

WILTSHIRE PENSION FUND COMMITTEE
28 November 2007

LOCAL GOVERNMENT PENSION FUNDS – PROPOSAL FOR SEPARATE STATUS

Purpose of the Report

1. To consider a response to a request from the Final Accounts and Audit Committee for the Pension Fund Committee to comment on the proposal for Separate Status for Pension Funds.

Background

2. The Final Accounts and Audit Committee meeting on 27 September 2007 resolved:

“That the Pension Fund Committee be requested to respond to the consultation on changes recommended by the Audit Commission in respect of the Pension Fund and for the Final Accounts and Audit Committee to monitor the situation.”

3. This minute resulted from a presentation by Mr Darren Gilbert, who is the Audit Manager for Wiltshire County Council's external auditors KPMG. Mr Gilbert outlined proposals by the Audit Commission to make changes to the accounting and audit arrangements of Local Government Pension Funds.

Main Considerations for the Committee / Risk Assessment

4. The proposals were originally put forward in July 2006, when the Audit Commission wrote to the Secretary of State for Communities and Local Government setting out proposals for changes in the accountability and auditing arrangements for the Local Government Pension Scheme (LGPS). The main recommendations in that letter were:
 - a) the creation of local LGPS funds as stand-alone legal entities;
 - b) the requirement for LGPS funds to prepare separate accounts and annual reports in compliance with the Pensions Statement of Recommended Practice (SORP); and
 - c) the requirement for auditors to undertake a separate audit of LGPS accounts and annual reports in accordance with the Auditing Practices Board Practice Note 15: The audit of occupational pension schemes in the United Kingdom (PN15).

Possible creation of LGPS Funds as stand-alone legal entities

5. It is believed that the proposal to make LGPS funds into separate legal entities is not a high priority for the Government at present. It did not receive any significant support from local authorities and their representatives when it was first suggested.

Requirement for separate accounts and annual report

6. The requirement to produce a separate annual report was made statutory under regulations issued by the Department for Communities & Local Government (CLG) in June 2007. This new regulation requires the Wiltshire Fund annual report to be published by the following 1 December from the financial year 2007/08 onwards. The required contents of the annual report are set out in the Appendix to this report.

7. The Wiltshire Fund has produced an annual report for many years and the new regulation will not cause any real technical difficulty. However, the CLG has prescribed the inclusion of most of LGPS Funds' existing policy documents within the annual report they already published separately. This is despite widespread opposition when the draft regulations were consulted on and it means that the new document will be very large.
8. Another requirement of the new regulations is that LGPS administering authorities prepare annual accounts and annual reports in accordance with "proper practice" to be specified by CIPFA. The CIPFA Pensions Panel, with input from the Audit Commission, is developing guidance based on the Pensions SORP that will represent "proper practice".
9. Officers will evaluate this guidance when we get it and report on any difficult or contentious areas to this Committee.

Potential Requirement for separate audit of LGPS Funds

10. The Audit Commission is currently undertaking a piece of work to consider how PN15 should be applied to the LGPS and it will then consult externally on the proposed fees for this work. Unlike the current arrangements, where it is part of the County Council's audit, this would mean a separate audit for the Wiltshire Pension Fund.
11. These new arrangements are now unlikely to apply for the 2007/08 audit, but will probably be deferred until 2008/09, to enable a debate on the level of audit work involved and the fees required.
12. The Committee will be updated on any financial or procedural issues that arise.

Environmental Impact of the Proposals

13. There are none.

Proposals

14. The Committee is asked to:
 - a) note the report; and
 - b) note that a copy of the report will be forwarded to the Final Accounts and Audit Committee for its information.

SANDRA SCHOFIELD
Chief Financial Officer

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Unpublished documents relied upon in the production of this report: None

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ITEMS TO BE INCLUDED IN LOCAL GOVERNMENT PENSION FUND ANNUAL REPORTS FROM 2007/08 REPORT ONWARDS

- ✓ A report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- ✓ a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- ✓ a report of the arrangements made during the year for the administration of each of those funds;
- ✓ for each of those funds, a statement, by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 77 (actuarial valuations and certificates), of the level of funding disclosed by that valuation;
- ✓ the current version of the statement under regulation 73A (governance compliance statement);
- ✓ for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- ✓ an annual report dealing with—
 - the extent to which the authority and the employing authorities in relation to which they are the administering authority ("relevant employing authorities") have achieved any levels of performance set out in the pension administration strategy in accordance with regulation 76C(2)(b); and
 - such other matters arising from their pension administration strategy as they consider appropriate;
- ✓ the current version of the statement under regulation 76A (funding strategy statement);
- ✓ the current version of the statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (statement of investment principles);
- ✓ the current version of the statement under regulation 106B (statements of policy concerning communications with members and employing authorities (including non-Scheme employers)); and
- ✓ any other material which the authority considers appropriate.