

Agenda Item:

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# Pension Fund Committee and Standards and Governance Committee

**Dorset County Council**



Date of Meeting	27 November 2014 – Pension Fund Committee 26 January 2015 – Standards and Governance Committee
Officer	Chief Financial Officer
<b>Subject of Report</b>	<b>Local Pension Board</b>
Executive Summary	The Public Sector Pensions Act requires all public sector pension schemes to create a local pension board. The report explains the requirement and the process needed for the Dorset Fund to create such a board. The paper also includes draft terms of reference for the Committee to consider and comment upon. The terms of reference includes recommendations over the membership of the local board, and how the Fund should go about selecting appropriate board members.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: The establishment of, and on-going running costs of the local

	<p>Pension Board is an appropriate charge to the Pension Fund.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:          Current Risk: LOW          Residual Risk LOW</p>
	<p>Other Implications:</p> <p>None</p>
<p>Recommendation</p>	<p>1. That the Committee consider and comment upon the draft terms of reference required to establish the Dorset County Pension Fund Board, and recommend it to the County Council.          2. That the terms of reference for the Pension Fund Committee be amended as shown in Appendix 3.</p>
<p>Reason for Recommendation</p>	<p>To ensure that the Fund complies with the Public Sector Pensions Act and the Local Government Pension Scheme regulations.</p>
<p>Appendices</p>	<p>1. Draft Local Government pension Scheme regulations on Governance.          2. Terms of Reference for the Dorset County Pension Fund Board.          3. Terms of Reference of the Pension Fund Committee.</p>
<p>Background Papers</p>	<p>Public Sector Pensions Act          LGPS Regulations          Guidance issued by the LGPS Advisory Board</p>
<p>Report Originator and Contact</p>	<p>Name: Nick Buckland          Tel: 01305 224763          Email: n.j.buckland@dorsetcc.gov.uk</p>

## **1. Background**

- 1.1 Members will be aware from discussions at the previous two meetings of the Committee of the requirement in the Public Sector Pensions Act for the Fund to establish by 1 April 2015 a local Pension Board. In response to this requirement the Department for Communities and Local Government have issued 2 consultations; the most recent of which, entitled “Better Governance and Improved Accountability in the LGPS” closed on 21 November 2014. This most recent consultation contained draft regulations, and a copy of the draft regulations is attached at Appendix 1.
- 1.2 The Committee will recall previous discussions on this subject, and a presentation made by the Fund’s governance adviser Peter Scales at the June meeting. As previously reported draft regulations give very high level guidance as to the operation and makeup of local boards and leaves a good deal to local discretion. Whilst this is welcome in some senses, it does leave a number of questions unanswered. It is important therefore to consider the initial establishment of the Dorset County Pension Fund Board as a “work in progress” to be reviewed after 18 months when things are clearer.
- 1.3 As previously reported to the Committee the timetable for the establishment of local boards is becoming increasingly tight. Therefore, to enable the Dorset Fund to comply with the requirement to have a Board in place by the 1 April 2015, this report on the establishment of the local board for Dorset needs to be presented to this Committee in advance of the publishing of the final regulations. To establish the board, this Committee is required to make a recommendation to the Council’s Standards and Governance Committee, who next meet on 26 January 2015, and will in turn make a recommendation to the County Council which meets on 12 February.
- 1.4 Subject to the terms of reference being ultimately agreed by the County Council, the board will come into existence with effect from 1 April 2015. The regulations state that it is not expected that the board will meet on 1 April, they will have four months to have their first meeting.
- 1.5 The Fund’s governance adviser has prepared the attached terms of reference for the Pension Board of the Dorset County Pension Fund, and it is recommended that this Committee consider and comment on the attached. Subject to any comments, it is proposed that the Committee recommend the Establishment of the Pension Board of the Dorset County Pension Fund, to the County Council via the Standards and Governance Committee.
- 1.6 As a result of the creation of the local board, there will be a number of action points, including inviting nominations for membership, drawing up a code of practice setting dates of the first and subsequent meetings, and deciding on a programme of business. To allow time, this process will commence after this Committee approves the Terms of reference, but any appointments will be subject to County Council agreement in February 2015.
- 1.7 In establishing and appointing members to the new board it requires an additional amendment to the terms of reference of the Pension Fund Committee, and the amended version has been attached at Appendix 3. The change that is being recommended is the addition of the wording “making appointments to the Pension Board of the Dorset County Pension Fund”, this amendment is highlighted.

