

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 14 NOVEMBER 2014

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: LOCAL GOVERNMENT PENSION SCHEME: DRAFT GOVERNANCE REGULATIONS



SUMMARY OF ISSUE:

The report explains the planned changes to the governance of the Local Government Pension Scheme (LGPS) as a result of the Public Service Pensions Act 2013 and draft Regulations recently issued. A key requirement is for a proposed new local Pension Scrutiny Board to monitor compliance with rules and standards.

RECOMMENDATIONS:

It is recommended that the Pension Fund Board:

- 1 Note the report.
- 2 Note the draft response to the consultation from the Surrey Pension Fund Board with a view to recommending any additions/amendments/deletions as appropriate.

REASON FOR RECOMMENDATIONS:

The Pension Fund Board must be aware of all governance Regulations for the administration of the Pension Fund.

DETAILS:

Background

- 1 The changes introduced by the Public Service Pensions Act 2013 Act are aimed at achieving a more coherent and consistent system to provide assurance that benefits are paid, contributions are received and the Code of Practice is followed in accordance within the law and subject to good practice. The new arrangements are due to be in place by 1 April 2015.
- 2 The recently published draft Regulations are shown as Annex 1.

Consultations Published by the Department

- 3 In June 2014, the Department of Communities and Local Government (DCLG) issued a discussion paper on LGPS Governance and published draft Regulations on scheme governance for consultation. These draft Regulations set out the requirements to establish a Scheme Review Board and include how this body will be established and a framework for membership and role.

- 4 A new consultation for revised Final Regulations has been received on 10 October 2014. These draft regulations are subject to yet another consultation with a closing date of 21 November 2014. This second consultation relates to the implementation of the local Pension Board and national Scheme Advisory Board, as well as the initial consultation on the cost management provisions, including the appointment of a national scheme actuary.
- 5 There are changes to the latest draft and the first set that were issued in June 2014.
- The proposed restriction on elected members being employer or member representatives is to be removed. Previously, elected members (of any authority) were not permitted to sit on the local Pension Board. This will now be permissible, albeit this has been introduced with the proviso that any elected member or officer of the Administering Authority who is “responsible for the discharge” of any LGPS function cannot be a member of the new Review Board. Administering Authorities will have their own flexibility to draft the terms of reference of the new Review Board.
 - The Review Board’s constitution (around voting rights, payment of expenses etc) will be left to local discretion as opposed to having to comply with the 1972 Local Government Act, and
 - The Regulations’ reference to “establish” in relation to a local pension board means reporting to a council on changes to the constitution by 1 April 2015 and not a first meeting of the board by that date, or even necessarily actual appointments of anybody to that board.
- 6 A new provision outlines that a local Pension Board has the power to do anything which is “calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions”. This is regarded as a legal point to provide sufficient flexibility for the local Board to actually properly carry out their functions.
- 7 The following aspects have not been included even though they were mentioned in the initial consultation: AGMs, public equality, joint Pension Boards (i.e. cross border), knowledge and understanding for pension committees.
- 8 It appears that it is intended that the actual Regulations will come into force with effect from 1 January 2015. Though it is disappointing that a further consultation is required, it is understandable, given the fundamental shift in approach for elected members. There is also a draft guidance due (from the LGA), relating to these provisions that will be issued for consultation soon. Creation of the Boards is still aimed at 1 April 2015. It has been suggested that funds should be given a period of grace to fill all the positions on the board and train members.

Consultation

- 9 The Regulations are still in draft form and a draft response to the latest consultation is shown as Annex 2. The deadline for response is 21 November 2014. Any changes to the current council committee arrangements will need to be achieved by means of an amendment to the Council’s Constitution and approved by full Council before 1 April 2015.

Next Steps

- 10 A report recommending the new constitutional arrangements which need to be in place by 1 April 2015 will be taken to full Council. This will include proposals on membership of the Scrutiny Board, Terms of Reference, delegations, frequency of meetings and decision-making powers. The Pension Fund Board will be kept apprised of progress.

CONSULTATION:

- 11 The Chairman of the Pension Fund Board has been consulted on the report.

RISK MANAGEMENT AND IMPLICATIONS:

- 12 Risk related issues are contained within the report, most notably the very short timescale between enacted Regulations and required date of implementation, official guidance that was drafted before the final Regulations have been published, and still no final Regulations yet published.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 13 Financial and value for money implications will be discussed in future reports once a clear guidance has been published.

DIRECTOR OF FINANCE COMMENTARY

- 14 The Director of Finance will ensure that all material, financial and business issues and possibility of risks will be considered when a report is presented to full Council.

LEGAL IMPLICATIONS – MONITORING OFFICER

- 15 Legal implications or legislative requirements associated with this initiative will be addressed in the full Council report.

EQUALITIES AND DIVERSITY

- 16 Equalities and diversity implications associated with this initiative will be addressed in future reports.

OTHER IMPLICATIONS

- 17 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

- 18 The following next steps are planned:
 - A report recommending the formation of a new Board to go to full Council.

Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board Chairman

Annexes:

Annex 1: Second draft LGPS Governance Regulations

Annex 2: Suggested response to latest consultation process by the Surrey Pension Fund

Sources/background papers:

None
