

17 December 2013

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

PUBLIC SERVICE PENSIONS ACT 2013

Purpose of the Report

1. To inform members of the Committee of the relevant provisions of the Public Service Pensions Act 2013.

Information and Advice

2. The Public Service Pensions Act 2013 (the Act) provides a common framework for all the new public service pension schemes including the new Local Government Pension Scheme (LGPS). Each scheme will be established under regulations made by the *Responsible Authority* (i.e. the Secretary of State).
3. The Act also includes new requirements for scheme governance and introduces a number of new terms. Brief explanations of these are shown below.

Scheme Manager	Responsible for managing or administering the scheme.
Pension Board	<p>Responsible for assisting the scheme manager in:</p> <ul style="list-style-type: none"> (a) securing compliance with the scheme regulations and other legislation relating to governance and administration of the scheme; (b) securing compliance with requirements imposed by the Pensions Regulator; (c) such other matters as the scheme regulations may specify. <p>Where the scheme manager is a committee of a local authority, the scheme regulations may provide for that committee also to be the pension board.</p>
Scheme Advisory Board	Responsible for providing advice to the responsible authority on the desirability of changes to the scheme. This will be a national body covering the whole LGPS. A shadow board is currently in operation.

4. The Local Government Pension Scheme Regulations 2013 (the new regulations) were laid in September 2013 and detail the arrangements for the new scheme to be introduced from 1 April 2014. The new scheme will provide for benefits to accrue on a “career average revalued earnings” basis rather than on a “final salary basis” and for the normal retirement

age at which a member can draw benefits without actuarial reduction to be the same as the member's state retirement age.

5. The new regulations still refer to the scheme manager as the "administering authority" but require each authority to establish a pension board with responsibilities as shown above. However, the explanatory memorandum to the new regulations states that further draft regulations will be produced later in 2013 to establish 'a national scheme advisory board and local pension boards for each of the 89 individual local government pension scheme fund authorities in England and Wales'.
6. The Act specifies that:
 - 'The regulations must include provision –
 - (a) requiring the scheme manager
 - (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and
 - (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;
 - (b) requiring a member of the board, or a person proposed to be appointed as a member of the board, to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under paragraph (a);
 - (c) requiring the board to include employer representatives and member representatives in equal numbers'.
7. It is unclear at this stage exactly what the role of the pension board will be and when the new requirements will commence. It is likely, however, that changes will be required to the current governance arrangements for the Nottinghamshire fund. Further reports will be brought to Members as appropriate.
8. As well as these governance changes, the Act extends the jurisdiction of the Pensions Regulator to cover aspects of public service pension schemes. These aspects are detailed in schedule 4 of the Act and the main provisions are outlined in Appendix A.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the report be noted.

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For any enquiries about this report please contact: Simon Cunningham

Background Papers and Published Documents

None

Regulatory oversight by the Pensions Regulator

The provisions of the Pensions Act 2004 have been amended by the Public Service Pension Scheme Act 2013 in the following regard:

1. Appointment of skilled person to assist public service pension scheme.

The Regulator is able to appoint a suitably skilled person to assist the pension board of a public service pension scheme in the discharge of its functions. The pension board 'must have regard' to the advice of a person appointed by the Regulator. The scheme manager is responsible for any costs of the person appointed.

2. Duty to report late payment of employer contributions.

A written report must be provided by the scheme manager where an employer does not pay contributions on or before the due date and that such a failure is likely to be of material significance to the Regulator.

3. Reports about misappropriation etc in public service pension schemes.

The Regulator must report to the scheme manager if they have reasonable grounds to believe that a member of the pension board has misappropriated any assets of the scheme or is likely to do so, or if a member has a conflict of interest.

4. Codes of Practice.

The Regulator may issue codes of practice with guidance on the exercise of functions under pensions legislation or on the standards of conduct expected from those exercising those functions. The Regulator must issue codes of practice on the discharge of duties under various sections of the 2004 Act.

5. Requirement for knowledge and understanding: pension boards.

Members of pension boards must have a knowledge and understanding of the law relating to pensions and other matters that may be prescribed that "is appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board". A member must also know about the rules and administration of the scheme.

6. Requirement for internal controls.

The scheme manager is responsible for ensuring that the scheme is administered in accordance with the scheme rules and in accordance with the law by establishing and operating internal controls to this effect.