**Richard Bates**  
**Chief Financial Officer**  
November 2014

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## STATUTORY INSTRUMENTS

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2014 No. 0000

PUBLIC SERVICE PENSIONS, ENGLAND AND WALES

# The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014

Made - - - -	2014
Laid before Parliament	2014
Coming into force - -	2015

These Regulations are made in exercise of the powers conferred by sections 1, 3, 5(7), 7(2), 12(6) and 12(7) of, and Schedule 3 to, the Public Service Pensions Act 2013<sup>(1)</sup>.

In accordance with section 21 of that Act, the Secretary of State has consulted the representatives of such persons as appeared to the Secretary of State to be likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

The Secretary of State makes the following Regulations:

Citation, interpretation, commencement and extent

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014.

(2) In these Regulations “the Principal Regulations” means the Local Government Pension Scheme Regulations 2013<sup>(2)</sup>.

(3) These Regulations come in to force as follows—

- (a) on 1st January 2015, this regulation and regulations 2, 7 and 8—
  - (i) so far as they insert regulation 105 (delegation) into the Principal Regulations,

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<sup>(1)</sup> 2013 c. 25

<sup>(2)</sup> S.I. 2013/2356.

- (ii) so far as they insert regulation 106 (local pension boards: establishment) into the Principal Regulations for the purposes of the obtaining of approval from the Secretary of State under paragraph (2) of that regulation, and
  - (iii) so far as they insert regulations 107 (local pensions boards: membership), 108 (local pensions boards: conflicts of interest), 110 (scheme advisory board: membership) and 111 (scheme advisory board: conflict of interest) for the purposes of appointment of members of local pension boards and the Local Government Pension Scheme Advisory Board; and
- (b) on 1st April 2015—
- (i) this regulation and regulations 2, 7 and 8 so far as not already commenced, and
  - (ii) the remainder of these Regulations.
- (4) These Regulations extend to England and Wales.

#### Amendment of the Local Government Pension Scheme Regulations 2013

2. The Principal Regulations are amended in accordance with regulations 3 to 8.
3. Omit regulation 53(4) (scheme managers: establishment of pension board).
4. Omit regulation 63 (aggregate Scheme costs).
5. Omit regulation 65 (aggregate Scheme costs: revised certificates).
6. In regulation 66 (supply of copies of valuations, certificates etc) for “regulations 62 (actuarial valuations of pension funds), 64 (special circumstances where revised actuarial valuations and certificates must be obtained) or 65 (aggregate Scheme costs: revised certificates)” substitute “regulations 62 (actuarial valuation of pension funds) or 64 (special circumstances where revised actuarial valuations and certificates must be obtained)”.
7. In Schedule 1 (interpretation)—
  - (a) after the entry for “local government service” insert—
 

“Local Government Pension Scheme Advisory Board” means a board established under regulation 110 (Scheme advisory board: establishment);

“local pension board” means a board established under regulation 106 (local pension boards: establishment);”

and
  - (b) after the entry for “the Scheme” insert—
 

“Scheme actuary” means the actuary appointed under regulation 114 (Scheme actuary);”.
8. After regulation 104<sup>(3)</sup> insert—

## “PART 3 Governance

### Delegation

- 105.—(1) The Secretary of State may delegate any functions under these Regulations.
- (2) Administering authorities may delegate any functions under these Regulations including this power to delegate.

