

**SURREY COUNTY COUNCIL****PENSION FUND BOARD****DATE: 13 FEBRUARY 2014****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: LOCAL GOVERNMENT PENSION SCHEME: 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 Regulations issued on 28 January 2015. The key requirement is for a proposed new Local Pension Board to assist the Administering Authority in the running of the Pension Fund and to monitor compliance with rules and standards.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Board:

- 1 Note the report.

**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 Regulations are shown as Annex 1.

**Final Regulations Published by the Department**

- 3 On 28 January 2015, the Department of Communities and Local Government (DCLG) issued final LGPS Governance Regulations. These Regulations set out the requirements to establish a Local Pension Board and include how this body will be established and a framework for membership and role.

- 4 In these final Regulations, there are further changes to the initial drafts first circulated.
- Joint Pension Boards: New Regulation 106(3) provides for the establishment of a joint local pension board where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities. Approval for such a Board would have to be obtained from the Secretary of State.
  - Voting rights: New Regulation 106(7) provides that voting rights only apply to members of a Board who are either an employer or a member representative. In effect this means that 'other members' of a Board do not have voting rights.
  - Removal of the requirement for 'relevant experience' for those individuals to be appointed to a local pension board as a member or employer representative: There is now no requirement in regulations (either regulation 107(2)(a) or 107(2)(b)) for a person who is appointed to a Board to have relevant experience. The requirement for capacity is retained.
  - Clarification that only officers or elected members of the administering authority relating to the local pension board are precluded from being members of that local pension board: Regulations now confirm that officers or elected members of one Administering Authority could be members of the Local Pension Board of a second Administering Authority.
  - Inclusion of new regulation 107(3)(b): Regulations now state that any elected member of the Administering Authority may only be appointed to the Board as either an employer or member representative. This additional regulation dovetails with the new regulation 106(7) which restricts voting rights to employer and member representatives.
  - Inclusion of new regulation 107(4): This regulation provides further clarification on the constitution of a combined board and committee as provided for through regulation 106(2).
- 5 A report recommending the new constitutional arrangements regarding the Local Pension Fund Board, which need to be in place by 1 April 2015, will be taken to full Council on 17 March 2015. This will include proposals on membership of the Local Pension Board, terms of reference, delegations, frequency of meetings and decision-making powers. The Pension Fund Board will be kept apprised of progress.
- 6 A separate report will also be presented reference the Fire Fighters' Pension Scheme.

<b><u>CONSULTATION:</u></b>
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- 7 The Chairman of the Pension Fund Board has been consulted on the report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

- 8 Risk related issues are contained within the report, most notably the very short timescale between enacted Regulations and required date of implementation and official guidance.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

- 9 The costs of running the new Local Pension Board will be borne by the administration cost centre of the Pension Fund, as prescribed by the Regulations.

#### **DIRECTOR OF FINANCE COMMENTARY**

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

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

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

#### **EQUALITIES AND DIVERSITY**

- 12 Equalities and diversity implications associated with this initiative will be addressed in the full Council report.

#### **OTHER IMPLICATIONS**

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

#### **WHAT HAPPENS NEXT**

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

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#### **Contact Officer:**

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

#### **Consulted:**

Pension Fund Board Chairman

#### **Annexes:**

Annex 1: Final LGPS Governance Regulations

#### **Sources/background papers:**

None

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