

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Pension Fund Panel
Date:	6 March 2015
Title:	Final Governance Regulations
Reference:	6554
Report From:	Director of Corporate Resources - Corporate Services

Contact name: Andrew Bouflower

Tel: 01962 847407

Email: andrew.bouflower@hants.gov.uk

1 Summary

- 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, which was agreed by Cabinet on 6 February 2015.

2 Background

- 2.1 The LGPS Regulations 2013 have had to be amended to include the governance changes from the Public Service Pension Scheme Act 2013 ('the Act'), which comes into effect from 1 April 2015. There have been two consultations from the Department for Communities and Local Government (DCLG) on the draft regulations, both of which have previously been reported to and discussed by the Panel, prior to the publication of the final regulations on 28 January 2015.
- 2.2 One of the most significant changes in the Act is 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.
- 2.3 Pension Boards are a significant change for some types of pension scheme in the public sector where there is little existing governance. Part of the Panel's feedback, which was included in both consultation responses that were approved by the Chairman, was that Hampshire Pension Fund is a well governed Fund, which already includes a broad

range of representatives including scheme members and a number of employers. There is a risk for Hampshire that a separate Pension Board would be inefficient, creating an additional layer of bureaucracy potentially without a clear role.

- 2.4 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. 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.
- 2.5 The final regulations took into account the feedback from the consultation 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, to create a joint Panel and Board.

3 Pension Fund Panel and Board for Hampshire

- 3.1 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. It would address a number of concerns about separate Pension Boards expressed by the Panel and offer a more efficient and effective solution to further developing and enhancing the governance of the Pension Fund.
- 3.2 Hampshire County Council can already demonstrate it has a well run pension fund with good governance. 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.
- 3.3 There will need to be some changes in creating the terms of reference for a joint Panel and Board, which are likely to involve some changes to the make-up of the current Pension Fund Panel. These will be developed according to the requirements of DCLG in the process for obtaining Secretary of State approval for the joint Panel and Board. The joint committee will enable Hampshire to maintain the expertise and capacity it currently has and effectively deal with all matters relating to the Pension Fund, including the requirements of a Pension

Board in the most administratively efficient way.

4 Next steps

- 4.1 As the Administering Authority for the Pension Fund it is the County Council's responsibility to comply with the new regulations and therefore to apply to the Secretary of State for approval to form a joint Pension Fund Panel and Board. DCLG have not yet made clear the process that will need to be followed to apply for a joint Panel and Board, or the basis that decisions will be made on. Officers from the County Council are currently working with staff from DCLG to find out their requirements and how they can be met.
- 4.2 DCLG are aware of the time pressure for assessing any applications for a joint Panel and Board, given the requirement of the regulations that a separate Boards need to be established by 1 April 2015. The County Council will follow the process once it is set out by DCLG and meet the requirements that are specified for a joint Panel and Board. If the County Council is successful in gaining Secretary of State approval, the joint Panel and Board that is approved will be reported to Cabinet to be recommended to full County Council for adding to the Constitution.

5 Recommendations

- 5.1 That the Panel notes the content of this report, in particular the next steps for the County Council in working to meet the Secretary of State's requirements for a joint Pension Fund Panel and Board.

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.