



Report of: Corporate Director of Finance and Resources and Assistant Chief Executive (Governance and HR)

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	24 March 2015		

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Establishing an Islington Pension Board- Nomination and Appointment of its Members

1. Synopsis

- 1.1 This is a report to approve the final constitution and terms of reference of the Pension Board, including its membership, as required by the Public Services Act 2013 and the Local Government Pension Scheme (Amendment) Governance Regulations 2014, and to make appointments to the Pension Board where nominations are available..

2. Recommendations

- 2.1 To note the nomination process undertaken.
- 2.2 To agree that the employer representatives on the Pension Board shall include an Islington Councillor or officer.
- 2.3 To appoint:
- (i) Vaughan West, GMB as a member representative
 - (ii) Mike Calvert, Unison as a member representative
 - (iii) David Bennett- as Independent member
 - (iv) Bob Anderson - HR Director Elliot Foundation as employer representative
 - (v) Maggie Elliot- Chair of Governors at Montem Primary School as employer representative
 - (vi) Other members of the Pension Board in so far as suitable nominations are available at the time of the meeting.
- 2.4 To note that appointment of Pension Board members where nominations are not available in time for the meeting of this committee will be made by Council.
- 2.5 To appoint one of the members of the Board as Chair.

3. Background

3.1 The Public Services Pensions Act 2013 requires the establishment of local pension boards for each Local Government Pension Fund. Each administering authority must establish a pensions board no later than 1 April 2015.

3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (“ the Governance Regulations) provide that Pensions Board will have responsibility for assisting the ‘scheme manager’ (the Pensions Sub Committee in Islington’s case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),
- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 Members agreed the Islington Local Pension Board terms of reference at the last meeting on 29 January, subject to any changes required following the final Governance Regulations. Appendix 1 contains the proposed final terms of reference and constitution of the Board. The significant changes are:

- To remove the requirement for all employer and members representatives on the Board to have relevant experience;
- To clarify that the requirement that all employer and member representatives on the Board are required to have capacity means they are required to have their time to commit to the preparing for and attending the Board and training;
- To provide that the Independent member is non-voting

The composition and tenure agreed is as follows:

Composition

3.3.1 The membership of the Board shall consist of:

- 3 Islington Council Pension Fund employer representatives
- 3 Islington Council Pension Fund member representatives
- 1 independent member (non-voting)

No substitutes are permitted.

All members of the Board shall be appointed by full Council or its Audit Committee which shall also appoint a chair from among the members of the Board.

Any person who is applying for or appointed as a member of the Pension Board must provide the Scheme Manager with such information as and when the Scheme Manager requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

No officer or elected member of the Council who is responsible for the discharge of any function in relation to the LGPS.

Members of the Pension Sub-Committee shall be invited to attend meetings of the Board as observers.

Tenure

3.3.2 Board members shall be appointed for three to four years. The period of appointment shall be determined on appointment by the full Council or the Council’s Audit Committee to ensure continuation of membership in equal numbers for the employer and member representatives and to achieve rolling reappointment to maintain knowledge and experience on the Board.

Board members may be re-appointed to the Board.

At least 3 months' notice of resignation from the Board must be given by Board member, to enable a replacement member to be found and the required balance of members maintained.

3.4 **Nomination process**

The Shadow Scheme Advisory Board has issued guidance and templates on the creation and operation of local pension boards. Each employer or member representative on a Local Pension Board will potentially represent a significant range of employers or members (as appropriate). It is therefore important that the methodology for appointment ensures that representative Board members are truly representative and appointed through an open and transparent process.

3.5 The direct appointment process has been used to select employer representatives through existing school forums, and communicating directly with all admitted bodies employers who have active staff in the Islington pension fund. Two candidates have declared an interest to participate.

- (i) Bob Anderson - HR Director Elliot Foundation
- (ii) Maggie Elliot- Chair of Governors at Montem Primary School

3.6 The recognised trade unions of the Council, including GMB and Unison, were approached to nominate 2 representatives to be on the pension board. The 2 nominees put forward are

- (i) Vaughan West, GMB
- (ii) Mike Calvert, Unison

3.7 Islington Council as the biggest employer and administering authority will be nominating a representative to be on the Pension Board. Members are asked to consider and appoint a representative at this meeting. In the event that this is not possible, the appointment may be made at Council.

3.8 Our current pensioner representative who attends the pensions sub committee as a non voting member is retiring and the process to nominate a new representative by a ballot if more than 2 nominations are received is still being finalised. Members are asked to agree to confirm the final appointment to the board and to note that in the event that the appointment may be made at Council if it cannot be made at this meeting.

