

Wiltshire Council

Council

24 February 2015

Subject: Establishment of the Local Pension Board for Wiltshire Council

Executive Summary

Following Lord Hutton's review of public service pensions published in March 2011, legislation has been introduced to "make public service pension schemes more transparent". A key aim of the proposed reforms is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Amendment Governance) Regulations 2015 now requires each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pension Board (LPB). This body will assist Wiltshire Council (as administering authority) in ensuring compliance and the effective running of the Wiltshire Pension Fund by providing oversight of the governance, management and administration of the scheme.

Proposals

To ask Council to:

- a. approve the establishment of the Local Pension Board from 1 April 2015 in line with the Terms of Reference; and
- b. delegate authority to the Associate Director (Finance) or his nominated representative to make further amendments to the draft Terms of Reference in the Appendix, as the result of further consideration of the relevant legislation and government guidance recently published on 28 January 2015; and
- c. delegate authority to the Associate Director (Finance) to sign the Terms of Reference as so amended on behalf of the Administering Authority.

Reason for Proposal

To ensure that Wiltshire Council complies with its statutory obligations as administering authority to the Wiltshire Pension Fund.

**Carolyn Godfrey
Corporate Director**

Wiltshire Council

Council

24 February 2015

Subject: Establishment of the Local Pension Board for Wiltshire Council

Purpose of Report

1. To request Full Council approve the establishment of a Local Pension Board and the attached draft Terms of Reference to ensure Wiltshire Council is compliant with the Local Government Pension Scheme (Governance) Regulations 2015.

Relevance to the Council's Business Plan

2. There is a legal requirement for Wiltshire Council, in its role as Administering Authority to the Wiltshire Pension Fund to establish a Local Pension Board by 1 April 2015.

Main Considerations for the Council

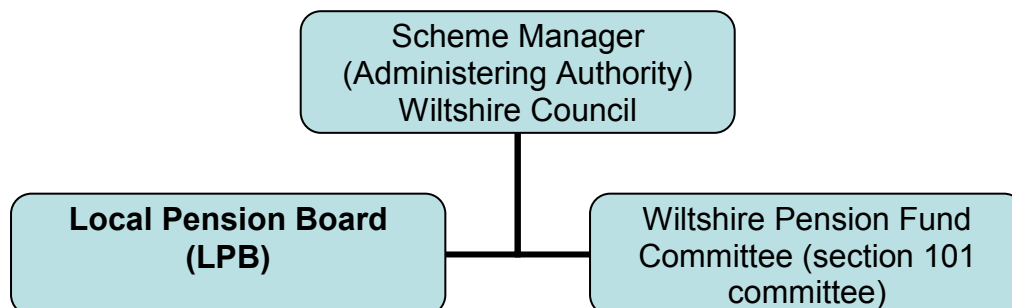
3. Following Lord Hutton's review of public service pensions published in March 2011 legislation was introduced to "make public service pension schemes more transparent". The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Governance) Regulations 2015 requires each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pension Board (LPB) to assist the Council (Administering Authority) in running the Wiltshire Pension Fund.
4. A key aim of the reform is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.
5. Therefore, the LPB will be a committee of Wiltshire Council, but separate to the Wiltshire Pension Fund Committee (section 101 committee) to which as administering authority (the Council) it has delegated its functions in relation to the administration of the LGPS.
6. The LPB for Wiltshire will have no general duties or responsibilities or powers other than those outlined in the draft Terms of Reference (ToR). It's these ToR shown in the Appendix which Full Council is requested to approve to formally establish the LPB.

Background

7. From the 1 April 2015, the LPB will assist the 'Scheme Manager' (Wiltshire Council) by ensuring compliance with the pension scheme regulations, along

with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the Scheme.

8. The LPB will sit alongside the Wiltshire Pension Fund Committee (Section 101 Committee) to scrutinise its decision making process and ensure the Fund's compliance with its legislative requirements. It's not to be a decision making body.



