

**Report to:** Pension Board

**Date of meeting:** 9 February 2017

**By:** Interim Chief Finance Officer

**Title:** Pension Board Insurance Arrangements

**Purpose:** This report provides the Board with an update on the Board Insurance Proposal

---

## **RECOMMENDATIONS**

**The Board is recommended to:**

- 1. consider and express its view on the content of the report; and**
  - 2. recommend that the Pension Committee approves the Pension Board Insurance premium for payment.**
- 

### **1. Background**

1.1 At the Pension Board meeting 4 August 2016, representatives received a report (Appendix 1) for consideration on the legal position of Pension Boards. The consideration by the Board was as follows:

*This item was introduced by the Chair - The Chair explained that the opinion of James Goudie QC regarding the legal status of pension boards does not affect how the East Sussex Pension Board has been set up. However, a considerable number of other pension boards were exercising the functions of the pension committee, i.e., the management and administration of their pension fund; and were constituted as if they were local authority committees, i.e., the members of the boards were local authority elected members rather than scheme member and employer representatives. The Board RESOLVED to note the report.*

1.2 The report concluded that the QC opinion was adopted by the Shadow Scheme Advisory Board, which will review its guidance on pension boards. There is no concern for the scheme manager (East Sussex County Council), as the East Sussex Pension Board fully complies with the Public Sector Pensions Act 2013 (the 2013 Act) with regard to membership of Boards.

### **2. Supporting information**

#### Pension Board Insurance Proposal

2.1 The consideration of James Goudie QC's advice on the Board insurance arrangement has led to representatives expressing concern as to the status of the Board and the insurance arrangements for the representatives.

2.2 It is accepted that the Board is not a Council committee and that it has no decision making functions. However, for the efficient administration of the Board, it is considered appropriate to use as many of the Council's processes as possible. In particular, the "Standards of conduct and conflicts of interest" paragraph of the Terms of Reference states:

*Standards of Conduct - The main elements of East Sussex County Council's Code of Conduct shall apply to Board members.*

*Conflicts of Interest - The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure*

2.3 The Council's Insurance and Risk Manager has been consulted and has advised: that Council's existing insurance arrangements do not cover the Pension Board's membership, as the Board is not a Council committee, and that a third party insurance (if required) looks like the sensible way to proceed, particularly since it will be a bespoke policy for Pension Boards.

2.4 In addition, comment from Member Services is that **it will be difficult to foresee how a claim could arise against the Board's membership** given that it is there to support the Pension Committee and has no direct decision making authority.

2.5 A firm of insurance brokers is currently looking to develop a new insurance product specifically for Pension Boards. The "brokers" to whom the Insurance Manager refers is Aon Hewitt who wrote in their recent newsletter (Appendix 2) that they have been working with colleagues in Aon Risk Solutions to develop an insurance product that will provide cover for members of Pension Boards. AoN has advised and provided the fund with 'UK SPS II Elite Pension Liability for Public Service Pension Boards Policy' attached as Appendix 3, which offered the following levels of cover options for consideration:

Options	Elite PTL for Public Service Pension Boards - Limit of Liability in the aggregate:	Annual Premium (excluding IPT):
1.	£1m	£5,500 per annum
2.	£10m	£10,000 per annum

*Each of these premiums is subject to insurance premium tax at 10%.*

2.6 AoN has advised that the pension board liability policy cover is classified by the Financial Conduct Authority (FCA) into the "general insurance area" and that this cover is actually placed by AoN Risk Services and AoN will receive commission on the placement.

### 3. Conclusion and reasons for recommendations

3.1 The *risk of a claim arising against the Board's membership is very low*, given that the Board is there to support the Pension Committee and has no direct decision making authority. There are no indications that many LGPS funds are considering an insurance premium to cover the Board potential liability.

**PHILL HALL**  
Interim Chief Finance Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions  
Tel. No. 01273 482017  
Email: [Ola.Owolabi@eastsussex.gov.uk](mailto:Ola.Owolabi@eastsussex.gov.uk)

Background documents:

None