



Report – Policy and Resources Committee

Public Sector Pensions Reform – Establishing a Local Pensions Board (Local Government Pension Scheme)

To be presented on Thursday 5th March 2015

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council.*

SUMMARY

In March 2011, the Independent Public Service Pensions Commission published its final report on the review of public service pensions. The report made clear that change is needed to “make public service pension schemes simpler and more transparent, fairer to those on low and moderate earnings”.

In order to meet the requirements of the Public Services Pensions Act 2013, the Local Government Pension Scheme (LGPS) was reformed, effective from 1st April 2014. The Act also made legislation as to the overall governance of pension schemes, in particular requiring that a local Pensions Board be established by 1st April 2015; the Board need not be operational at this point. The Pensions Board must include employer and scheme member representatives in equal numbers. Members are therefore asked to approve the creation of a Pensions Board.

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 There is also no draft guidance available from the Home Office as to how Police Pension Regulations may interpret the Act.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

RECOMMENDATIONS

That the Court of Common Council:

- i) agrees that a Pensions Board be established to fulfil the role of assisting the scheme manager in securing compliance with scheme regulations, other legislation covering governance and administration and the requirements of the Pensions Regulator (the Pensions Board will have no executive powers).

- ii) agrees that the constitution of the Pensions Board be as follows:
 - a) *The Pensions Board comprises six members:*
 - *three employer representatives*
 - *three scheme member representatives*
 - *Provision will also be made to enable the Board to co-opt an independent advisor in addition to the substantive nine members, should this be required or considered beneficial to the Board.*
 - b) *Of the three employer representatives, two shall be Common Councilmen (who shall not be Members of the Investment Committee or Establishment Committee).*
- iii) agrees that the City of London Corporation does not seek to participate in a joint pension board.
- iv) notes 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 will be considered once Police Pension Regulations are issued.

Main Report

Background

1. In addition to changes to the scheme benefits introduced in the 2014 Local Government Pension Scheme (LGPS), the public services pension reform includes a number of amendments to the administration, financial management and governance of public service pension schemes.
2. The Act requires that Pension Boards be in place by 1st April 2015. While the Board must be in place from this date, membership and operation of the Board may follow.
3. The Act requires that the Board be comprised of Employer Representatives and Scheme Members in equal numbers. Elected Members may be members of the Board in either capacity, as long as they fulfil the requirements of that category. There is no provision for Elected Members to be members of the Board in any other capacity.

Powers of the Board

4. The Pension Board is intended to be an advisory/scrutiny board and will not have decision making powers. In line with the requirements of the Public Services Pensions Act 2013 for the management of the City of London Corporation's Pension Scheme, the Board will be responsible for assisting the Scheme Manager (the City of London Corporation) in the following matters:
 - a) Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that it is connected to;
 - b) Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and

c) Other such matters as the scheme regulations may specify.

5. The Board will be a non-Ward Committee and will report to Court of Common Council on any issues of non-compliance or other issues for requiring escalation.

Constitution

6. Scheme members are those individuals that are currently participating in the pension scheme. Scheme members may serve as Board members directly or be represented indirectly, through Trade Unions for example. It is appropriate that there are three Scheme Member representatives on the Board.
7. These representatives will be appointed by the Court of Common Council for a four year term following an election, in which all Scheme Members will have the right to request a vote and, if they are appropriately qualified, stand for election.
8. Given that there are few, if any, Elected Members who are currently participating in the pension scheme, any Elected Members would need to be appointed to the Board as Employer Representatives.
9. Employer Representatives are those of the employing organisations within the pension scheme. In addition to the Elected Members, it is anticipated that employees at Assistant Director level and above would meet the skills and experience requirements to be the third Employer Representative. Any officers directly responsible for the pensions scheme (such as the Chamberlain and Director of Human Resources) would not be eligible to serve on the Board. It is appropriate that there are three employer representatives on the Board, two of whom shall be Elected Members. In order to maintain the independence of the Pensions Board, those Members appointed should not serve on the Financial Investment Board, Investment Committee or Establishment Committee. This is a requirement of regulations and eliminates the potential for conflicts of interest to arise, enabling the Board to fulfil its scrutiny role of pension related matters determined by said Committees.
10. These representatives will be appointed by the Court of Common Council for four year terms, following nomination by the Policy and Resources Committee (the Town Clerk being authorised to approve such nominations following consultation with the Chairman and Deputy Chairman of the Policy and Resources Committee).
11. The quorum of the Board will consist of three Members, including one employer representative and one scheme member representative.
12. All Members of the Board will be eligible to stand as Chairman and Deputy Chairman and to vote on the election to these positions. To allow reports on the work of the Committee to be made to this Court, either the Chairman or Deputy Chairman must be a Member of the Court of Common Council.

Other considerations

13. While there is a requirement that the Pensions Board is established by 1 April 2015, there is not a need for the Board to be operational from that date. Given the requirements for scheme member representatives to be elected, it is anticipated that the Court will be requested to appoint a membership to the Board in September 2015.

14. There remains some debate as to whether pension funds may operate joint pension boards with other funds. It would be challenging for a joint board to fulfil adequately the scrutiny role of the board if its remit covered more than one fund, as each fund will operate investments and discretionary powers in a manner that suits their fund, notwithstanding any issues that may arise in relation to “external” scrutiny of City of London Corporation investment decisions. Additionally, there may be operational challenges such as the scheduling and location of meetings. Therefore it is proposed that the City of London Corporation does not seek to participate in a joint pension board.
15. Establishing a local Pensions Board does not result in any issues that would impact individuals with Protected Characteristics as defined by the Equality Act 2010. It should be noted, however, that further consideration shall be given to the requirements of the Equality Act 2010 in the appointment of members to the Board, Scheme Member representatives in particular.

Police Pension Scheme Board

16. 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, nor have the regulations been issued in draft.
17. 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.
18. 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

19. The establishment of a Pensions Board by 1 April 2015 is a legislative requirement for the City of London Corporation under the Public Services Pension Act 2013. Therefore, it is requested that the Court approves the creation of the Pension Board.
20. There is also a requirement that the Police Pension Scheme establishes a Pensions Board; at the time of writing, there is neither guidance nor 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.

All of which we submit to the judgement of this Honourable Court.

DATED this 19th day of February, 2015.

SIGNED on behalf of the Committee.

Mark John Boleat
Chairman, Policy and Resources Committee