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<sup>(3)</sup> Regulation 104 was inserted by S.I. 2014/1146.

#### Local pension boards: establishment

106.—(1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—

- (a) to secure compliance with—
  - (i) these Regulations,
  - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and
  - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme.

(2) Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.

(3) Approval under paragraph (2) may be given subject to such conditions as the Secretary of State thinks fit.

(4) The Secretary of State may withdraw an approval if such conditions are not met or if in the opinion of the Secretary of State it is no longer appropriate for the local pension board to be the same committee.

(5) An administering authority may determine the procedures applicable to a local pension board, including as to voting rights, the establishment of sub-committees, formation of joint committees and payment of expenses.

(6) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

(7) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

#### Local pension boards: membership

107.—(1) Subject to paragraphs (2) and (3) each administering authority shall determine—

- (a) the membership of the local pension board;
- (b) the manner in which members of the local pension board may be appointed and removed;
- (c) the terms of appointment of members of the local pension board.

(2) A local pension board must include an equal number, which is no less than 4 in total, of employer representatives and member representatives<sup>(4)</sup> and for these purposes the administering authority must be satisfied that—

- (a) a person to be appointed as an employer representative has relevant experience and the capacity to represent employers on the local pension board; and
- (b) a person to be appointed as a member representative has relevant experience and the capacity to represent members on the local pension board.

(3) No officer or elected member of an administering authority who is responsible for the discharge of any function under these regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of a local pension board.

#### Local pension boards: conflict of interest

108.—(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest<sup>(5)</sup>.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

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<sup>(4)</sup> See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

<sup>(5)</sup> See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

#### Local pension boards: guidance

109. An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.

#### Scheme advisory board: establishment

110.—(1) A scheme advisory board (“the Local Government Pension Scheme Advisory Board”) is established.

(2) The Local Government Pension Scheme Advisory Board is responsible for providing advice to the Secretary of State on the desirability of making changes to the Scheme.

(3) The Local Government Pension Scheme Advisory Board is also responsible for providing advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme and any connected scheme and their pension funds.

(4) Subject to these Regulations, the Local Government Pension Scheme Advisory Board may determine its own procedures including as to voting rights, the establishment of sub-committees, formation of joint committees and the payment of remuneration and expenses.

(5) The Local Government Pension Scheme Advisory Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

#### Scheme advisory board: membership

111.—(1) The Local Government Pension Scheme Advisory Board is to consist of a Chairman and at least 2, and no more than 12 members appointed by the Secretary of State.

(2) When deciding whether to make appointments under paragraph (1), the Secretary of State must have regard to the desirability of there being equal representation of persons representing the interests of Scheme employers and persons representing the interests of members.

(3) A member of the Local Government Pension Scheme Advisory Board is to hold and vacate office in accordance with the terms of that member’s appointment.

(4) The Chairman of the Local Government Pension Scheme Advisory Board may, with the agreement of the Board, appoint a maximum of 3 persons to be non-voting advisory members of the Board.

(5) An advisory member of the Local Government Pension Scheme Advisory Board is to hold and vacate that position in accordance with the terms of that member’s appointment.

(6) The Chairman of the Local Government Pension Scheme Advisory Board may, with the agreement of the Board, appoint persons who are not members of the Local Government Pension Scheme Advisory Board to be members of sub-committees of that Board.

(7) A member of a sub-committee of the Local Government Pension Scheme Advisory Board is to hold and vacate office in accordance with the terms of that member’s appointment.

#### Scheme advisory board: conflict of interest

112.—(1) Before appointing any person to be a member of the Local Government Pension Scheme Advisory Board, the Secretary of State must be satisfied that the person does not have a conflict of interest<sup>(6)</sup>.

(2) The Secretary of State must be satisfied from time to time that none of the members of the Local Government Pension Scheme Advisory Board has a conflict of interest.

