

Local Government Pension Boards

Peter Worth

CIPFA Pensions Advisory Network
Accounts and Audit Workshops
February & March 2015



March 2011: Hutton Report recommendations

- ✓ Advisory boards established for each public service pension scheme with expanded role for Pensions Regulator
- ✓ Pension boards established for each LGPS

2013: Public Services Pensions Act

- ✓ Hutton recommendations to be implemented by 1 April 2015
- ✓ Pension boards fully operational by 1 August 2015
- ✓ Guidance on local pension boards published October 2015

National changes - 1

LGPS Advisory Board

- Already exists in shadow form, see www.lgpsboard.org
- Will advise Secretary of State on LGPS changes
- Will advise LGPS schemes on effective administration and management – 1st work programme underway to review LGPS management costs
- Separate boards established for other public sector pension schemes eg teachers, police and firefighters.

National changes - 2

Pensions Regulator

- Established 2004
- Expanded role now covers governance and administrative aspects of LGPS schemes but **not** funding and investment of funds
- Updated Code of Practice now applies to LGPS see www.thepensionsregulator.gov.uk. This forms the basis of the guidance (and this presentation!)
- Enforcement powers include issuing improvement notices, applying for restitution of misappropriated assets or funds, and imposing civil penalties for breaches of the law

The Pensions
Regulator

Role of LGPS pension boards - 1

Pension boards will assist the administering authority to:

- Ensure effective and efficient governance and administration of the LGPS
- Ensure compliance with relevant laws and regulation

Section A of guidance lists 15 key documents and regulations that the pensions board should keep under review

- Role is analogous to governance committees in NHS trusts
- Pensions board must be established by the administering authority ie full council, not delegated to a council committee

Role of LGPS pension boards - 2

- ✓ Remit covers all aspects of LGPS, including funds and investments
- X The pension board is not a separate legal entity
- X Purpose is not to replace administering authority or to change existing decision making processes
- X **Not** an audit committee – role is to assist not to scrutinise – **but** strong links with audit committee and internal audit will help fulfil its function

Role of LGPS pension boards - 3

The pension board is **not** responsible for approving:

- the accounts
- governance compliance statement, or
- annual report

but all 3 are listed in Schedule B of the guidance as documents that the board should:

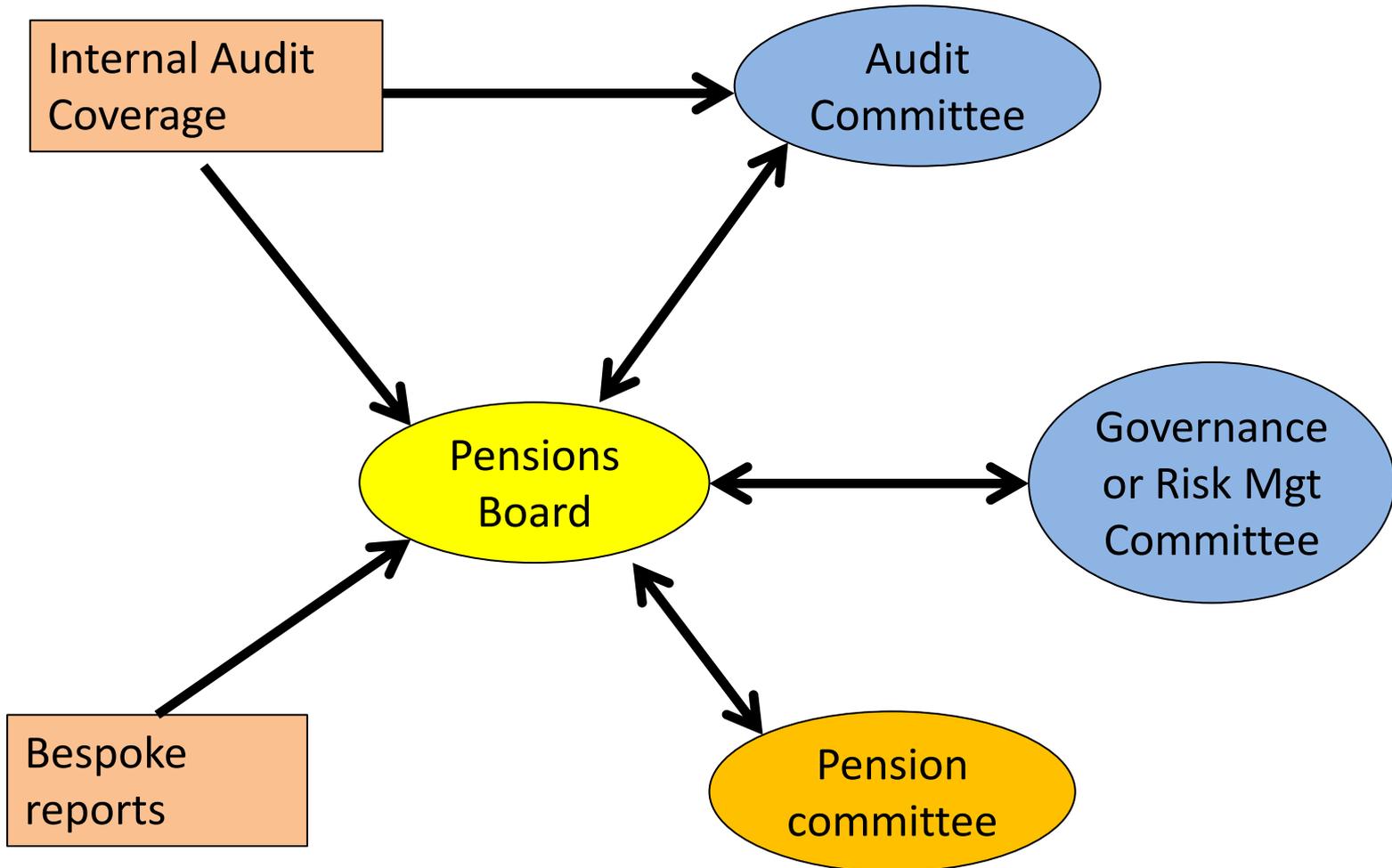
- be aware of
- ensure are kept up to date
- make accessible to LGPS members

