

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	6 February 2015
Title:	New Regulations for Pension Fund Governance
Reference:	6374
Report From:	Director of Corporate Resources - Corporate Services

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1 Purpose

- 1.1 On 28 January 2015 the Government published amendments to the Local Government Pension Scheme (LGPS) Regulations aimed at improving the governance of LGPS funds. As the Administering Authority for the Hampshire Pension Fund, Hampshire County Council is responsible for implementing the new regulations. This report outlines the County Council's proposed approach to the implementation of the new regulations.

2 Contextual information

- 2.1 In 2010 the Government appointed Lord Hutton to chair the Independent Public Service Pensions Commission (IPSPC) review of all public service pensions, which had differing levels of existing governance. The recommendations of the IPSPC review were turned into legislation by the Public Service Pension Scheme Act 2013 ('the Act'), which comes into effect from 1 April 2015.
- 2.2 The LGPS Regulations 2013 have had to be amended to include the governance changes from the Act. There have been two consultations from the Department for Communities and Local Government (DCLG) on the draft regulations, the second of which closed on 21 November 2014, prior to the publication of the final regulations on 28 January 2015.

3 Pension Boards

- 3.1 One of the headline recommendations from the IPSPC review was the creation of Pension Boards. These were to be separate bodies to bring additional oversight and assist in the management of pension funds. Pension Boards were also intended to improve the level of representation in the governance of pension funds by having an equal

number of employer and scheme member representatives. Pension Boards are a significant change for other types of pension scheme in the public sector where there is little existing governance. The LGPS however, already has a strong requirement for and track record of good governance due to the requirement to manage investments.

- 3.2 During both consultation phases the draft LGPS regulations did not contain a practical option for the requirements for a Pension Board to be combined with the existing committee arrangements for managing pension funds, although it was a theoretical possibility subject to the approval of the Secretary of State. In particular the major stumbling block was the conflicting requirements of elected member representation on the existing committee and the Pension Board requirement for equal scheme member and employee representation.
- 3.3 The final regulations have moved on from the drafts and now realistically open up the possibility of combining the requirements for a Pension Board with an existing pension committee, although this is still subject to Secretary of State approval. The regulations require a joint committee to designate a certain number of its members to be employer and scheme member representatives, of which there must be at least two of each. With some changes, this could be accommodated within Hampshire's existing Pension Fund Panel.

4 Pension Fund Panel and Board for Hampshire

- 4.1 The potential to meet the requirements of the new regulations by combining the role of Hampshire's existing Pension Fund Panel with the requirements for a Pension Board offer an attractive opportunity. From the outset of the consultation process Hampshire has expressed concerns about what the role of a separate Pension Board would be and the additional bureaucracy of creating a separate committee to improve governance. A joint approach appears to be an efficient and effective solution.
- 4.2 Hampshire can already demonstrate it has a well run pension fund with good governance. The Hampshire Pension Fund is one of the ten largest LGPS funds in the country with over 300 employers, including Local Authorities, Parish Councils, voluntary organisations and educational establishments, such as universities, colleges and academies; and in excess of 136,000 scheme members, including active members, deferred members (who no longer contribute to the Fund but have not yet retired) and pensioners. The Pension Fund Panel already contains a wide range of representatives from across the Fund with the following members, all with full voting rights:
- 9 County Councillors,
 - 2 Councillors representing the Unitary Authorities of Portsmouth and Southampton,
 - 2 Councillors chosen by the 11 District Councils in Hampshire,

- An employee representative,
 - A pensioner representative.
- 4.3 The Pension Fund Panel has shown a high level of commitment to training in the specialist area of the management and investment of a pension fund and are advised by an independent advisor as well as the officers of the County Council. The Panel has the capacity to consider the strategic management of the Pension Fund as well as scrutinise how the Fund is run, which is covered in the Panel's current business. Making some changes to its terms of reference to create a Pension Fund Panel and Board for Hampshire, would enable Hampshire to maintain the expertise and capacity it currently has and deal with all matters relating to the Pension Fund, including the requirements of a Pension Board.

5 Challenges

- 5.1 The timescales are very tight. The regulations require that the Pension Board (or equivalent joint arrangement) is established by 1 April 2015 and the accompanying guidance suggests that its first meeting should take place by July 2015 at the latest.
- 5.2 Although the regulations provide for funds to apply for Secretary of State approval, there is not yet information on how and when applications for joint committees will be considered by the Secretary of State and what criteria will need to be met for a successful application. Although this approach offers an exciting opportunity for Hampshire to be innovative in efficiently and effectively applying the new regulations, there is the risk that its application could be turned down, which would then make it difficult to comply fully with the timescales in the regulations.
- 5.3 To mitigate against the impact of this scenario Hampshire already has the proposals for a separate Pension Board that were drafted before the final regulations were published. These could be put forward for Cabinet and County Council approval if the application for a joint committee were turned down. This may result in missing the initial deadline but as extenuating factors the County Council would be able to cite the lateness of the publication of the Government's final regulations and trying to pursue a joint committee, which would seem reasonable.

6 Recommendations

- 6.1 That Cabinet approves the content of this report and that a proposal for a joint Pension Fund Panel and Board for Hampshire is written and submitted to DCLG for Secretary of State approval.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Business plan link number (if appropriate):	
Maximising well-being:	no
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Business plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because actions are required to continue the appropriate investment of the Hampshire Pension Fund.	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>		<u>Date</u>
Public Service Pension Act 2013		25/04/2013
Local Government Pension Scheme Regulations 2014: better governance and improved accountability		10/10/2014
LGPS Advisory Board: Draft Guidance on the creation and operation of Local Pension Boards in England and Wales		17/10/2014

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a. The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b. Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c. Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.3. Equality impacts will be taken into account in ensuring that the appointment process for selecting scheme member and employer representatives is fair and open.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

a. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

b. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.