporting process	Scheme Advisory Board role?
Minimum number of representatives	3 of each?
Separate individuals	Perhaps Pension Chairs only – what about conflicts?
Responsibilities of the Board	Should there be any exemptions or inclusions? Assisting; no statutory decisions.
Status of representatives	Not restricted to elected members
Appointment process	In a public document
Minimum no. of meetings p.a.	4?

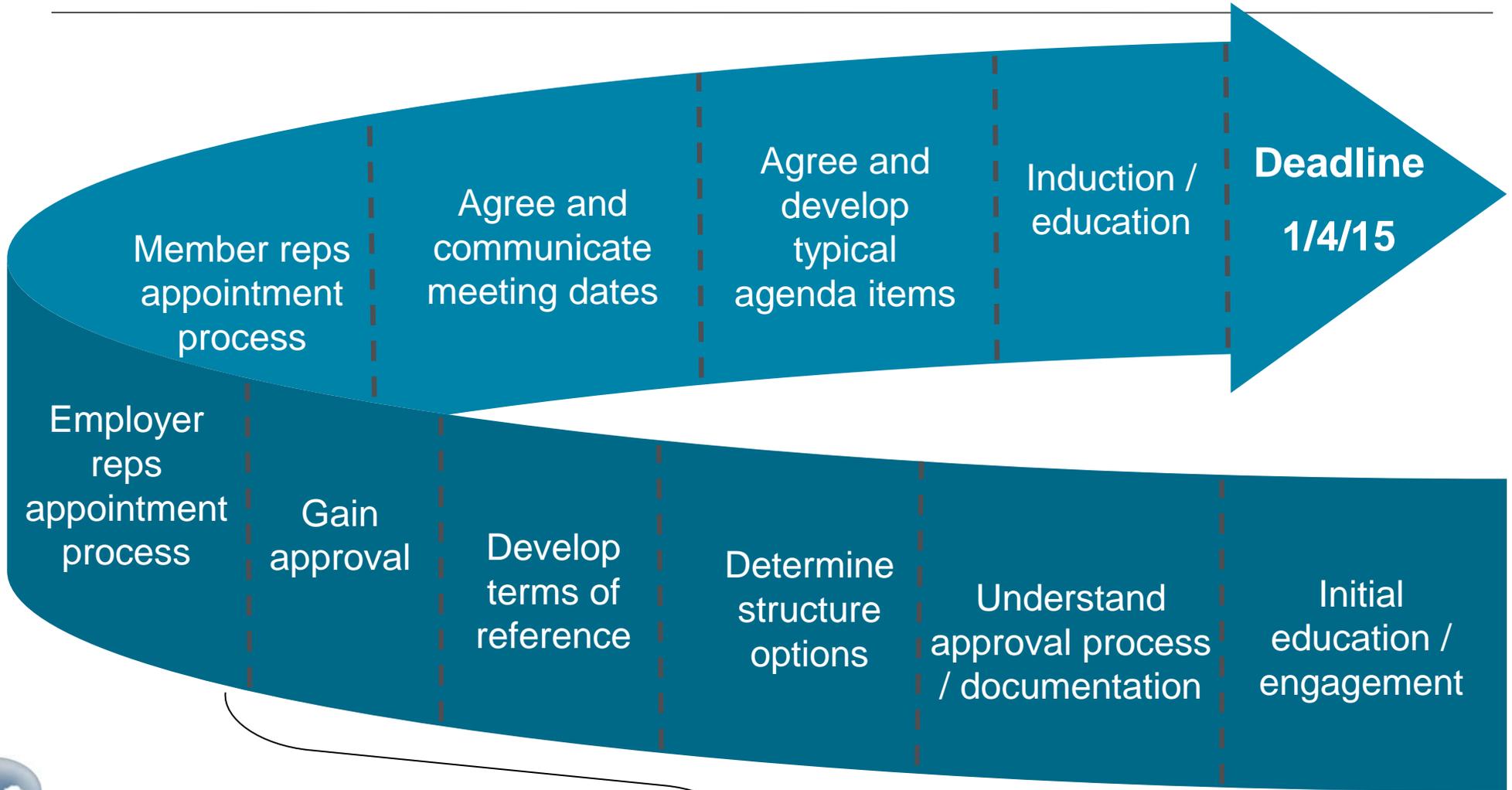
**Pension Board knowledge requirement
perhaps being extended to Pension Committee**

Some areas for local consideration

Reporting process	To Council?
Number of representatives	More than legal minimum?
Separate individuals	Any overlap with PC
Responsibilities of the Board	Local opportunities
Status of representatives	Unions and/or other Which employers / specific status
Minimum no. of meetings	More than legal minimum?
Appointment process	Nominations and/or elections and/or interviews
Substitutes	Mandatory or optional (and operational implications)
Payments to Board members	And fairness with PC
Code of Conduct etc	Conflicts, voting, behaviour, etc etc etc
Use of advisers	Independent chair or other considerations



Steps to implementing a Pension Board



Critical to engage with Monitoring Officer / Democratic Services

Steps to implementing a Pension Board

Council approval	November or December 2014
Appointments	January / February 2015
Induction training – say 3 x ½ days	February / March 2015



Steps to implementing a Pension Board

Regulations laid	September / mid-October 2014
Council approval	November or December 2014
Appointments	January / February 2015
Induction training – say 3 x ½ days	February / March 2015



Steps to implementing a Pension Board

Regulations laid	September / mid-October 2014
Consider options / develop 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



To wait will be too late

PC Task and Finish Group & Delegated Decisions	Now
Consider options / develop terms	Mid June - 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



Finally.....will you be the messenger?

BUT WHY.....?!!!

Lord Hutton identified...

- **Oversight is a key part of governance...**
- **If we're doing a good job, it will provide reassurance..**
- **If we're not, it will help identify where we need to improve.**
- **Many funds don't focus enough on admin and governance matters**



**£178,193,043,000 of
this.....**



...for 4,684,039 of these

Source – SFO3 data for England and Wales 2012/13



Any questions?

Appendix



Compliance reports

XYZ Pension Fund compliance report as at 30 September 2015

Requirement / Objective	Detail	Frequency	Last Review / Delivery Date	Completed	Fully compliant (if relevant)	Notes
TPR – Internal Controls	Set Objectives	Triennial	31/3/2013	●	N/A	
	Provide regular updates against agreed objectives	6-monthly	31/3/2015	●	●	
	Identify and review risk and controls in place	6-monthly	31/3/2015	●	N/A	
	Implement new controls as required	6-monthly	31/3/2015	●	●	Monitoring of employers being developed
	Draft a business plan	Annual	31/12/2014	●	N/A	
	Finalise business plan	Annual	31/3/2015	●	N/A	
	Provide regular updates to business plan	Quarterly	30/6/2015	●	●	Two items behind agreed timescale



Contact List

Daniel Kanaris

Senior Public Benefits Consultant

0117 900 4447

daniel.kanaris@aonhewitt.com

Karen McWilliam

Head of Public Sector Benefits Consultancy

0771 101 6707

karen.mcwilliam@aonhewitt.com



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