Role of LGPS pension boards - 4

Possible areas for review might also include:

- Risk management
- Member records
- Contributions – what assurance is in place to ensure these are
- Admission agreements
- Assurance re outsourced functions

Sources of assurance



Knowledge and understanding

This is a key theme of the new requirements. Pension boards members must have:

- ✓ relevant experience, knowledge and capacity
- ✓ high quality induction training
- ✓ ongoing learning based a personalised training plan.

Guidance encourages, but does not require:

- ✓ Shared training events with the pensions committee and/or neighbouring pension boards
- ✓ "Pooling" local pension board members with neighbouring authorities

Membership and terms of reference

Pension Board membership

- At least 4 members
- Equal numbers of employee and member representatives
- Members must not have other pension fund functions
- Nolan principles apply
- Appointment process must be open, transparent and well publicised

Terms of Reference

- Need to be approved by full Council, and formally adopted by pension board at its first meeting
- Guidance sets out expected content of ToR and supporting policies

Reporting

Terms of reference should set out detailed reporting arrangements. Guidance is not prescriptive but:

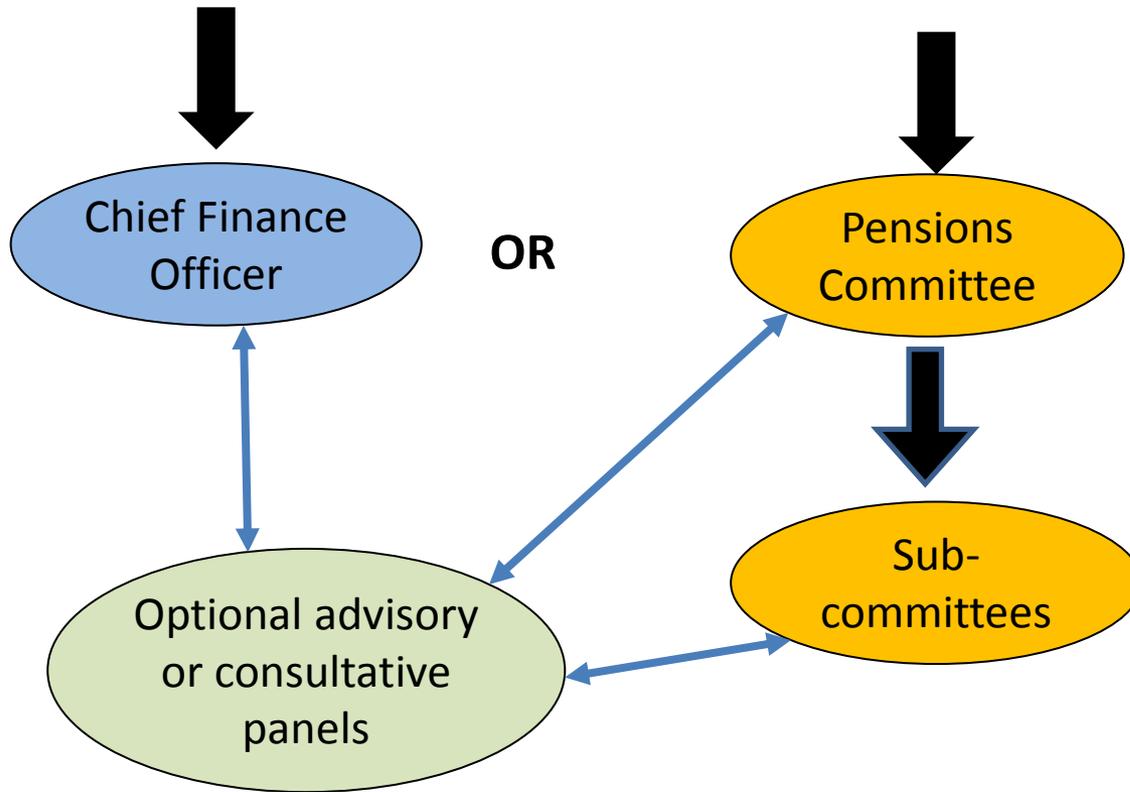
- **Expects** regular reporting to the administering authority or pensions committee to agree work programmes and summarise work done
- **Recommends** an annual report to employers and members
- **Requires** breaches of law or any other concerns to be reported to the administering authority in the first instance with escalation if necessary to the LGPS advisory board and pensions regulator

