

Bath & North East Somerset Council

MEETING:	Council
MEETING DATE:	15 January 2015
TITLE:	Establishment of Avon Pension Fund Pension Board
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Proposed Terms of Reference for the Avon Pension Fund Pension Board Appendix 2 – Amended Terms of Reference for the Avon Pension Fund Committee	

1 THE ISSUE

- 1.1 The Public Service Pension Act 2013 (the “Act”) requires all Local Government Pension Scheme (LGPS) funds to establish a local Pension Board to assist the administering authority in complying with regulations and ensuring effective and efficient governance and administration of the Scheme.
- 1.2 The administering authority is responsible under the regulations for establishing the local Pension Board for the Avon Pension Fund.
- 1.3 The proposed Terms of Reference is set out in Appendix 1.
- 1.4 As the costs of the local pension board will be met by the pension fund, the Board’s budget and related workplan will be submitted to the Committee for approval annually. As a consequence the Terms of Reference for the Pension Committee need to be amended.

2 RECOMMENDATION

The Council is asked to:

- 2.1 Approve the proposed Terms of Reference for the local Pension Board;
- 2.2 Approve the appointment process for Pension Board members;
- 2.3 Agree the delegation of authority to the Strategic Director of Resources in consultation with the Executive Member for Community Resources to provide appropriate officer resource to support the Pension Board;
- 2.4 Approve the amended Terms of Reference for the Avon Pension Fund Committee.

3 FINANCIAL IMPLICATIONS

- 3.1 The costs of administering the Avon Pension Fund are recharged to the employing bodies through the employer contribution rates which are set by the actuary every three years as part of the valuation.
- 3.2 The LGPS (Amendment) (Governance) Regulations 2014 provide that the costs of local pension boards are to be regarded as administration costs charged to the pension fund.

4 CORPORATE PRIORITIES

- 4.1 This issue is not relevant to the Avon Pension Fund which is administered by the Council as a completely separate function to its mainstream activities.

5 THE REPORT

- 5.1 In 2010 the government commissioned Lord Hutton to chair an Independent Public Service Pensions Commission to review public service pensions and make recommendations on how such schemes could be made more sustainable and affordable in the long term and fair to both public sector workers and taxpayers.
- 5.2 The recommendations made by the Hutton Report of 2011 were incorporated into the Public Service Pension Act 2013. The Act required all public sector scheme managers, including each administering authority of an LGPS fund, to establish a Local Pension Board (the "Board").
- 5.3 The DCLG has issued draft regulations regarding local Pension Boards for the LGPS funds, the LGPS (Amendment) (Governance) Regulations 2014 (the "Regulations"). In addition the LGPS Shadow Scheme Advisory Board has issued draft guidance ("the guidance") to assist administering authorities which reflect the draft governance Regulations.
- 5.4 The Regulations state that the role of the Board is to assist the administering authority
- a) to secure compliance with:
 - (i) The LGPS (Amendment) Regulations 2014
 - (i) Any other legislation relating to the governance and administration of the Scheme
 - (ii) 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.
- 5.5 The guidance states that "assisting the administering authority" should be interpreted as helping the authority, including doing work requested by the authority (meaning the administering authority and any committee to which it has delegated its responsibility). However, the Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.
- 5.6 The Board must be established by 1 April 2015. The guidance suggests that the Board should be fully operational by 31 July 2015.

- 5.7 The responsibility for establishing the Board rests with the administering authority of each fund. An administering authority is given powers under the Regulations to determine the procedures applicable to its Board including voting rights, frequency of meetings and payment of expenses for example. Failure to establish the Board could lead to intervention by The Pensions Regulator, legal action possibly by someone denied representation by the failure to establish a Board or a complaint to Local Government or Pensions Ombudsman citing possible maladministration by the administering authority. It could also be raised as an issue by the external auditor or the Scheme Advisory Board (for the LGPS).
- 5.8 The Regulations are generally not prescriptive but do require an equal number of employer and scheme member representatives with a minimum requirement of no less than four in total. The Regulations do not preclude that other members may also be appointed to the Board. No officer or a councillor of an administering authority who is responsible for any function under the Regulations may be a member of the Board.
- 5.9 It is proposed to have seven Board members comprising two employer representatives, two member representatives, two elected member representatives from the Administering Authority and an independent Chairperson. The Chairperson will be paid a nominal allowance. The Avon Pension Fund will facilitate the nominations process for all Board members; the appointment process will be undertaken by the Strategic Director of Resources.
- 5.10 The proposed Terms of Reference for the Avon Pension Fund Board are set out in Appendix 1.
- 5.11 The Board will require officer support independent from those officers responsible for the Avon Pension Fund to ensure the advice from the officer is not conflicted. The Strategic Director of Resources and Executive Member for Resources will be responsible for ensuring appropriate officer support is provided.
- 5.12 As the expenses of the Board are to be met by the pension fund, the Board's budget and related workplan will be submitted to the Pensions Committee for approval annually. The Terms of Reference for the Pensions Committee are being amended to reflect this and are set out in Appendix 2.

6 RISK MANAGEMENT

- 6.1 The creation of local Pension Boards will strengthen the governance of the Avon Pension Fund, including the oversight of the risk management framework.

7 EQUALITIES

- 7.1 *This report is for information only so an equalities impact assessment is not necessary.*

8 CONSULTATION

- 8.1 The Strategic Director of Resources and the Monitoring Officer were consulted on the draft regulations and proposed Terms of Reference. They were also discussed by the Avon Pension Fund Committee at a committee workshop on 26 September 2014.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

- 9.1 Are contained in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Andrew Pate Strategic Director - Resources Councillor David Bellotti Cabinet Member for Community Resources
Background papers	The LGPS (Amendment)(Governance) Regulations 2014 LGPS - Draft Guidance on the creation and operation of Local Pension Boards in E&W
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