

Review of the Terms of Reference of the Local Pension Board and Proposed Future Activity
(Appendix 'A' refers)

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Executive Summary

This report sets out the Board's current Terms of Reference for consideration, together with proposed future activity.

Recommendation

The Board is asked to:

- (i) Consider the current Terms of Reference set out at Appendix 'A', the suggestions for amendments as set out in the report, and make recommendations as appropriate to Lancashire County Council;
- (ii) Consider the proposed future activity for the Board as set out in the report.

Background and Advice

Terms of Reference

The Board's current Terms of Reference were approved by the Scheme Manager, i.e. Lancashire County Council, and were noted by the Board at the first meeting on 8 July 2015. Since then, the governance of the Scheme has changed, because of the establishment of the Local Pensions Partnership (LPP) and its investment arm, LPP(I). The Board may also wish to consider other changes. This report proposes amendments to the current Terms of Reference which would require consideration by the Pension Fund Committee and, ultimately, approval by the Full Council.

The substantial issue is to ensure that, following the governance changes, the Local Pension Board remit is real, and does not duplicate/overlap with that of the Pension Fund Committee, particularly now that LPP is up and running. The Government's remit, which applies to all Local Pension Boards, is set out in 1 a) of the Board's Terms of Reference.

A more detailed remit detailing the second half of the Government's remit, the requirement to assist the Scheme Manager with other matters, is given in section 9 of the Terms of Reference. The role involves but is not limited to oversight and comment on:

Performance Standards

Customer Service standards

Data quality and record keeping

Relative and absolute costs of running the fund

Learning from appeals and complaints

The application of specific policies within the fund,

The steps required to address any deficit within the fund

With the establishment of a new governance regime and the creation of LPP and LPP(I), there is a greater requirement for an independent review of the arrangements between the various executive parties, and this report therefore recommends that Section 9 of the Terms of Reference be expanded to include:

Fitness for purpose of key policy documents

Arrangement between the Fund and LPP and its subsidiaries

Governance arrangements of the Fund

It should be noted that the Board's remit does not extend to the activities of LPP and LPP(I), but is limited to i) scrutiny ii) oversight and comment on the Pension Fund Committee. However, there may be occasions when the Board has concerns about LPP or LPP(I)'s activities, and it is important that there is an open channel through which the Board can raise any concerns it may have over LPP's activities. This report recommends that the Chair of the Board be authorised to raise any such concerns which the Board may have with the Pension Fund's Shareholder Director on LPP's Board.

Finally, this report proposes two additional amendments to the Terms of Reference, as follows:

Terms of Office

Members currently have a single fixed four year term with no scope to serve a second term. There is a steep learning curve for members of the Board, and continuity is desirable in order to make good use of that learning. This report therefore recommends that the current Terms of Reference be amended to allow Members to serve a second term in accordance with the Public Service Pensions Act 2013.

Attendance

Under the current Terms of Reference, members are required to attend 3 out of the 4 Board meetings in any one year. It is appropriate that members should attend most meetings, but much of the Board's work takes place outside meetings, and there is existing provision which allows the Board, with the Scheme Manager, to review the tenure of a Board member whose attendance is consistently unsatisfactory. This

report therefore recommends that the wording 'is required to attend at least 3 meetings' is amended to read 'is expected to attend all meetings'.

Proposed Activities in 2017

The Board has previously agreed that it would on occasion focus on particular aspects of the Fund's operation. The Board is asked to consider its areas of activity for 2017.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks associated with the proposals set out in this report.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Report to the Lancashire Local Pension Board – 'Appointment of Chair, Membership and Terms of Reference'	8 July 2015	Mike Neville/(01772) 533431

Reason for inclusion in Part II, if appropriate

N/A