3.9 The Regulations also allow for the appointment of other members i.e members who are not there to represent employers or scheme members. The Administering Authority has elected to appoint an independent member to the local pension board. The nominee the Council has approached is

- (vii) David Bennett- Co-Optee Audit Committee

3.10 The named nominees have all received copies of the role of a pension board member and the constitution. The administering authority is responsible to ensure that confirmed appointees have access to training in order to acquire a broad knowledge and understanding as required by the regulation. The Pension's Regulator has issued a code of practice guidance on conflicts of interest that pension board members need to adhere as part of performing their function as members, and this will be available to members of the pension board. All nominees will be required to sign up to the members Code of Conduct and will receive training in respect of it.

4. **Implications**

4.1 **Financial implications:**

Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 **Legal Implications:**

The Public Services Pensions Act 2013 requires the council to establish a local pension boards by 1 April 2015.

The draft Code of Practice is issued by the Pensions Regulator under s90A of the Pensions Act 2004.

'Conflict of interest' in relation to the Pensions Board is defined as: "a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme) (s 5(5) of the Public Services Pensions Act 2013).

4.3 **Environmental Implications:**

None applicable to this report.

4.4 **Equality Impact Assessment:**

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

The proposed regulations to setting the local pension board require equal representation of employers and members to exercise their functions. The constitution addresses the equality issue and a further impact assessment is not applicable.

5. **Conclusion and reasons for recommendations**

- 5.1 Members are asked to note the nomination process undertaken and to agree that the membership include an Islington Councillor or officer as an employer representative. Members are asked to appoint the independent member and employer and member representatives where nominations are available at the meeting.

Appendices- None

Background papers:

Final report clearance:

Signed by: Corporate Director for Finance and Resources Date

Received by: Head of Democratic Services Date

Report Author: Joana Marfoh
Tel: 0207 527 2382
Fax: 0207 5272056
Email: Joana.marfoh@islington.gov.uk

APPENDIX 1

Constitution of the Pension Board of the London Borough of Islington Pension Scheme¹

Terms of Reference

1. To assist the London Borough of Islington as scheme manager in securing compliance with:
 - a. the Local Government Pension Scheme Regulations 2013;
 - b. any other legislation relating to the governance and administration of the Local Government Pension Fund Scheme (LGPS);
 - c. requirements imposed by the Pensions Regulator in respect of the LGPS;
 - d. such other matters as the LGPS regulations may specify
2. To assist the London Borough of Islington in securing the effective and efficient governance and administration of the scheme;
3. To consider cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
4. To produce an annual report outlining the work of the Board throughout the financial year.
5. To make recommendations to the Pension Sub-committee.

Composition

The membership of the Board shall consist of:

- 3 Islington Council Pension Fund employer representatives
- 3 Islington Council Pension Fund member representatives
- 1 independent member (non-voting)

No substitutes are permitted.

All members of the Board shall be appointed by full Council or its Audit Committee which shall also appoint a chair from among the members of the Board.

Any person who is applying for or appointed as a member of the Pension Board must provide the Scheme Manager with such information as and when the Scheme Manager requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

No officer or elected member of the Council who is responsible for the discharge of any function in relation to the LGPS.

Members of the Pension Sub-Committee shall be invited to attend meetings of the Board as observers.

Tenure

¹ Established under regulation 106 of the Local Government Pension Scheme 2013

Board members shall be appointed for three to four years. The period of appointment shall be determined on appointment by the full Council or the Council's Audit Committee to ensure continuation of membership in equal numbers for the employer and member representatives and to achieve rolling reappointment to maintain knowledge and experience on the Board.

Board members may be re-appointed to the Board.

At least 3 months' notice of resignation from the Board must be given by Board member, to enable a replacement member to be found and the required balance of members maintained.

Quorum

The quorum of the Board shall be 3 including at least one employer representative and one member representative.

Voting

It is expected that the Board will function as far as possible by consensus, however each Board member, other than the Independent Member, shall have one vote.

The chair of the committee shall have a casting vote in the event of an equality of votes.

Frequency of meetings and notice and record requirements

Meetings shall be held bi-annually and normally in public unless confidential or exempt information is to be discussed..

Additional meetings may be called at the request of the Chair of the Board or of the Islington Council Pension Scheme Sub-committee.

Normally meetings shall be called on 5 clear days' notice to members of the Board published on the Islington council website but if in the reasonable opinion of the Chair the holding of a meeting is urgent shorter notice of such length as the Chair shall determine may be given.

A formal record of the proceedings of the Board shall be maintained by the council's Democratic Services and circulated to members of the Board after approval by the Chair.

Procedure at meetings of the Board

The Council's committee procedure rules in Part 4 of its Constitution shall apply except that where there is a conflict between the committee rules and these terms of reference the latter shall apply.

The Board shall normally meet on the same date as the Pensions sub-committee in order that its deliberations may be taken into account in relation to relevant items the agenda of the Pensions sub-committee.

Remuneration of Members

Remuneration for Board members will be limited to a refund of actual expenses incurred in attending Board meetings. The Independent Member shall be entitled to any allowance provided for in the Islington Council Members Allowances Scheme in respect of the role.

Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” will be applied to all Pension Board members and embodied in their code of conduct.

These are –

- **Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.
- **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** - Holders of public office should promote and support these principles by leadership and example.