Terms of Reference (ToR)

9. The proposed ToR (see Appendix) has been drafted in conjunction with Legal and Democratic Services based on the final Regulations that were issued on 28 January 2015. The key constituents are summarised below.
10. The LPB is a committee established under Section 5 of the PSPA 2013 and regulation 106 of the Local Government Pension Scheme Regulations (Amendment) Regulations 2015. It is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore has no general duties or responsibilities or powers other than those outlined in the ToR.
11. The LPB must consist of an equal number of employer and member representatives. These LPB members must be a fair representation of the employer organisations and membership of the scheme. It is proposed there will also be a non-voting independent chair, so proposed membership is as follows:

Employer Representatives	Members Representatives	Independent Chair (Non-voting)	Total Voting members
3	3	1	6

Employer Representatives

12. The 3 employer representatives shall be office holders or senior employees of employer organisations within the Wiltshire Pension Fund but must not have responsibilities under the LGPS regulations. One appointment will provisionally be allocated to each of the following types of organisations within the Wiltshire Pension Fund, according to their approximate size (by employee numbers):

- i. Group 1 - Wiltshire Council (note that a Wiltshire Councillor may be appointed provided that he or she is nominated and shortlisted in accordance with the ToR),
- ii. Group 2 - Other large employers (Swindon Borough Council and Wiltshire Police)
- iii. Group 3 - Other smaller employers

13. The Wiltshire Pension Fund will invite all employers' organisations in each of the three groups to nominate suitable candidates, and will then review all nominations against criteria of experience and capacity to undertake the role. A shortlist of 2 candidates for each group will then be shortlisted and invited to interview with representatives from Legal & Democratic Services and Finance with 3 nominations being put forward to Full Council for appointment at its May meeting.

Member Representatives

14. The 3 member representatives shall either be members of the Wiltshire Pension Fund or have experience of representing Fund members and be able to demonstrate their capacity to attend meetings and training.

15. Applicants will be sought through adverts on the Fund's website, through employer's vacancy boards and by writing to representative registered trade unions. Applicants will then be reviewed against criteria of relative experience and capacity to undertake the role. A shortlist will then be invited to interview with representatives from Legal & Democratic Services and Finance, with 3 nominations being put forward to Full Council for appointment at its May meeting.

Independent Chair

16. Applicants will be sought through adverts on the Fund's website, Wiltshire Council job vacancy website and such other appropriate media.

17. Applicants will then be reviewed against criteria of relative experience and capacity to undertake the role. A shortlist will then be invited to interview with representatives from Legal & Democratic Services and Finance, with 1 nomination being put forward to Full Council for appointment, subject to the passing of a motion by the majority of the employer and member representatives of the LPB.

18. This person cannot have any current employment, contractual, financial or other material interest in the Council, scheme employer or Wiltshire Pension Fund or be an elected member of Wiltshire Council.

Independent Governance Adviser

19. To ensure the effectiveness of the LPB, it will have access to an independent governance adviser. The Administering Authority will procure the services of the independent governance adviser in accordance with Part 11 of the Council's constitution and this role will be re-tendered every four years.

Other Key Terms of Reference

20. All new members of the Board must follow and attend training provided to ensure they achieve the required level of knowledge. They will serve a fixed term of 4 years after which a re-election process will be followed.
21. There will be four meetings a year and the LPB will be supported by Associate Director – Finance to ensure the provision of relevant information and reports while the Council’s Democratic Services will provide secretariat services.
22. The Wiltshire Pension Fund Committee shall approve the annual budget for the LPB which is a cost to the Pension Fund and does not fall directly onto Wiltshire Council.
23. The LPB shall report at least annually to the Wiltshire Pension Fund Committee a summary of the work undertaken and any issues that have arisen. If the LPB fails to receive a satisfactory response from the Wiltshire Pension Fund Committee, it shall escalate this to the Associate Director – Finance and from time to time, as necessary report to Full Council any breach in compliance or any other significant issue which has not been resolved to the satisfaction of the LPB within a reasonable timeframe of being reported.
24. It may also report to the national Scheme Advisory Board any areas of persistent non-compliance and to the Pensions Regulator all material breaches of their regulatory guidance.

