

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> 8 July 2014
<b>AGENDA ITEM:</b>	<b>11</b>
<b>SUBJECT:</b>	<b>1. Review of Governance Arrangements</b>
<b>LEAD OFFICER:</b>	<b>Director of Finance and Assets (Section 151 Officer)</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: The Pensions Committee provides guidance on the effective management of the Scheme.	
<b>FINANCIAL SUMMARY:</b> There are no financial considerations arising from this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> N/A	

<b>1.</b>	<b>RECOMMENDATIONS</b>
	The Committee is asked to consider the anticipated new arrangements for administration of the Local Government Pension Scheme as detailed in the report and agree:
1.1	The principal of establishing a Shadow Pension Board in advance of receipt of Government guidance;
1.2	The selection of a professional independent trustee to chair the Shadow Pension Board; and
1.3	That the Chair of the Pension Committee, in consultation with the Director of Finance and Assets (Section 151 Officer), be delegated authority to agree a process for the selection of pensioner representatives to the Pensions Committee.

## **2.**

## **EXECUTIVE SUMMARY**

- 2.1 The Government intends to introduce a series of fundamental reforms to the way that Local Government Pension Schemes are administered. The timing of these proposals coincides with a change to the administration of the Council and the re-selection of pensioner representatives. This report sets out what is known about pending reforms relating to the governance arrangements for the LGPS, provides a context to these changes and recommends a course of action and issues where the Committees guidance is required and recommends some initial steps to ensure successful implementation of the expected Regulations. The report also addresses the issue of re-running the selection of pensioner representatives.

## **3. DETAIL**

- 3.1 Enabling legislation under the Public Service Pensions Act 2013 exists to establish a National Scheme Advisory Board and to set up local Pension Boards. A shadow National Board has already been set up to advise the Secretary of State on matters relating to the LGPS. The Department of Communities and Local Government (CLG) is due to consult on draft regulations relating the composition and functions of the new Boards. These arrangements need to be in place by 1 April 2015. The Department has let it be known that administering authorities should not wait until the publication of this consultation before starting work on establishing some sort of shadow arrangements. The next section of this report considers what might be included in that work stream.
- 3.2 The draft regulations were published on 23 June 2014 but certain information about the form and function of the new Boards had been disseminated in advance of this. It is assumed that each administering authority will require a Board, rather than there being some sort of regional arrangements.
- 3.2.1 Subject to the final Regulations, the Pension Board (the Board) will comprise an equal number of scheme member and employer representatives. One possible model has representatives from the community scheduled bodies; the academies; and the outsourcing contractors. These three representatives could be then be matched off by nominees from each of the three local government unions. Initially nomination from the scheduled and admitted bodies could be invited but some consultation process may be required if there is an over-subscription.
- 3.2.2 The function of the Board is to assist the Scheme Manager, who it is assumed is Croydon Council, the Director of Finance and Assets, or a function delegated to officers, in securing compliance with Scheme regulations. Board members are assumed to have an understanding of the regulations relating to the administration of the Scheme. These responsibilities are still not understood but it is reasonable to assume that they will include contributions from employers and employees; calculation and payment of benefits; and matters that fall within the remit of the Pensions Regulator.

- 3.3 This sketch possible prompts more questions than it addresses. Several points are apparent though. One may be addressed by appointing an Independent professional Chair to steer the work of the Board. In the private sector this is common practice. Once in force, it will be necessary to amend the Council's Constitution to accommodate these arrangements. Training, and the assessing and maintenance of professional competence will also feature strongly as part of these arrangements.
- 3.4 The Committee will also want to give some regard to the direction of reporting to the Board. Some reports currently presented to this Committee could sensibly be taken by the Board. An example might include the report on voting and ESG engagement. Other reports, relating to performance management or dispute resolution may need to be designed from scratch.
- 3.5 It is current practice to allow Scheme Members representation on the Committee through the election of two pensioner representatives on a three-year cycle. The current representatives have reached the end of this period of tenure. This report proposes that an election procedure, managed by the Council's Democratic and Legal Services Division, be held to elect two post-holders for another three-year period.

#### **4. RECOMMENDATIONS**

The Committee is asked to consider the anticipated new arrangements for administration of the Local Government Pension Scheme as detailed in the report and agree:

The principal of establishing a Shadow Pension Board in advance of receipt of Government guidance;

The selection of a professional independent trustee to chair the Shadow Pension Board; and

That the Chair of the Pension Committee, in consultation with the Director of Finance and Assets (Section 151 Officer), be delegated authority to agree a process for the selection of pensioner representatives to the Shadow Pension Board.

#### **5 FINANCIAL CONSIDERATIONS**

- 5.1 There are no further financial considerations flowing from this report. However, there will be a cost relating to the recruitment of a professional trustee which will be met from the Pension Fund.

#### **6. OTHER CONSIDERATIONS**

- 6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

#### **7. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

7.1 The Council Solicitor comments that there are no specific legal comments arising from this report

(**Approved by:** Gabriel MacGregor, Head of Corporate Law on behalf of the Council solicitor and Monitoring Officer)

**CONTACT OFFICER:**

Nigel Cook, Head of Pensions Investment and Treasury,  
Chief Executives department, ext. 62552.

**BACKGROUND DOCUMENTS:**