

# SOUTH YORKSHIRE PENSIONS AUTHORITY

## LOCAL PENSION BOARD

4 October 2018

### Report of the Clerk and the Fund Director

## CONSTITUTION AND TERMS OF REFERENCE

### 1) Purpose of the Report

To make recommendations for revised terms of reference and membership arrangements for the Local Pension Board.

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### 2) Recommendations

**Members are recommended to:**

- a) **Recommend to the Pensions Authority the revised terms of reference for the Local Pensions Board set out in Appendix A.**
  - b) **Recommend to the Pensions Authority the revised membership arrangements for the Local Pensions Board set out in the body of this report.**
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### 3) Background Information

3.1 At its last meeting the Board discussed the annual review of its constitution and terms of reference. During this discussion the issue of the overlap between the agenda of the Board and some of the Authority's Boards was raised. Officers have also been reviewing the wider governance arrangements of the Authority in the light of pooling and it therefore makes sense to look at the operation of the Local Pension Board in this context.

3.2 Section 5 of the Public Service Pension Act 2013 defines the functions of a Pensions Board as follows (emphasis added):

*(1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for **assisting** the scheme manager (or each scheme manager) in relation to the following matters.*

*(2) Those matters are—*

- (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 is connected with it;
- (b) securing **compliance** with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- (c) such other matters as the scheme regulations may specify.

3.3 The Pensions Regulator very strongly expresses the view that the focus of the work of Local Pension Boards within the Local Government Pension Scheme should be on issues such as performance of the administration function, data quality and compliance with Code of Practice 14, and not on investment issues and wider organisational matters. The Board's current terms of reference result in an agenda which does not provide as much focus on these core issues as would be desirable, while also duplicating some aspects of the Authority's agenda. Therefore the revised terms of reference set out in Appendix A have been developed by officers in consultation with the Chair and Vice Chair of the Board, and are recommended for adoption.

3.4 The current membership of the Board is 12 (6 employers and 6 scheme members). This is significantly larger than the average board for a fund of this size reflecting the former joint arrangements with the Transport Fund. Currently there are two vacancies (one on each side) and it is suggested that these not be filled and that the constitution of the Board be amended to reflect the following:

Employers	Scheme Members
2 representatives of the District Councils	3 representatives (1 each nominated by Unison, GMB and Unite) who are members of the Fund.
1 representative of small admitted bodies	1 Active scheme member
1 representative of larger non council employers	1 Deferred/Pensioner scheme member
1 representative of the Academies sector	

3.5 The regulations under which Local Pension Boards have been established emphasise the potential conflict of interest which exists between being a member of the Administering Authority/Pension Committee and the Local Pension Board. The arrangements which have developed in South Yorkshire result in some scheme member representatives sitting both on the Authority and the Local Pension Board. This is not good practice and officers will discuss with the Trade Unions how this can best be resolved.

#### 4) Implications and risks

- Financial – There are no financial implications arising from this report.

- Legal – The proposed changes to the terms of reference and membership bring the Board in line with the expectations set out in the regulatory framework.
- Diversity – There are no diversity implications from the proposed changes.
- Risk – The proposed changes through creating a more focussed agenda for the Board will reduce the risk that it does not fully fulfil the remit which the Pensions Regulator sees for it and measures it against.

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**Background papers** used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

**South Yorkshire Local Pension Board Terms of Reference**

**1. Compliance and Control**

- 1.1 To review administrative governance and risk management processes and procedures in order to ensure they remain compliant with the Regulations and the Regulator's code of practice.
- 1.2 To assist with the development and review the implementation of the Authority's various policy documents and procedures.
- 1.3 To review the actions taken in response from internal and external review agencies (such as Internal and External Audit and the Pensions Ombudsman).

**2. Administration**

- 2.1 To monitor and review the performance of Scheme administration from the scheme members' and employers' perspective including making any recommendations for changes to the Pensions Administration Strategy.
- 2.2 To assess the quality of service provided by the pension administration service and identify any areas for improvement.

**3. Communications**

- 3.1 To monitor and make recommendations as appropriate on the means and content of communication with scheme members and employers
- 3.2 To produce an Annual Report upon the Board's activities to be submitted to the Pensions Authority.

**4. Budgets**

- 4.1 To agree an annual budget for the operation of the Local Pension Board and submit it to the Authority for approval.

**5. Reporting**

- 5.1 To make such recommendations to the Authority with regard to the matters set out in these terms of reference as it sees fit.

Further information on the functions and responsibilities of Local Pensions Boards can be found at the following links:

Scheme Advisory Board website:- <http://lgpsboard.org/index.php/board-publications/board-guidance>

Pensions Regulator website <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

Which has a link to the Public Service Toolkit online training portal - to help Board members to increase knowledge and understanding of management of public service pension scheme