



Essex County Council

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Brandon Lewis MP
Parliamentary Under Secretary of State
Department for Communities & Local Government
Eland House
Bressenden Place
London SW1 5DU

3 February 2014

Dear Minister,

Local Government Pension Scheme

I would like to highlight our serious concerns about the co-ordination, clarity and timeliness of the development of Regulations that apply to the Local Government Pension Scheme (LGPS) in England & Wales. These impair the effective administration of the LGPS and the service that LGPS beneficiaries and taxpayers expect.

LGPS Regulations for the New 2014 Scheme

The new Career Average benefit structure commences on 1 April 2014. The intention at the beginning of the process following the Heads of Agreement in December 2011, was that Regulations would be laid 12 months before the new arrangements began in order to allow Administering Authorities sufficient time to implement changes, upgrade software, train staff and so on. The requisite regulations fall into two categories: core and transitional.

The *core* LGPS 2013 regulations were laid on 19 September 2013, following a number of consultations. It remains a very serious concern that the key *transitional* regulations covering protection of accrued rights for existing scheme members are yet to be laid. The result is that with two months to go we still do not have sufficient clarity to move forward

The LGPS nationally already has 1.6 million employees and 1.5 million former employees entitled to a deferred benefit. From April 1 new retirees will require Career Average calculations to be included in their benefit entitlement. Lack of Regulations is now the highest ranked risk on the Essex Pension Fund's Risk Register, and diminishes the ability of administrators to operate to meet the level of service LGPS members are entitled to expect. We will clearly need to bring this national situation to the attention of the Fund's auditors

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New Governance Arrangements

The Essex Pension Fund always welcomes any developments that improve governance and improve the scrutiny of how the LGPS is operated. However it is a major concern to us in Essex, that the requirements of the Public Service Pension Act 2013 generate certain issues for the LGPS which may not be the case for other public sector pension schemes. The introduction of local Pension Boards to an LGPS Fund in particular could impose unnecessary and excessive bureaucracy given the established governance framework already in place.

It is anticipated that the Local Pension Boards are to be in place by April 2015. There is now an expectation that draft Governance Regulations will be published around Easter 2014. However, this is much later than originally expected and at the time of writing the precise role of these new Boards (and the impact for residual / remaining committees) is yet to be determined. One clear option, which would enable a speedier implementation, would be for the Regulations to recognise the scrutiny and audit arrangements already in place within local authorities and seek to utilise these.

It is to be hoped that when issued the draft Regulations will be comprehensive and provide sufficient clarity, even if still subject to consultation. Failure to do so will inhibit the planning and implementation process. Further delays would be particularly unhelpful, given that Council Constitutions will potentially need to be amended, the new Boards populated and Members trained to ensure they can carry out their role effectively.

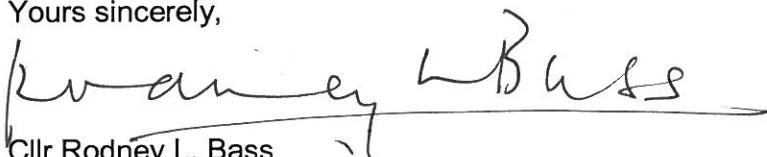
Academy pooling

Last autumn saw a brief consultation on Academy pooling within the LGPS. The 2013/14 Actuarial Valuation / Funding Strategy process is at an advanced stage and yet it is still not known whether a decision on pooling is to be made or not. This uncertainty hinders stakeholder planning. In this absence of clarity, Administering Authorities will therefore be required to implement contribution arrangements w.e.f. 1 April 2014 that may subsequently need to be revisited. If that is the case, additional costs will be incurred.

In closing I would highlight that in the past LGPS Funds have found that implementing late regulations whilst extremely difficult is not impossible. However, the scale and complexity of the expected changes, compounded by the concurrent nature of the totality of changes is unprecedented. This increases the potential for operational error, affecting substantial numbers of scheme members. These risks can be mitigated if there is a clear path of publication of new and proposed Regulations, and recognition of the time required to implement these changes in a properly managed way.

We are very happy to work with the Department to assist in the implementation of new regulations or to discuss options under consideration for new arrangements, but it is in all our interests to manage this ambitious programme effectively and, I sincerely trust you will give urgent consideration to the matters raised on this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rodney L. Bass', written over a horizontal line.

Cllr Rodney L. Bass
Chairman, Essex Pension Fund Board