

ASSEMBLY

24 February 2015

Title: Establishment of Pension Board	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary <p>The Public Service Pensions Act has resulted in a number of changes to public service pension schemes. There are a number of key changes impacting on the governance of local government pension schemes, which includes the introduction of new local Pensions Boards.</p> <p>This report is concerned with the introduction of local Pension Board for the London Borough of Barking and Dagenham Pension Fund, and its proposed structure and Terms of Reference (ToR).</p> <p>The Terms of Reference and proposed structure of the Pension Boards (Appendix 1) were discussed and agreed in principle by the Pension Panel at the December Panel.</p> <p>The ToR will be published as an appendix to the Council's Constitution and will be available as part of the Council's Constitution. The ToR will also form part of the Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the Local Government Pension Scheme Regulations.</p>	
Recommendation(s) <p>The Assembly is recommended to:</p> <ul style="list-style-type: none">(i) Note the requirement for the Council to establish a Pension Board by 1 April 2015;(ii) Approve the proposals for the establishment of the London Borough of Barking and Dagenham Pension Board, as set out in Appendix 1 to the report; and(iii) Delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Panel and the Head of Legal and Democratic Services, to agree the final terms of reference of the Pension Board.	

Reason(s)

This report sets out the terms of reference of the local Pension Board of The London Borough of Barking and Dagenham. The local Pension Board is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

1. Introduction and Background

- 1.1 This report is concerned with the introduction of the local Pension Board (“the Board”), and its proposed structure and Terms of Reference (“the ToR”). New regulations that come into force from 1 April 2015 require each Administering Authority to establish a Board.
- 1.2 The role of the Board is defined by regulation 106 (1) of the Local Government Pension Scheme (LGPS) regulations as:
 - 1) to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme and requirements imposed in relation to the LGPS by the Pensions Regulator;
 - 2) to ensure the effective and efficient governance and administration of the Fund.
- 1.3 The Council recognises that the Board’s main role will be that of having oversight of whether the aims and objectives outlined within the Fund’s Governance and Administration strategies are being achieved; and having regard to any overriding requirements included within guidance from DCLG, and the Scheme Advisory Board.
- 1.4 The Pension Panel, at its meeting on 15 December 2014, considered a report on the proposed establishment of a Board for the London Borough of Barking and Dagenham Pension Fund (“the Fund”) as required by the LGPS (Amendment) Regulations 2014.
- 1.5 The report set out:
 - i. the functions and position of the Board in the Fund’s Governance structure;
 - ii. the proposed composition of the Board and the appointment process including:
 - the appointment of an independent chair;
 - proposals for the remuneration of Board members;
 - the Board’s terms of reference; and
 - the implications of the creation of the Board.
- 1.6 The Pension Panel, after receiving advice from Legal and Democratic Services, agreed that that Assembly should be requested to approve the proposed arrangements.

- 1.7 The membership of the Board must be in place by April 2015 and the first meeting of the new Board has to be held before July 2015.

2. Proposals

- 2.1 On 28 January 2015 the full governance regulations for the establishment of Pension Boards were laid before Parliament.
- 2.2 The draft terms of reference presented to the Pension Panel on 15 December 2014 have been reviewed and updated and are set out at **Appendix 1**. However, due to the late publication and subsequent updates to the guidance it may be appropriate for further changes to be made. With that in mind, it is recommended that the Chief Finance Officer be authorised, in consultation with the Chair of the Pension Panel and the Head of Legal and Democratic Services, to finalise the draft terms of reference prior to 1 April 2015.
- 2.3 Once the new Board comes into effect, officers will monitor and evaluate its operation and may wish to review the terms of reference from time to time, with relevant changes presented to the Assembly for approval.

3. Options Appraisal

- 3.1 The establishment of a Board is a legal requirement. The structure and Terms of Reference are required to be within the limits set by the regulations. The proposals outlined in Appendix 1 cover the regulation requirements.

4. Consultation

- 4.1 The Pension Panel Members and observers; which include employer, trade union and employee representatives, have been consulted and have agreed the structure and requirements outlined in Appendix 1.

5. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 5.1 The Financial implications are limited to the costs of running the Board and will be fully funded by the Pension Fund.

6. Legal Implications

Implications completed by: Paul Feild, Senior Governance Lawyer

- 6.1 The 2013 Regulations have very recently amended by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. As referred to in the body of this report the Public Service Pensions Act 2013 requires that no later than 1 April 2015 that an administrating authority establish a local pensions board tasked with the role of ensuring compliance with the 2013 Regulations, any other legislation and requirements by the Pensions Regulator and to assist the administrating authority in ensuring the effective and efficient governance of the scheme.

Background Papers Used in the Preparation of the Report:

- The Local Government Pension Scheme Guidance on the creation and operation of Local Pension Boards in England and Wales (28 January 2015)
- Administration and Governance Report (15 December Pension Panel)

List of appendices:

- **Appendix 1** - The London Borough of Barking and Dagenham Pension Board Terms of Reference