(3) A person who is to be appointed as a member of the Local Government Pension Scheme Advisory Board must provide the Secretary of State with such information as the Secretary of State reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of the Local Government Pension Scheme Advisory Board must provide the Secretary of State with such information as the Secretary of State reasonably requires for the purposes of paragraph (2).

#### Scheme advisory board: funding

113.—(1) The expenses of the Local Government Pension Scheme Advisory Board are to be treated as administration costs of the Scheme and are to be defrayed by the administering authorities within the Scheme in such proportions as are determined by the Board.

(2) The Local Government Pension Scheme Advisory Board must identify the amount to be paid by each administering authority towards its annual costs based on—

- (a) its annual budget approved by the Secretary of State; and
- (b) the number of persons for which the administering authority is the appropriate administering authority.

(3) An administering authority must pay the amount it is required to pay under this regulation at such time or times as the Local Government Pension Scheme Advisory Board may determine.

#### Scheme actuary

114.—(1) The Secretary of State must appoint an actuary as Scheme actuary to carry out valuations of the Scheme in accordance with Treasury directions made under section 11 of the Public Service Pensions Act 2013<sup>(7)</sup> (“the Treasury directions”).

(2) The person appointed as Scheme actuary under paragraph (1) must, in the opinion of the Secretary of State, be appropriately qualified to carry out a valuation of the Scheme.

(3) The Secretary of State must secure that the Scheme actuary carries out actuarial valuations of the assets and liabilities of the Scheme on the dates specified in regulation 62(1)(a) (actuarial valuations of pension funds) and prepare valuation reports in accordance with the Treasury directions, within a time-frame which enables the requirements in those directions to be met.

(4) Administering authorities must provide the Scheme actuary with any data that the Scheme actuary reasonably requires, in accordance with the Treasury directions, in order to carry out a valuation and prepare a report on the valuation.

#### Employer cost cap

115.—(1) The employer cost cap for the Scheme is []% of pensionable earnings of members of the Scheme.

(2) Where the cost of the Scheme, calculated following a valuation in accordance with Treasury directions under section 11 of the Public Service Pensions Act 2013 is more than the margins specified in regulations made under section 12(5) of the Public Service Pensions Act 2013<sup>(8)</sup> (“the Cost Cap

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<sup>(6)</sup> See section 7(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.

<sup>(7)</sup> 2013 c. 25.

<sup>(8)</sup> 2013 c. 25; see regulation 3 of S.I. 2014/575.



Regulations”) above or below the employer cost cap, the Secretary of State must follow the procedure specified in paragraph (3) for reaching agreement with administering authorities, employers and members (or representatives of employers and members) as to the steps required to achieve the target cost specified in the Cost Cap Regulations.

(3) The procedure specified for the purposes of section 12(6)(a) of the Public Service Pensions Act 2013 is consultation for such period as the Secretary of State considers appropriate with the Local Government Pension Scheme Advisory Board with a view to reaching an agreement endorsed by all members of that Board.

(4) If, following such consultation, agreement is not reached within 3 months of the end of the consultation period, the Secretary of State must take steps to adjust the rate at which benefits accrue under regulation 23(4) or (5) (active member’s pension accounts) so that the target cost for the Scheme is achieved.

#### Scheme advisory board: additional functions

116.—(1) The Local Government Pension Scheme Advisory Board (“the Board”) must obtain a Scheme cost assessment from the Scheme actuary detailing the overall cost of the Scheme and the proportions of that cost being met by Scheme employers and members on the dates specified in regulation 62(1)(a) (actuarial valuations of pension funds).

(2) Subject to paragraphs (5) and (6), where the overall cost of the Scheme is above or below the target overall cost, the Board may make recommendations to the Secretary of State as to the steps to take to bring the overall cost of the Scheme back to the target overall cost.

(3) Where the proportion of the overall cost of the Scheme which is met by contributions by employers is above or below the target proportion, the Board may make recommendations to the Secretary of State as to the steps to take to bring the proportion of the overall cost of the Scheme which is met by contributions by employers and members back to the target proportion.