Safeguarding Implications

25. There are none

Public Health Implications

26. There are none

Corporate Procurement Implications

27. There are none

Equalities Impact of the Proposal

28. There are none

Environmental and Climate Change Considerations

29. There are none

Risk Assessment

30. The main risk is reputational from the failure to establish the LPB.

Risks that may arise if the proposed decision and related work is not taken

31. If a LPB is not formally established by 1 April 2015, Wiltshire Council will not be fulfilling its statutory legal obligations in line with the Local Government Pension Scheme (Governance) Regulations 2015.

32. Formally established is defined as Terms of Reference have been agreed by Full Council prior to 1 April 2015 and that the LPB is operational within 4 months of this date.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

33. There are no significant risks arising from the implementation of the LPB.

Financial Implications

34. The cost of the LPB will fall on the Wiltshire Pension Fund. The estimated cost for establishing the Board, including full induction training for all Board members, recruitment costs, governance and legal support is estimated at £23k.

35. The costs of holding four meetings a year is estimated at £18k, which includes a Committee Services recharge, printing, room hire, on-going members training, and independent governance adviser fees. This doesn't make any allowance for additional officer time or allowances and expenses to be agreed.

36. The Independent Remuneration Panel (IRP) has been asked to consider whether positions on the LPB should attract an allowance under the Council's Members' Allowance Scheme and if so, the level of such remuneration. This work is ongoing and the outcome, together with the recommendations of the IRP will be presented to full Council at its May meeting for determination.

Legal Implications

37. The implication of not establishing the LPB is Wiltshire Council is not compliant with government legislation and its statutory obligations. This may lead to a number of potential possibilities including intervention by the Regulator, a judicial review, a complaint to the Local Government or Pension Ombudsman for maladministration, or an adverse comment by the Administering Authority auditor or national Scheme Advisory Board.

38. The ToR have been drafted to follow the Regulations and in line with a standard template provided by the central Scheme Advisory Board to the LGPS. The method of appointment of voting members set out above is intended to be fair, transparent and to encourage appropriate and fair representation of the different employer organisations and members within the scheme. In particular, the division of employer organisations into three selection groups according to size is intended to ensure that the LPB more accurately represents the various types of constituent employer.

Options Considered

39. Not applicable.

Conclusions

40. The establishment of the LPB is ultimately a legal requirement of Wiltshire Council. This should be viewed as an additional assurance tool to ensure compliance and assistance in ensuring the Wiltshire Pension Fund Committee effectively operates and administrates its LGPS obligations in accordance with all relevant regulations.

***Proposal**

41. To ask Council to:

- a. approve the establishment of the Local Pension Board from 1 April 2015 in line with the Terms of Reference; and
- b. delegate authority to the Associate Director (Finance) in consultation with the Associate Director (Legal and Governance) to make further amendments to the draft Terms of Reference in the Appendix, as the result of further consideration of the relevant legislation and government guidance recently published on 28 January 2015; and
- c. delegate authority to the Associate Director (Finance) to sign the Terms of Reference as so amended on behalf of the Administering Authority by 1 April 2015.

***Reason for Proposal**

42. To ensure that Wiltshire Council complies with its statutory obligations as administering authority to the Wiltshire Pension Fund.

Carolyn Godfrey
Corporate Director

Report Author:

David Anthony,
Head of Pensions
01225 713620
David.Anthony@Wiltshire.gov.uk

13 February 2015

Background Papers

None

Appendices

Appendix – Local Pension Board of Wiltshire Council - Terms of Reference

