

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

Pensions Board Work Pensions Board - 26th January 2016	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 9

1. INTRODUCTION

- 1.1 The work of the Pensions Board in its role of assisting the Scheme Manager is broad and extensive and understanding what the remit for the Board is undoubtedly complex. Further at its first meeting requested to be provided with an update on the work undertaken by a range of other pension boards. This report introduces a discussion on the remit of the Board and development of work undertaken by other pension boards.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Board 28th July 2015 – Pensions Board work schedule 2015-16

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. The work plan agreed by the Board at the July meeting is inevitably subject to change as priorities within the management of the Fund change. Reviewing best practice by considering both Guidance issued by the Scheme Advisory Board and by considering work undertaken by other Pension Boards, primarily in the LGPS space will assist the Board in gaining a better understanding of their role and responsibilities. There are no immediate financial implications attached to this report, although it is recognised that the Pensions Board are able to ask for additional information or resourcing in order to help them to fulfil their role as the Pension Board

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. Consideration of the

Guidance and work undertaken by other Pension Boards for reviewing key issues for future consideration by the London Borough of Hackney Pensions Board helps to demonstrate that the Board is meeting its Terms of Reference in assisting the Administering Authority to comply with regulations.

5.2 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

6.1 In accordance with the Public Service Pensions Act 2013 (PSPA) All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.

6.2 Whilst it is early days in terms of the establishment of Pension Boards in the LGPS, there has clearly been a range of approaches to how Boards are established and the matters being considered by individual boards.

6.3 At the time the local Pension Boards were being established, the National Scheme Advisory Board issued a Q&A Pension Board and this included a question on what the role of the Board is and it is worth covering the response on this from the Scheme Advisory Board:

What is the role of a Local Pension Board?

- Regulation 106(1) specifies that each Administering Authority shall establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. In addition it must ensure the effective and efficient governance and administration of the LGPS.
- The Local Pension Board does not replace the Administering Authority as scheme manager or make decisions which are the responsibility of the Administering Authority in that role and have been properly delegated to a Pension Committee or officer. The role of the Board should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.
- The remit of the Local Pension Board can be as wide or as narrow as is decided upon locally. However, it should be borne in mind that under regulation 106(8) of the Regulations, the Local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- There are many areas of work which a Local Pension Board may be the most appropriate place for that work to take place, consider for example the requirements of the new code of practice no. 14 from the Pensions Regulator. The Local Pension Board could be tasked with reviewing whether the Administering Authority is compliant with the requirements of that code.

6.4 Further it is considered worth providing the Board with the more detailed extract of Schedule A (shown below) from the full guidance on the establishment and operation of local Pension Boards. The full guidance can be found here: [http://www.lgpsboard.org/images/Guidance/LGPS Board Guidance FINAL PUBLISHEDv1%20clean.pdf](http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%20clean.pdf)

SCHEDULE A

Example of a remit of a Local Pension Board

Administering Authorities should remember that the Local Pension Board does not replace the Administering Authority or make decisions or carry out other duties which are the responsibility of the Administering Authority.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.
- c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Assist with the application of the Internal Dispute Resolution Process.
- h) Review the complete and proper exercise of Pensions Ombudsman cases.
- i) Review the implementation of revised policies and procedures following changes to the Scheme.
- j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k) Review the complete and proper exercise of employer and administering authority discretions.
- l) Review the outcome of internal and external audit reports.
- m) Review draft accounts and scheme annual report.
- n) Review the compliance of particular cases, projects or process on request of the Committee.
- o) Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services.
- b) Monitor performance of administration, governance and investments against key performance targets and indicators.
- c) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- d) Monitor investment costs including custodian and transaction costs.
- e) Monitor internal and external audit reports.
- f) Review the risk register as it relates to the scheme manager function of the authority.
- g) Assist with the development of improved management, administration and governance structures and policies.
- h) Review the outcome of actuarial reporting and valuations.
- i) Assist in the development and monitoring of process improvements on request of Committee.
- j) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
- k) Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.

In support of its core functions the Local Pension Board may make a request for information to Committee with regard to any aspect of the Administering Authority function. Any such request should be reasonably complied with in both scope and timing.

In support of its core functions the Local Pension Board may make recommendations to Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

***Schedule A has been added as an example only - it should not be considered an exhaustive list and full consideration should be given locally to the remit of the Local Pension Board.**

- 6.5 In considering the Schedule, the Board is able to determine from the Guidance the areas already considered in some depth by this Pensions Board and may wish to consider which other areas they would like to target in future meetings.
- 6.6 In addition officers of the Council are currently conducting research to review the work of Pension Boards in other LGPS funds and will present findings at the meeting itself.

Ian Williams
Corporate Director of Finance & Resources

Report originating officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Background papers: None