

## WILTSHIRE COUNCIL

WILTSHIRE LPB

16 July 2015

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### Role and Purpose of the LPB

#### Purpose of the Report

1. The purpose of this report is to outline the role and purpose of the LPB.

#### Background

2. 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 LPB (LPB) to assist the Council (Administering Authority) in running the Wiltshire Pension Fund.
3. 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.
4. Therefore, this Board is 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.
5. This Board will have no general duties or responsibilities or powers other than those outlined in the draft Terms of Reference (shown elsewhere on this agenda).

#### Considerations for the Board

6. Recommendation 17 of Lord Hutton's report stated:

*"Every public service pension scheme (and individual LGPS Fund) should have a **properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration.** There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules."*

7. This led the case for more independent oversight and that the government, taxpayers and scheme members should be kept better informed about the financial health of these schemes. This included calls for minimum standards set for scheme administration along with a proper and legitimate role for representatives of the workforce to be formally involved in governance arrangements.

#### **National Framework**

8. The above lead to the implementation of the Public Service Pension Act (PSPA) 2013, which referred to each public service scheme having a "Responsible Authority" (Secretary of State – DCLG), Scheme Manager (administering authority) and for these scheme to fall under the responsibility of the Pension Regulator (tPR).

9. The requirements of the PSPA 2013 was in turn incorporated into the LGPS Regulations 2013 (as amended), which due to the nature of the LGPS with 89 different Administering Authorities, led to the establishment of a National Scheme Advisory Board (SAB) overseeing the LPBs.

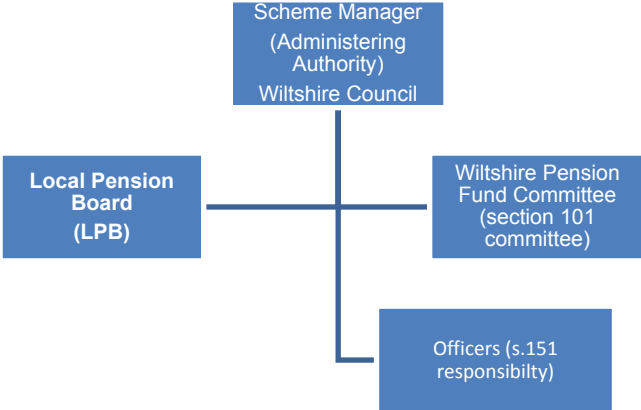
**Role & Purpose of LPB**

10. The PSPA 2013, set out the requirement for the establishment of a Board with the responsibility for assisting the scheme manager in relation to the following matters:

- (a) 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 and;
- (b) to ensure the effective and efficient governance and administration of the Scheme.

11. 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.

12. This Board sits 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.



13. The key difference between the Pension Committee and the LPB are outlined in the table below. Although both are committee’s of Wiltshire Council they fall under different legislation.

<b>Wiltshire Pension Committee</b>	<b>Wiltshire LPB</b>
<ul style="list-style-type: none"> <li>• Local Government Act 1972 – Section 101</li> </ul>	<ul style="list-style-type: none"> <li>• Public Service Pensions Act 2013 – Regulation 5</li> </ul>
<ul style="list-style-type: none"> <li>• Local delegated function under council constitution</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS Regulations 2013 (amended 2015)</li> </ul>
<ul style="list-style-type: none"> <li>• Delegated <b>decision</b> making</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Assisting</b> with securing compliance</li> </ul>

14. The focus of the LPB will be “assisting “ the scheme manager to secure compliance with the “scheme” regulations, legislation relating to governance and administration of the Scheme and the requirements under the Pensioner’s Regulators Code of Practice.

15. The legislation also sets out a number of other requirements the LPB must adhere to, the most significant ones listed below:

- a) **Voting Rights** – only employer and scheme member representatives may have voting rights
- b) **Appointment process** – an open and transparent appointment process must be undertaken
- c) **Equal Representation** – there must be a minimum of 2 employer and 2 scheme member representatives (the Wiltshire LPB has 3 of each)
- d) **Capacity** – all representatives must have “capacity” to represent their stakeholders. This includes both the time to train, prepare, and attend the LPB, but also be in a position to provide feedback to the relevant employers and scheme members.
- e) **Conflict of interest** – there must be a policy in place to address and manage any potential conflicts of interest. Members of the LPB cannot be responsible for a fund function, for example senior officers of the Pension Fund, or Members of the main Pension Fund Committee. Wiltshire Councillors are only able to sit on the LPB as an employer representative.

### **What is the actual remit of the LPB?**

16. Although the legal definitions are outlined in the Regulations what does this actually mean in practice? A good analogy of the role of the LPB is as a “critical friend” of the Scheme Manager by assisting it to ensure compliance is achieved.

17. This can be done by ensuring due process has been followed in terms of both the administration of the Fund and the decisions made at the Pension Fund Committee.

18. The LPB may also get involved in reviewing administration standards and reviewing published policies to ensure they are compliant along with key documents.

19. The outcome of this work will then be feed back to the Pension Fund Committee for comment and review.

20. The LPB input into national consultations may also be sought to gain the view of its stakeholders while the Pension Fund Committee may ask the LPB to review specific areas.

21. Each year the LPB will set a work plan for the forthcoming year, and will produce a year end report on progress over that periods, and plans for the forthcoming 12 months. An outline of this work and findings will be feedback to scheme members and employers through an annual report.

## **The Pension Regulator Code of Practice no.14**

22. From 1 April 2015, the Pension Regulator (tPR) has responsibility for the LGPS. Therefore a focus for the LPB is ensuring compliance with tPR's code of practice. This is split into a number of areas which covers Governance, Risk Management, Administration, and Resolving issues.
23. The LPB, as part of their work plan will need to consider these areas, to ensure the Fund is compliant and if not make recommendations to the Pension Fund Committee on ways to address these requirements.
24. The LPB would then need to consider how it would deal with any breaches of the regulations, should recommendations not be acted upon to address concerns to a satisfactory level through the establishment of a Breaches Policy.

### **Environmental Impact of the Proposal**

25. Not applicable.

### **Financial Considerations & Risk Assessment**

26. There are no financial implications from this report.
27. An understanding of the role and remit of the LPB helps when considering its statutory responsibilities, work plans and to mitigate the risk of the Board being ineffective.

### **Legal Implications**

28. There are no material legal implications from this report.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

29. There are no known implications at this time.

### **Reasons for Proposals**

30. To enable the LPB to understand its purpose and remit on both a national and local level.

### **Proposals**

31. The LPB is asked to note this report.

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Unpublished documents relied upon in the production of this report: NONE