

LGPS Governance 2014

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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. For the LGPS these will exist at the individual 'fund' level and will therefore be duplicated 89 times (subject to the outcome of call for evidence on the future structure of the LGPS)

The Scheme Manager : a hands on, decision making, management and investment function with the added task of ensuring there are no conflicts of interest for any pension board members

A function delegated under LGA 1972 section 101/102

The Pension Board would appear to be much more of a compliance and scrutiny role with a responsibility to ensure that the scheme manager is complying with its statutory responsibilities

A body created by PSPA 2013

Pension Boards

The Act allows for regulations to provide for the same committee to do both jobs (Clause 5(7)). At first glance it may seem that the same committee option is administratively expedient however:

- The roles are very different and may require different resources, for example, investment skills in one role and audit skills in the other,
- A single committee constitution may not be able to effectively encompass the decision making requirement of the scheme manager role and the ‘assistance’ role of the pensions board
- The cross scrutiny functions will prove difficult to apply and demonstrate within one committee
- Clause 5(4)(c) requires regulations to provide that the pension board should have equal numbers of employer and member representatives. Combining the two would include applying that requirement to the committee responsible for both roles.
- Different primary legislation applies – Sec 101 LG Act 1972 to delegated scheme manager function and PSP Act 2013 to pension board

National level governance - Scheme Advisory Board

Section 7

(1) Scheme regulations for a scheme under section 1 which is a defined benefits scheme must provide for the establishment of a board with responsibility for providing advice to the responsible authority, at the authority's request, on the desirability of changes to the scheme.

(2) Where, by virtue of section 4(5), there is more than one scheme manager for a scheme mentioned in subsection (1) (and accordingly there is more than one pension board for the scheme), the regulations may also provide for the board to provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards in relation to the effective and efficient administration and management of—

- (a) the scheme and any statutory pension scheme that is connected with it, or
- (b) any pension fund of the scheme and any connected scheme

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

The board leads on the **Call for Evidence** and the **Scheme Annual Report** with other matters handled by sub-committees who report back to the board.

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%

Scheme Advisory Board

Regulations will set out the actual structure and remit of the statutory Scheme Advisory Board . These regulations will form part of a governance section which will also cover

- Local governance structures
- Scheme level cost management
- Funding of new governance
- Timing of new governance
- Information requirements

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

www.lgpsboard.org.uk

ANY QUESTIONS?

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