

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
11 December 2014

LOCAL GOVERNMENT PENSION SCHEME (LGPS): DRAFT REGULATIONS ON SCHEME GOVERNANCE AND ASSOCIATED GUIDANCE CONSULTATIONS

Purpose of the Report

1. This report updates the Committee on the latest two consultations issued in October 2014 in relation to the new scheme governance arrangements for the LGPS from April 2015.

Background

2. As part of Lord Hutton's report published in March 2011, he highlighted a change was needed to "make public service pension schemes simpler and more transparent" and the Government carried this forward into the Public Service Pensions Act 2013. This act requires DCLG to make regulations to establish a national Scheme Advisory Board and enabling each LGPS administering authority to establish local pension boards.
3. In October 2014 two consultations were issued:
 - a) DCLG issued a consultation titled 'Better Governance and Improved Accountability in the Local Government Pension Scheme' with a closing date of 21 November 2014. This was the second consultation issued in relation to these draft regulations, the Fund having responded to the first on 15 August 2014. These regulations mainly refer to the establishment of the Local Pension Boards.
 - b) Shadow Scheme Advisory Board (SAB) published 'The Local Government Pension Scheme - Governance Guidance Consultation Document' with the same closing date of 21 November 2014. This was the draft best practice guidance notes to accompany the new governance regulations in relation to the setting up and operating a Local Pension Board.
4. The closing dates didn't permit this Committee to consider any responses to these consultations. Therefore, the decision to respond was taken by officers with agreement of the Chair and Vice-Chair of this Committee.
5. Copies of both consultations are attached to the end of this report. The SAB guidance isn't attached due to its length but copies can be obtained at www.lgpsboard.org

Considerations for the Committee

6. The DCLG consultation relates to governance and accountability. These incorporate a (second) consultation on the implementation of the Local Pension Board and national Scheme Advisory Board, as well as the initial consultation on the cost management provisions including the appointment of a national scheme actuary.
7. Outlined below is a summary of the main differences between the latest set of draft regulations and the previous version issued in the summer.

The changes:

8. Previously elected members (of any authority) were not permitted to sit on the Local Pension Board, which now appears permissible, albeit this has been introduced with the proviso that any elected member or officer of the Administering Authority who is “responsible for the discharge” of any LGPS function cannot be a member of the Board.
9. It is now quite clear that Administering Authorities will have their own flexibility to draft the terms of reference, rather than being required to fit within section 270 of the Local Government Act 1972.

What's new?

10. A new provision outlines that a Local Pension Board has the power to do anything which is “calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions”. This is assumed to be a legal point to provide sufficient flexibility for the Board to actually properly carry out their functions.

What has gone / no longer in the draft Regulations

11. Any reference to ‘other’ members of the Board who were not classed as either Employer or Member representatives. This raises a concern as to whether these types of members were still allowed, i.e. an independent chair.
12. There was no mention of the following items although this had been included in the initial consultation covering letter:
 - AGMs
 - Public equality
 - Joint Pension Boards
 - Knowledge and understanding for pension committees.
13. There were also some further minor changes to the Scheme Advisory Board provisions, additional details about the powers of the Secretary of State to appoint an actuary to carry out valuations and further details on the proposed employer cost cap which is to be applied at a national level.
14. The response from the Wiltshire Pension Fund can be seen in Appendix A. This again welcomes the degree of local flexibility maintained in the draft regulations in terms of establishing a Local Pension Board but sought clarity on the issue of the ‘other’ members of the Board that was no longer mentioned.
15. The Wiltshire Pension Fund decided not to respond to the SAB consultation on their guidance documentation as the Fund’s Head of Pension sat on the Governance Working Group and Shadow Advisory Board Governance Sub-Committee that were tasked with developing this guidance and so had already input into the process.

Risks Assessment

16. There is are no direct increased risks from these consultations being issued, but there remains a risk of the administering authority not being compliant with legislation on 1 April 2015 if the Local Pension Board is not in operation. This risk has been mitigated as far as possible through the setting up of a working group.

Environmental Impact of the Proposal

17. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

18. There are no known implications at this time.

Financial & Legal Implications

19. There are no direct financial or legal implications considered as part of this paper.

Reason for Proposals

20. The Fund responded to this consultation to be proactive in shaping the future of the scheme.

Proposals

21. Members are asked to note the update.

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Unpublished documents relied upon in the production of this report: