

LGPS Structure and Governance 2014

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Briefing will cover

Call for Evidence

- Summary of responses
- Shadow Board recommendations
- Consultation on next steps

Governance

- Fund level governance
- The Scheme Advisory Board
- Draft regulations

Call for evidence - summary

- Most accepted the case for some change
- Data needs to be better
- Political accountability – a good thing?
- Good governance is key – greater separation from host authority needed?
- Majority favoured collective investment and/or framework models
- Some evidence of benefits of a shift to passive or in-house investment and away from fund of funds
- Bigger is better? Not proven
- Admin should be looked at separately
- Little on alternative methods for managing deficits

Call for evidence – SAB recommendations

1. The Government should consult on options for reform as soon as possible.
2. The Government and the Board should agree a realistic timescale for implementing reform by the end of Summer 2014.
3. The Board should complete the work on setting an agreed baseline of data and measurements via the Scheme Annual Report process by the end of 2014.
4. The Government should introduce proportionate and appropriate legislation to provide a statutory underpin for both the objectives of reform and the timetable for implementation.
5. In formulating its consultation on high level options for reform the Government should consider (a) alternative methods for managing deficits and (b) analyse the cost/benefits and barriers to greater passive management, Collective Investment Vehicles (CIVs) and in-house investment strategies.
6. The Board will support the Government by (a) developing a shortlist of feasible options for managing deficits and (b) conducting further research on the costs and benefits of the key options for reform.
7. That Government should ensure that any work being undertaken as part of the Call for Evidence is consistent with other strands of LGPS policy work, for example the LGPS 2014 governance regulations and any reform of the investment regulations.

Call for evidence – next steps

- Consultation out in early April
- Will be published alongside contestable policy report
- Options covering investment methodologies and costs
- Merging assets and liabilities into bigger funds off the table for now
- Further consultation any necessary regulatory change later in the year

Governance - PSP Act 2013

The Act sets out 4 distinct roles to be performed within each scheme, these are

- The Responsible Authority (Section 2)
- The Scheme Manager (Section 4)
- The Pension Board (Sections 5 and 6)
- The Scheme Advisory Board (Section 7)

For the LGPS the Responsible Authority is the Secretary of State for Communities and Local Government

Fund level governance

Section 4 of the Act defines a Scheme Manager while section 5 creates a Pension Board.

- Scheme manager under LGPS is the organisation named as the administering authority (e.g Norfolk County Council). The authority then discharges the function of scheme manager using Local Government Act 1972 section 101/102 to a person, committee or joint committee. NB the committee is not the scheme manager merely the vehicle for discharging the function
- Pension boards are bodies created by the PSP Act. For the LGPS these will exist at the individual 'fund' level and will therefore be duplicated 89 times (subject to the draft regulations which may provide for joint boards and/or merged committee/boards in certain circumstances)

Fund level governance

Questions of principle

- Pension boards and committees – one and the same?
- Scheme manager and host authority – how high should the ring fence be?
- Pension board membership and remit – local flexibility or mandatory rules?
- Pension board reporting – who and when?

Scheme Advisory Board

Shadow board set up to test the new national arrangements and inform the process of creating the statutory board in regulation. The shadow board was created by a working group representing a wide range of LGPS stakeholders.

The board membership consists of:

Chair – nominated and appointed by the working group

Employers – nominated by funds, appointed by LGA and WLGA

Members – nominated and appointed by TU's (UNISON, GMB, Unite)

Advisors – Actuarial (ACA), Legal (APL), Finance (ALAT), Practitioners (Funds), Professional (CIPFA)

Observers – DCLG, tPR, NAPF

Full details of the board including its members, sub committees, terms of reference and sub committees can be found at www.lgpsboard.org

Scheme Advisory Board

Shadow board has a range of sub-committees with membership drawn from across all stakeholders in varying proportions. The sub committees are:

Administration and Communication – tasked with looking at Ill Health retirement and Annual Benefit Statements

Governance and Standards – assisting tPR in developing codes of practice, collating all existing codes and guidance and assisting funds with new local governance requirements

Investment and Engagement – looking at ‘fiduciary duty’ and revisions to investment regulations

Value for Money and Collaboration – Collating all current and planned shared service and joint procurement initiatives

Cost management and Contributions – Setting out the scheme level cost management process – ensuring employee contribution yield is 6.5%

Governance - Next steps

Draft regulations (due April 2014) will cover:

- Local governance structures
- The Scheme Advisory Board
- Funding of new governance
- Timing of new governance
- Information requirements

Aim is for publication of regulations in Autumn to commence April 2015

ANY QUESTIONS?

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