As members of a publicly-funded body involved in the discharge of public business, all members of a Board should comply with these principles in the exercise of their functions. They require the highest standards of conduct.

Members of the Board will also be expected to adhere to the Council's Code of Conduct which will be issued to them upon appointment

Conflicts of Interest

The Corporate Director of Finance and Resources shall be responsible for maintaining a conflicts of interest policy for the Board.

The Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 require that members of the Board do not have conflicts of interests. All members of the Board will be required to declare any interests and any potential conflicts of interest in accordance with these requirements on appointment and at regular intervals thereafter so they can be included in the Board's register of interests.

An appointed member of the Board is under a duty to provide the Scheme Manager with such information as the Scheme Manager reasonably requires to satisfy itself that such person has no conflicts of interest.

Conflicts of interest will be included as an open agenda item at Board meetings and revisited during the meeting where necessary.

Members of the Board should review conflicts of interest at least annually and maintain their entry in the Board's register of interests.

Conflicts of Interest shall be treated akin to, and have the same effect as, disclosable pecuniary interests under the Members' Code of Conduct.

Knowledge of Members and Training

All employer and member representatives on the Board are required to have capacity (i.e time to commit to the preparing for and attending the Board and training) to represent scheme employers or scheme members (as appropriate).

All members of the Pension Board must be conversant with –

- The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- Any document recording policy about the administration of the LGPS which is for the time being adopted by the Islington Pension Fund.

A member of the Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.

Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. Board members should draw to the attention of the Corporate Director of Finance and Resources any areas in which they consider they need training or information.

Board members will comply with the Scheme Manager's training policy and are required to promptly complete any training designated by the Board as mandatory.

The Board should prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members (see publication of pension board information below).

Termination of Board Membership

Appointments will terminate at the expiry of a member's term of office.

Membership of the Board shall automatically terminate in the event that:

- a member who is a councillor is appointed to the Pensions Sub-Committee as a member or a substitute member;
- a member is appointed to the role of an officer of the Scheme Manager with responsibility for the discharge of functions under the Regulations;
- a representative member ceases to represent his constituency, for example if an employer representative leaves the employment of his employer and therefore ceases to have the capacity to represent the Fund's employers;

Any appointment to the Pension Board may be terminated by the Council or the Audit Committee if any of the following situations arise:

- a member has a conflict of interest which cannot be managed in accordance with the Board's conflicts policy;
- a member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training;
- a member is not adequately meeting their duties in some other respect after this having been drawn to their attention and an adequate time being given for improvement;
- continued membership of a member is likely to cause damage to the reputation of the Board and/or of the council.

Where issues of this nature arise, the chair of the Board will have lead responsibility for an initial informal discussion with the member about the concerns. The Chair of the Board will be advised by the Corporate Director of Finance and Resources. If the issue cannot be satisfactorily resolved, the Board may recommend to the Council or its Audit Committee that the Board Member be removed from the Board.

Undertaking

Board members will be required to sign a written undertaking that they understand the requirements of the role and commit to those requirements. This will include without limitation:

- disclosing all dual interests and responsibilities which have the potential to become conflicts of interest and providing the Scheme Manager with such information as and when the Scheme Manager requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest
- committing to attend meetings as required;
- committing to undertake and attend the necessary knowledge and understanding training;
- undertaking to abide by the Board's terms of reference and wider constitutional documents.
- complying with the Council's code of conduct
- complying with the Council's obligations and policies on data protection, information security and acceptable use.
- agreeing that they have read and understood a knowledge and policy document including a list of the core documents recording policy about the administration of the fund as set out by the Corporate Director of Finance on behalf of the Scheme Manager

Advisers to the Board

The Board will primarily be supported in its role and responsibilities by officers of the Council. Subject to any applicable regulation and legislation from time to time in force and to their use and any fees being agreed by the Corporate Director of Finance and Resources on behalf of the Scheme Manager in advance, the Board may consult with other advisors to help it better perform its duties including:

- The Fund's Actuary;
- The Fund's Administrator;
- The Fund's Investment Adviser(s);
- The Scheme Manager
- Other advisers, as approved by the Scheme Manager.

Reporting Breaches

Any breach brought to the attention of the Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

Publication of Pension Board information

Up to date information will be posted on the Islington Pension Fund website showing

- The names and information of the Pension Board members
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole
- The full terms of reference and policies of the Pension Board and how they operate
- The Pension Board appointment process
- Who each individual Pension Board member represents
- Any specific roles and responsibilities of individual Pension Board members.

Pension Board papers, agendas and minutes of meetings will be published on the Islington Pension Fund area of the Council's website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

Definitions

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the Pension Board for the administering authority for the LB Islington Pension Fund as required under the Public Service Pensions Act 2013
"Scheme Manager"	Means LB Islington as administering authority of the Islington Pension Fund.
"LGPS"	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
"Scheme"	Means the Local Government Pension Scheme as defined under "LGPS"