Role of administering authority

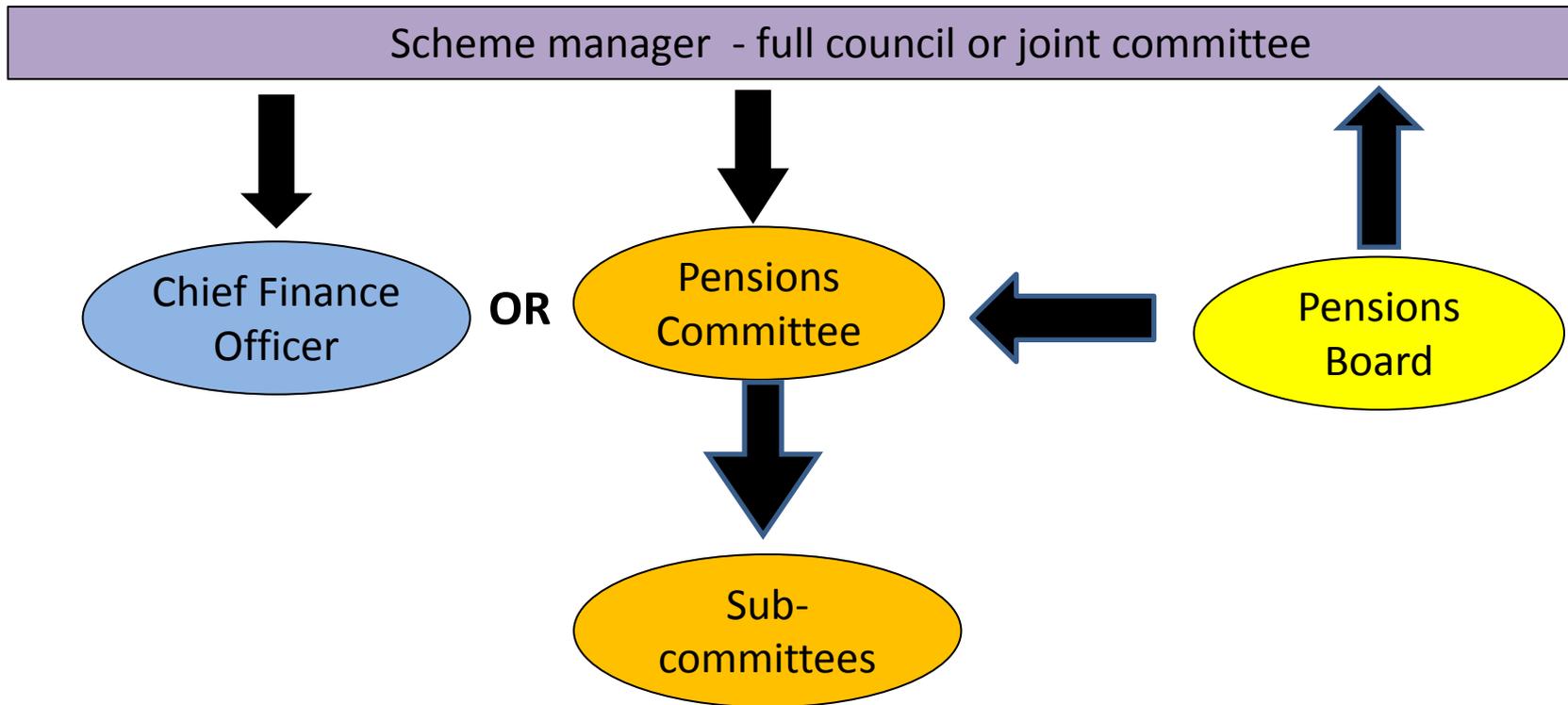
- Under 2013 Pensions Act the administering authority becomes the scheme administrator
- This makes full Council responsible for all LGPS decisions
- Most can still be delegated but full Council must establish pensions board and agree terms of reference
- A revised governance statement is required to reflect pension board arrangements and other 2013 Act changes
- Current operation of pensions committees and advisory panels may need to be reviewed

LGPS current structures

Administering authority – usually single tier or county council, or a joint committee



LGPS new structures



Combining pension boards and committees

Not prohibited **BUT** difficult to achieve in practice:

- Requires Secretary of State's approval
- Different membership requirements
- Specific training and appointment requirements for board
- Those with responsibility for discharging pension fund functions cannot be members of a pensions board
- How could the board fulfil its statutory function of "assisting" itself?

? Could some other existing committee undertake pension board functions

Next steps

- Progress to date in setting up pension boards
- Key agenda items
- Links with audit and scrutiny committees
- Role of internal audit
- Will pension boards be stand alone or combined with an existing function?
- Impact on existing structures and decision making
- Joint working with other funds