(4) The Board must, before obtaining a Scheme cost assessment under paragraph (1), prepare and publish a statement setting out its policy concerning recommendations to the Secretary of State about the steps to be taken to bring the overall cost of the Scheme back to the target overall cost and the proportions of that cost met by Scheme employers and members, back to the target proportion.

(5) The Board must not make recommendations under paragraph (2) if steps are required to be taken under regulation 115 (employer cost cap).

(6) Subject to paragraph (5) the Board must make recommendations under paragraph (2) if the overall cost of the Scheme is above or below the target overall cost by 2% or more of pensionable earnings of members.

(7) In this regulation—

“the overall cost of the Scheme” means the total cost as calculated by the Scheme actuary as part of a Scheme cost assessment making use of the data provided under regulation 114(4) (Scheme actuary) according to such methodology and assumptions as are determined by the Board;

“the target overall cost” is 19.5% of the pensionable earnings of members of the Scheme;

“the target proportion” means Scheme employers meeting two-thirds and members meeting one-third of the overall cost of the Scheme.

(8) Each administering authority must provide the Scheme actuary with any data that the Scheme actuary requires in order to carry out any valuations and produce reports in accordance with directions from the Board for the purposes of this regulation.

(9) Unless the Board is prevented by paragraph (5) from making recommendations under this regulation, it must, within 23 months of the date on which a Scheme cost assessment is obtained under paragraph (1), publish a report setting out—

- (a) the overall cost of the Scheme;
- (b) the proportions of the overall costs of the Scheme met by employers and members;
- (c) the assumptions and methodology used by the Scheme actuary; and
- (d) any recommendations made to the Secretary of State under this regulation.

(10) The Board must send a copy of a report published under paragraph (9) to the Secretary of State and the Scheme actuary.

(11) The Secretary of State must publish a response to a report received under paragraph (10) within six months of receipt of that report.

We consent to the making of these Regulations

Date Two of the Lords Commissioners of Her Majesty's Treasury Names

Signed by authority of the Secretary of State for Communities and Local Government

Date Parliamentary Under Secretary of State  
Department for Communities and Local Government Name

#### EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") to make provision in respect of governance of the Scheme.

Regulation 1 commences the substantive provisions from 1st January 2015 for the purposes of making appointments to local pension boards and the Scheme Advisory Board, and brings the provisions fully into force from 1st April 2015.

Regulations 3 to 7 make minor amendments to the 2013 Regulations consequential to the substantive provisions.

Regulation 5 inserts a new Part 3 into the 2013 Regulations.

New regulation 105 permits the Secretary of State to delegate functions under the 2013 Regulations. It permits administering authorities to delegate their functions and also for any delegated function to be sub-delegated.

New regulations 106 to 109 make provision for each administering authority to establish a local pension board to assist it to comply with its legal obligations relating to the Scheme. Where a local authority discharges its pension functions through a committee, it can, with the approval of the Secretary of State appoint that existing committee to be the local pension board. Local pension boards must have equal representation of employer representatives and member representatives who must not be officers or councillors of the administering authority responsible for the discharge of local government pension functions.

Regulations 110 to 113 establish the Local Government Pension Scheme Advisory Board to advise the Secretary of State, administering authorities and local pension boards in relation to the Scheme. Provision is made for the appointment of members to the Board and for its funding.

Regulation 114 requires the Secretary of State to appoint a Scheme actuary to carry out valuations of the Scheme.

Regulation 115 sets the employer cost cap and requires the Secretary of State to seek agreement from those affected as to the changes to the design of the Scheme necessary to bring costs back to that level if valuation reports indicate that costs have varied by more than a margin specified in regulations made by the Treasury. If agreement can not be reached the Secretary of State must make amendments to the Scheme to vary the rate of accrual of benefits to bring the costs of the Scheme back to the employer cost cap level.

