

Division(s): N/A
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## **PENSION FUND COMMITTEE – 6 SEPTEMBER 2013**

### **THE LGPS REGULATION UPDATE**

#### **Report by Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. The Committee previously received reports in March 2012, December 2012 and June 2013 regarding the New Look Local Government Pension Scheme (LGPS). This report is to further update the Committee on the progress of the implementation of the New Look Local Government Pension Scheme (LGPS) 2014 and the Regulations which have been issued to date for comment.

##### **LGPS 2014**

2. In June 2013 DCLG issued consultation documents seeking comments on a further draft of the regulations due to come into force in April 2014. The consultation paper included a more detailed set of draft regulations and issued a set of questions for respondents to answer.
3. A copy of the response made by Oxfordshire County Council Pension Fund is attached at Annex 1.
4. It is anticipated that a further set of draft transitional regulations will be issued in September. This further information should enable Pension Services to move towards finalising the communication plan for employers and scheme members.

##### **Consultation on Councillor Pensions**

5. The website of Department of Communities and Local Government is showing that this consultation has closed and responses are currently being analysed.

##### **Governance**

6. As reported last quarter, the Public Services Pension Act 2013 included several key provisions relating to the governance of the new public service pension schemes. In the case of the Local Government Pension Scheme it is proposed that these will apply to new arrangements from April 2014.
7. The consultation paper issued by DCLG explores the specific sections of the Act which impact on the governance arrangements in the new scheme and set

out a number of questions on which it welcomed views. Responses had to be provided by 30 August 2013.

8. The full written response submitted on behalf of this Committee is contained at Annex 2. The key point included in the response was the need to keep separate the role of the new Pension Boards and the current Pension Fund Committees who fulfil the role of the Scheme Manager under the terminology of the Act.
9. Combining the role of the Scheme Manager and Pensions Board would not allow for the appropriate level of Scrutiny envisaged by the setting up of the Pension Board, as well as requiring the Pension Committee to be re-constituted with equal numbers of employer and employee representatives.
10. Other issues covered in the response where
  - the preference for leaving the regulations open, thereby allowing each Pension Board discretion in determining how best to meet its duties,
  - providing the Board with some teeth so that it had the right to call in decisions of the Scheme Manager for review before they can be enacted, as well as call for the removal of anyone failing to take their responsibilities as a Scheme Manager seriously and failing to complete the necessary skills and knowledge training,
  - the need for guidance on membership of the Pension Board to ensure appropriate representation from amongst the Fund employers and employees, as well as a mechanism for resolving matters of disputed membership,
  - a preference to simply roll forward the existing Shadow Scheme Advisory Board to take on the role of the new Scheme Advisory Board, and
  - a preference for the Boards to start their responsibilities from April 2015, in line with the timescale for the Pension Regulator to take on their new role.

### **Call for Evidence Consultation**

11. The third consultation published by the Government over the summer, this time in conjunction with the Local Government Association was the Call for Evidence on the future structure of the Local Government Pension Scheme. Responses are required by 27 September 2013, so the Committee is invited to comment and amend if necessary the draft response included at Annex 3.
12. This response follows the five key questions set out in the consultation document and sets out the key points below:
  - Local accountability is not necessarily best served by retaining the current governance arrangements. These do not fully allow for the representation of the elected members of all local councils. There also needs to be clarity in respect of what elements of cost are

locally determined given the role of Government in determining the Regulations which drive the cost of liabilities.

- In looking at efficiency and cost effectiveness, there is a need to ensure measures are focussed on the key role of the Administering Authority to make timely and accurate payments of pensions. Investment returns, fund deficits, investment fees etc are all important, but should not be considered in isolation from each other, and more importantly from the local circumstances of the Fund.
- There is unlikely to be one single solution for reform which applies across the whole Country, and the options of Fund Mergers, procurement frameworks, super-pools, etc all have their place. Pension Funds should be asked to assess themselves against best practice based on their local circumstances and determine the appropriate way forward for themselves, subject to the review of the new Pension Boards. These decisions should be allowed to build on the many arrangements already in place.
- There is clear need to develop consistent performance data to enable the assessment of individual Pension Funds. This needs to be developed on a balanced scorecard basis, as no one factor tells the full story, and whether certain results reflect good performance depends in large part on the local circumstances of a Fund e.g. level of management fees cannot be taken in isolation from investment performance, risk appetite and funding level – high investment returns when fully funded and close to maturity could suggest too much risk is being taken, at too high a level of fees, whereas the same results would be welcomed in a Fund with a lower funding level and high positive cash flow.
- Key performance data also needs to include data on pensions in payment and customer satisfaction – no point in being fully funded with high investment returns etc if unable to pay pensions on a timely and accurate basis.

13. It is the intention of the Government and the Local Government Association to review the responses from the Call for Evidence and issue a formal consultation response on the options for change later this year.

## **RECOMMENDATION**

14. **The Committee is RECOMMENDED to note the consultation responses included at Annexes 1 and 2, and agree any changes to the draft consultation response at Annex 3 for submission to the Department for Communities and Local Government.**

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Background papers: None

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