

<b>Committee(s)</b>	<b>Dated:</b>
Policy and Resources – For Decision Police – For Information	19 February 2015 26 February 2015
<b>Subject:</b> Public Sector Pensions Reform – Establishing a Local Pensions Board Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>

### Summary

The Public Services Pensions Act 2013 requires that all pension schemes establish a local Pensions Board for the purpose of scrutinising the adequacy of arrangements in place to meet the requirements of scheme regulations and the extent to which local policy and guidance is fit for purpose.

Policy and Resources Committee approved at its meeting in January the recommendation to the Court of Common Council that a Pensions Board be established for the City of London LGPS. Since this time, final regulations have been received and those regulations include an amendment that impacts on the composition of the Board, this report proposes an alternate composition.

This report also brings to the attention of Members the need to establish a similar Board for the City of London Police Pension Scheme, the regulations for which have not yet been received. There is no draft guidance available from the Home Office as to how Police Pension Regulations may interpret the Act and so Members are asked to approve in principle the recommendation that a Police Pensions Board be established.

### Recommendation(s)

Members are asked to:

- Approve an amendment to the constitution of the LGPS Pensions Board which will be recommended to the Court of Common Council on 5 March 2015 so that it now comprises 2 Common Councilmen and 1 Senior Officer as Employer Representatives and 3 Scheme Member Representatives; and.
- Note that it is also necessary to establish a Pensions Board for the City of London Police Pension Scheme and that a further report on its composition be considered once Police Pension Regulations are issued.

## **Main Report**

### **Background**

1. In addition to changes to the scheme benefits, the Public Services Pensions Act 2013 includes a number of amendments to the administration, financial management and governance of public service pension schemes. The requirements of the Act must be met by 1 April 2015.
2. Changes to the Local Government Pension Scheme (LGPS) scheme benefits were introduced in 2014 with requirements regarding governance arrangements subject to separate regulations. Proposals to meet these governance requirements were considered at the last meeting of the Policy and Resources Committee. The report recommended a constitution and terms of reference for a Pensions Board in accordance with draft regulations and guidance from Central Government.
3. While the report focused on the requirements for the LGPS, the Act requires an equivalent Pensions Board for the City of London Police Pension Scheme. Regulations for the Police Pension Scheme are less advanced than for the LGPS, although it remains the case that a Pension Board must be in place by 1 April 2015. While the Board must be in place from this date, membership and operation of the Board may follow.

### **Current Position**

4. Regulations for the LGPS have now been finalised, in passing these regulations an amendment has been made that impacts the capacity in which Common Councilmen may serve on the Pensions Board. This report sets out a revised proposal to accommodate this change.
5. This report also puts forward a proposal to enable a Pensions Board to be established for the City of London Police Pension Scheme.

### **Revised Criteria for the LGPS Pension Board**

6. At its January meeting, the Committee agreed to recommend to the Court of Common Council that a Pensions Board be established for the City of London Corporation Local Government Pension Scheme. At that time draft regulations stipulated that the Board must comprise equal numbers of Employer and Scheme Member representatives and that any Elected Members (Common Councilmen) appointed to the board could not serve in either category. The constitution of the Board was therefore agreed as:
  - 3 Employer Representatives
  - 3 Scheme Member Representatives; and
  - 3 Representatives from the Court of Common Council
7. Final regulations are largely unchanged from draft with the exception that any Elected Members appointed to the Board must serve in the capacity of Employer

Representatives. The table below sets out the various possible options for the composition of the LGPS Pensions Board:

	<b>Total Members</b>	<b>Employer Representatives</b>	<b>Scheme Members</b>
1.	6	3 Common Councilmen	3 Scheme Members
2.	6	3 Senior Officers	3 Scheme Members
3.	6	2 Common Councilmen, 1 Senior Officer	3 Scheme Members
4.	8	3 Common Councilmen, 1 Senior Officer	4 Scheme Members
5.	8	2 Common Councilmen, 2 Senior Officers	4 Scheme Members

8. In anticipation of the challenge in appointing sufficiently skilled and experienced Scheme Member representatives, it is recommended that the Board does not exceed 6 Members in total. Option 3 is preferred; with the Board comprising 2 Common Councilmen, 1 Senior Officer and 3 Scheme Members.
9. The remaining aspects of the Terms of Reference would remain unchanged.

### **Police Pension Scheme Board**

10. The Police Pension Scheme reform will incorporate all aspects of the Public Services Pensions Act within a single set of regulations. Unlike the position with the LGPS, there has been no detailed guidance from the Home Office to enable preparation neither have the regulations been issued in draft. The regulations are not expected to be laid before week commencing 23 February and so it has not been possible to brief Members as to how the Police Pension Regulations will interpret the requirement for a local Pensions Board.
11. It is known that the core requirements of the Board will be consistent with those of the LGPS Pensions Board, in that its role will be to scrutinise the adequacy of arrangements in place to meet the requirements of scheme regulations and the extent to which local policy and guidance is fit for purpose. Similarly, it must comprise Employer and Scheme Member representatives.
12. The Court of Common Council is the Pension Authority for the City of London Police and so it is the responsibility of the Court to establish a local Pensions Board. This will be the subject of a further report, considering the composition and constitution of the Board, following the issue of Police Pensions Regulations.

### **Conclusion**

13. Final regulations for the governance of the LGPS require an amendment to the constitution of the LGPS Pensions Board approved by the Policy and Resources Committee in January 2015. It was previously stated that Common Councilmen would not be eligible to serve as Employer or Scheme Member Representatives, whereas final regulations state that Elected Members, if appointed, **must** serve as Employer representatives.
14. There is also a requirement that the Police Pension Scheme establishes a Pensions Board; at the time of writing, there is neither guidance or regulations in place to address this requirement. It is not possible to consider in detail the

composition of this Board until the Police Pension Regulations are issued at the end of February.

## **Appendices**

- None

## **Background Papers**

- Report to Establishment and Finance Committees May 2011: Consultation on the report of the Independent Public Services Pensions Commission Final Report
- Report to Establishment and Finance Committees July 2012: Local Government Pension Scheme 2014 Employer Consultation
- Report to Establishment Committee 31st January 2013: The Local Government Pension Scheme 2014 – Draft Regulations on Membership, Contributions and Benefits
- Report to Establishment and Finance Committees July 2013 - Local Government Pension Scheme (LGPS) 2014 Implementation
- Report to Summit Group and Chief Officers Group December 2014 - Public Sector Pensions Reform – Establishing a Local Pensions Board (Local Government Pension Scheme)
- Report to Policy and Resources Committee 22 January 2015 - Public Sector Pensions Reform – Establishing a Local Pensions Board (Local Government Pension Scheme)

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