Regulation 116 confers additional functions on the Local Government Pension Scheme Advisory Board to monitor the overall costs of the Scheme and the proportion of those costs met by employers and members

respectively and to make recommendations to the Secretary of State for changes to the Scheme where overall costs or respective proportions met by employer or member contributions vary from the initial costs.

# Terms of Reference for the Pension Board of the Dorset County Pension Fund

## Terms of Reference and Delegated Authorities

### 1. Background

- 1.1 The purpose of this document is to set out the terms of reference for the local Pension Board of the Dorset County Pension Fund (DCPF) for which Dorset County Council (DCC) is the Administering Authority.
- 1.2 Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the governance structure and associated arrangements set out below.
- 1.3 DCC has delegated all aspects of the management of the pension scheme to the Pension Fund Committee and it is this Committee, acting as the 'Scheme Manager', that is responsible for the appointment of the local Pension Board in accordance with the Governance Regulations.
- 1.4 The day to day administration of the Fund is delegated to the Fund Administrator working within the policy decisions made by the Committee and any relevant regulations set by the government.

### 2. Function of the Pension Board

- 2.1 The function of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to:
  - assist the Scheme Manager
    - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
    - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    - in such other matters as the LGPS regulations may specify;
  - secure the effective and efficient governance and administration of the LGPS for the DCPF; and
  - provide the Scheme Manager with such information as it 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.
- 2.2 The Pension Board will ensure it complies effectively and efficiently with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator.
- 2.3 The Pension Board will also help ensure that the DCPF is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Advisory Board.

- 2.4 In accordance with Governance Regulation 106 (6), the Pension Board has the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions.
- 2.5 Assisting the Scheme Manager is interpreted as helping the Scheme Manager, including doing work requested by the Scheme Manager. However, the Pension Board does not replace the Scheme Manager nor make decisions which are the responsibility of the Scheme Manager.
- 2.6 The remit of the Pension Board is interpreted as covering all aspects of governance and administration of the DCPF, including funding and investments. For the avoidance of doubt, this does not extend to the operational investment of the Fund's assets.
- 2.7 The Pension Board is entitled to request information from the Scheme Manager in order to carry out its function.

### **3. Membership of the Pension Board**

- 3.1 The Pension Board shall consist of 6 members and be constituted as follows:
  - 3 employer representatives; and
  - 3 scheme member representatives
- 3.2 Scheme employer and member representatives shall be appointed in equal number, with a minimum of four in total, and shall together form the majority of the Board's membership.
- 3.3 Scheme employer representatives shall comprise of Dorset County Council and the two Unitary Authorities, as the top tier authorities in Dorset, and the 3 largest employers in the Fund, representing around 70% of the scheme membership. One member will be nominated by Dorset County Council, one by Bournemouth Borough Council and one nominated by Borough of Poole.
- 3.4 Scheme member representatives shall include at least one member nominated by the Unions, with Unison as lead union.
- 3.5 As part of the process for selecting members of the Pension Board, DCPF will contact:
  - Bournemouth and Poole councils to seek their nominations;
  - the Dorset Leaders and Chief Executives group to seek their nomination of a District Council representative;
  - Unison, as lead union, to nominate member representatives;
  - all Scheme members to canvass interest. Active, pensioner and deferred pensioner members will be eligible to stand as scheme member representatives.
- 3.6 In all cases the nominating body or individuals will be informed of the Pension Board arrangements and the requirement for an appropriate level of relevant experience, the capacity to represent employers and Scheme members, and the requirements relating to conflicts of interest.
- 3.7 The selection process will be based on information supplied by those nominated and those expressing an interest in support of their appointment application and supplemented by interviews as appropriate, as determined by the Scheme Manager.

