



WILTSHIRE PENSION FUND

Scheme Advisory Board & its relationship with the Local Pension Board
May 2021

What we will cover?

- Creation of the SAB, why & how
- Primary functions & purpose
- Additional function(s)
- SAB's structure & ToR
- Guidance, Consultations & Surveys
- SAB's relationship with the LPBs
- SAB's other key relationships
- LPB periodic self-assessment
- The Good Governance Review



Creation of the SAB, why & how

- **National governance concerns** – These grew concerning the LGPS as it became more complex & the knowledge & understanding requirements increased;
- **Scheme Advisory Board (SAB) set up** – Set up in 'Shadow' form in 2013 in order to test its format, terms of reference & structure prior to it being formalised in the LGPS Regulations;
- **SAB established** – On 1st April 2015 as a statutory body under Section 7 of the Public Services Pensions Act 2013 and regulation 110 of the Local Government Pension Scheme Regulations 2013 (as amended); &
- **Local Pension Boards (LPB) established** – At the same time under Section 5 of the Act and regulation 106 of the Regulations.

Primary functions & purpose

- **Advice to the Secretary of State** – On the desirability of making changes to the Scheme;
- **Advice to Administering Authorities (Scheme Managers) and LPBs** – In relation to the effective and efficient administration and management of the Scheme;
- **Setting its own procedures** – Including voting rights, the establishment of sub-committees & the formation of joint committees, subject to the regulations; &
- **Executing its powers** – To do with anything in connection with the discharge of its functions

Additional function(s)

- **Assess the cost of the LGPS** – Request the Scheme Actuary detail the overall cost and the proportions of those costs between Scheme employers and members & ensure that it remains within the overall target cost for the Scheme.
- **Target cost of the LGPS** – 19.5% of the pensionable earnings of members of the Scheme, split on target proportion of one-third member, two-thirds employer basis;
- **Actuarial assumptions** – To determine the methodology and assumptions under regulation 114(4) on which the overall cost of the Scheme is calculated;
- **Recommend to the Secretary of State** – Prepare a report stating any steps required to bring the proportion of overall costs met by employers and members back into the target proportion;
- **Cost deviation** – If the cost is above or below the target overall cost by 2% or more of pensionable earnings of members
- **Employer cost cap** – Have regard to the cost cap restrictions & not make any recommendation to the Secretary of State which breaches the cap;
- **Publish a cost assessment report** – Within 23 months of the assessment, set out the basis, results & recommendations which have been made to the Secretary of State;

SAB's structure & ToR

- **Membership** – The Board is made up of a Chairman & between 2 and 12 members appointed by the Secretary of State;
- **Representation** - There must be equal representation of interests of employers & members;
- **Conflicts of Interest** – The Secretary of State must be satisfied that no Board member possess a conflict of interest on appointment & that this is periodically verified thereafter.
- **Chair appointments** – The Chair, with the agreement of the Board in all cases, may appoint a maximum of 3 non-voting advisory persons to the Board. In addition, the Chair may appoint non-Board members to sub-committees of the Board;
- **Terms of Reference** – Covers the functions, membership & operational arrangements;
- **SAB's Funding** – The costs of running the Board are approved by the Secretary of State & covered by each Administering Authority, on a proportionate basis as determined by its membership.

Guidance, Consultations & Surveys

Governance

- **Guidance to Local Pension Boards** – terms of reference templates & ad-hoc guidance;
- **Publication of its own process** – Meeting, minutes & membership;
- **Reporting Framework** – Scheme Annual Reports, Triennial Valuation Reports & an LGPS Annual Report & Accounts;
- **Govt. Consultations & legal opinion** – Responding on behalf of the LGPS or acquiring generic legal guidance
- **Board surveys** – Requesting feedback of its LPBs.

Administration guidance

- **Cost Management** – including the Employer cost cap;
- **Benefit structure** – McCloud, Public Sector Exit Cap & GMP; &
- **Non-benefit structure** – Review of Academies, Tier 3 Employers & the impact of Covid-19.

Investment guidance

- **Investment pooling** – Oversight of the 8 pooling arrangements;
- **Responsible Investment** – Advisory Group to co-ordinate the RI project; &
- **MiFID II** – LGPS wide.

SAB's relationship with the LPBs

To provide such information to enable;

- **Publish mandatory information** – Scheme Manager's to publish who the Local Pension Boards are, their representation & the matters falling within the Board's responsibility, which must be kept up to date;
- **Annual Report** – The Board's responsibilities summarised in its Annual Report;
- **Good Governance Review** – Due to be published in 2021?;
- **LPB self-assessment** – Your performance against your own aims & objectives.

SAB's other key relationships

Ministry of Housing, Communities & Local Government (MHCLG)

- Responsible for making regulations that govern the Scheme rules. Guidance & the execution & of the rules which are overseen by SAB;

Local Government Association

- Constitutes a Committee of Councillors known as the Local Government Pensions Committee (LGPC). The nominated membership represents the political balance of administering authorities & thereby the LGA. The LGPC representative represents the LGA's interests and sits on the Board of the Scheme Advisory Board; &
- SAB members may also attend LGPC meetings as observers.

LGPS Pooling

- SAB is part of the Cross-Pool Collaboration Group in which the operating companies (Brunel Pension Partnership being 1 of 8 of them) are owned by the participating funds. The group consults on the design of the pooling arrangement based on statutory guidance from MHCLG.

LPB periodic self-assessment

- **Paragraph 80 – Assist the Scheme Manager in securing compliance with Regulations by;**
- Monitoring of the compliance of reports presented to the Committee & their decisions;
- Oversight of the Fund’s processes & procedures, including discretionary arrangements;
- Monitoring Scheme Employer compliance;
- Reviewing the Fund’s strategic documents & audit arrangements;
- Reviewing the Fund’s communications with members & employers;
- Monitoring complaints, IDRPCs & Ombudsman cases;
- Monitoring training arrangements of members & officers
- **Paragraph 81 – To ensure the effective governance & administration of the Scheme by;**
- Monitoring Scheme performance & the risk register;
- Overseeing the effective appointment of suppliers & advisers;
- Monitoring investment costs;
- Monitoring audits;
- Reviewing actuarial outcomes; &
- Making recommendations to the Pension Fund Committee, as required.

The Good Governance Review

Expected key themes of SAB's "Good Governance Review"

- Adopt an outcomes-based approach, employing minimum standards;
- Ensure robust conflict management, including clarity of roles & responsibilities;
- Ensuring enough resources are available with an associated budget;
- Expansion of member & employer engagement;
- An enhanced Governance Compliance Statement (GCS), detailing delivery outcomes;
- Mandatory training for s151 Officers & Committee members; &
- Update relevant guidance & enable better sign posting (notably the GCS).