- 3.8 All appointments will be made by the Scheme Manager and will be for a term of 3 years. Re-appointment for further periods will be at the discretion of the Scheme Manager.
- 3.9 The Chairman of the Pension Board will be elected by the Board following a suitable selection process and for a term determined by the Scheme Manager. It will be the role of the Chairman to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.
- 3.10 Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 2 meetings each year - substitutes are not permitted. In the event of consistent non-attendance by any Board member, the tenure of that membership will be reviewed by the other Board members in liaison with the Scheme Manager.
- 3.11 Other than by ceasing to be eligible as set out above, a Board member may be removed from office during a term of appointment by the unanimous agreement of all of the other members. Any Board member may be removed if, in the Scheme Manager's opinion, they do not possess a sufficient level of knowledge and skills, or the capacity to represent Scheme employers or members.
- 3.12 The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub boards or working groups, particularly where this would add skills and experience.

#### **4. Voting**

- 4.1 Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will have the final casting vote which, if used, will be reported to the Scheme Manager.
- 4.2 The Board shall have a formal quorum of 3, of which one should be the Chair, one an employer representative and one a member representative.

#### **5. Conflict of Interest**

- 5.1 A conflict of interest is defined in the Public Service Pensions Act as:

*"In relation to a person, means 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)."*

- 5.2 Each member of the Pension Board will be expected to declare, on appointment and at each meeting, (as well as any other attendees participating in the meeting), any interests which may lead to a conflict of interest. Such a conflict could be in relation to a general subject area or to a specific agenda item of a Pension Board meeting. All declarations need to be made to the Monitoring Officer in writing. The Monitoring Officer will keep a register of Board members financial interests. Any declarations made at a meeting will be recorded in the notes of the meeting. The Chairman may exclude such persons from the meeting where appropriate.
- 5.3 The Chairman of the Pension Board must be satisfied that the Board is acting within:
- the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations; and

- in the spirit of any national guidance or code of practice in relation to conflicts of interest for Pension Board members.

- 5.4 Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Chair of the Pension Board with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.
- 5.5 The Monitoring Officer and Section 151 Officer will jointly adopt the role of ensuring that the Chair of the Pension Board does not have a conflict of interest in the same way as the Chair does in relation to all other Pension Board members.

## **6. Board Meetings**

- 6.1 The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all members.
- 6.2 The Pension Board is not a formal committee of the Council but the Council's rules on notice of meetings, publishing agendas, reports, minutes and that meetings and papers (unless confidential) are open to the public, will apply.
- 6.3 There will be 4 Pension Board meetings a year, one to be held each quarter. The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively and efficiently.
- 6.4 Urgent meetings of the Pension Board may be called by the Chair or by the Scheme Manager if a matter arises that does not admit delay but the voting requirements under 4 above and the Council's rules under 6.2 above will continue to apply.
- 6.5 The Board will each year prepare a plan of business for the coming year and undertake a formal review process to assess how well it and its committees, and the members are performing with a view to seeking continuous improvement in the Board's performance. The plan will also include a budget of expenses required.

## **7. Reporting**

- 7.1 The minutes of each Pension Board meeting will be submitted to the next meeting of the Pension Fund Committee together with a report from the Chair on any matters of particular concern and in order to assist with compliance with the Regulations on governance and administration.
- 7.2 Where a matter of serious concern arises regarding compliance or a potential breach of the regulations, the Pension Board must inform the Scheme Manager immediately, and may escalate reporting to the Monitoring Officer, to the National Scheme Advisory Board and the Pensions Regulator if considered necessary and appropriate.
- 7.3 The Pension Board will submit to the Pension Fund Committee, an annual report of its activities, conflicts of interest that have arisen, areas of potential risk or concern, details of training received, and performance against the plan of business together with details of any expenses or other costs incurred.

## **8. Advisers to the Board**

- 8.1 The Board will be supported in undertaking its function and responsibilities by the Scheme Manager. The Board may also be supported through the appointment of advisers and shall, subject to any applicable regulation and legislation and approval by the Scheme Manager, consult with such advisers to the Board to help better perform its duties.



8.2 Advisers that the Pension Board may consult include:

- a Governance Adviser
- the Fund's Actuary
- the Fund's Legal Adviser
- the Fund Administrator
- the Administering Authority's Monitoring Officer
- other advisers, so approved by the Scheme Manager

8.3 The Pension Board shall ensure that the performance of the advisers so appointed is reviewed on a regular basis in relation to the Pension Board function.

## **9. Knowledge and understanding**

9.1 A member of the Pension Board must be conversant with:

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS); and
- any document recording policy about the administration of the LGPS which is for the time being adopted by the DCPF.

9.2 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 the regulations.

9.3 The Pension Board should establish and maintain a policy and framework to address knowledge and understanding requirements that apply to its members in conjunction with the Scheme Manager and in order to avoid unnecessary duplication of activity. In addition, a list of the core policy documents should be prepared and updated, and made accessible to all Board members.

9.4 Individual Pension Board members should be aware that their legal responsibilities begin from the date they take up their role and must immediately start to familiarise themselves with the appropriate documentation. They must satisfy themselves that, within a reasonable period of time, they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

9.4 In line with this requirement Pension 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. This must be sufficient to satisfy the Scheme Manager and their fellow Board members that they have sufficient knowledge and understanding to carry out their role.

9.5 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

## **10. Standards of Conduct**

10.1 The responsibilities of Pension Board members require the highest standards of conduct. It is expected that Board members will comply with the spirit of the

behavioural requirements set out in the County Council's Code of Conduct for its elected members.

## **11. Publication of Pension Board information**

11.1 Scheme members and other interested parties will want to know that the DCPF is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

11.2 Up-to-date information will be posted on the DCPF website showing:

- the names of and information about the Pension Board members;
- how the scheme employers and members are represented;
- the responsibilities of the Pension Board as a whole;
- the full terms of reference and policies of the Board and how they operate
- the Pension Board appointment process;
- who each individual Pension Board member represents; and
- any specific roles and responsibilities of individual Board members.

11.3 Pension Board papers, agendas and minutes of meetings will be published on the DCPF 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.

11.4 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.

## **12. Accountability**

12.1 The Pension Board will be collectively and individually accountable to the Scheme Manager.

## **13. Expense Reimbursement, remuneration and allowances**

13.1 No remuneration or allowances will be paid to Pension Board members. Expenses in connection with fulfilling Pension Board responsibilities including the costs of appropriate training will, subject to prior agreement by the Scheme Manager, be reimbursed and met by the Fund.

## **14. Insurance**

14.1 The Council's Public Liability Insurance applies to members of the Pension Board.

## **15. Definitions**

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

<i>“Pension Board” or “Board”</i>	Means the local Pension Board for the Council as the administering authority of the DCPF as required under the Public Service Pensions Act 2013
<i>“Scheme Manager”</i>	Means the Pension Fund Committee to whom the Council as the administering authority of the DCPF has delegated all aspects of the management of the pension scheme.
<i>“Chair”</i>	Reference to duties to be performed, or authorities exercised, by the Chair
<i>“LGPS”</i>	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
<i>“Governance Regulations”</i>	Means The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014
<i>“Scheme”</i>	Means the Local Government Pension Scheme as defined under “LGPS”

## **16. Interpretation**

- 16.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Administering Authority’s Monitoring Officer and Section 151 Officer .

The formal terms of reference of the Pension Fund Committee as set by the Council are:

- To exercise all functions of the Council as administering authority under Local Government Superannuation Act and Regulations and deal with all matters relating thereto

In broader terms this means that the Committee has responsibility for:

- Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice
- Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the Statement of Investment Principles (SIP), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan, Communications Strategy.
- Appointing and reviewing the performance of all Fund Managers and other professional service providers
- Reviewing all aspects of performance across the Pension Fund service
- Deciding upon requests for admission of qualifying organisations wishing to join the Fund
- Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority
- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund.
- *Making appointments to the Pension Board of the Dorset County Pension Fund*