



ANNEX A

ESSEX PENSION FUND

Response to DCLG consultation: *Draft Regulations on Scheme Governance*

Background

The Essex Pension Fund is the tenth largest of the eighty nine LGPS funds within England and Wales. It currently has in excess of 550 separate employers, including over 180 Academies.

The Essex Pension Fund Board operates as the s101 Committee (under the terms of the 1972 Local Government Act). The DCLG consultation was an agenda item for the Board at its meeting on 9 July 2014, and the following observations are based on the Board's consideration of this matter.



Public
Sector
Scheme
of the
Year



WINNER

Fund of the Year (Above £2bn)

INTRODUCTION

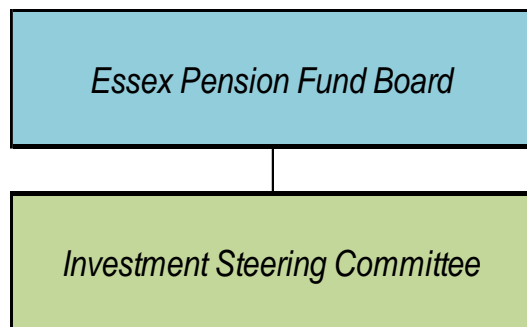
The Essex Pension Fund welcomes the opportunity to participate in this consultation on revised governance arrangements for the Local Government Pension Scheme (LGPS). It is felt that good governance reduces the risks associated with administering the LGPS.

However it has also been clear to us that the requirements of the Public Service Pensions Act 2013 impact the LGPS in a unique way. Whilst many public sector schemes governance arrangements are starting afresh, in contrast there is already an established governance landscape within the LGPS.

ESSEX PENSION FUND - existing governance arrangements

In 2008 the Essex Pension Fund Board (“the Essex Board”) was established. This body fulfils the discharge of function under Section 101 of the Local Government Act 1972 and has overarching responsibility for the Essex Pension Fund.

Specific responsibility for the establishment and maintenance of the Fund’s investment strategy has been delegated to an Investment Steering Committee (“the ISC”). The ISC reports to the Essex Board as illustrated below.



Each body has its own Terms of Reference. Membership details are set out below:

Essex Pension Board	Nominated by:	Investment Steering Committee
6	Essex County Council	6
2	Unitary Councils	
2	District, Borough & City Councils	1
1	UNISON	1
1	Essex Fire Authority	
1	Essex Police & Crime Commissioner	
1	Smaller Employers	
14		8

The Fund's responses on issues raised within the consultation are as follows.

LOCAL PENSION BOARDS – combined with S101 Committees?

The regulations allow for the possibility of administering authorities combining an existing s101 committee with the new Local Pension Board (LPB). In our view these bodies have separate functions.

S101 committees / sub committees exercise delegated powers on behalf of the administering authority. The new LPB's role is to assist the administering authority in complying with legislation. It does not appear to be intended to be the primary decision making body.

This leads us to conclude that S101 Committees should not be combined with the new Local Pension Boards.

LOCAL PENSION BOARDS - establishment

Given the points made above, we do not feel that authorities should use the existing s101 arrangements for setting up the new LPBS. We therefore favour the alternate version of Regulation 106(5) as described in paragraph 3.6 of the consultation. This approach allows administering authorities discretion to establish the procedures applicable to the new LPBs such as voting rights, the formation of joint committees and the payment of expenses.

LOCAL PENSION BOARDS – joint across Funds

Given the existing governance landscape and the different roles carried out by S101 committees and the new LPBs it would be sensible to allowing joint LPBs to operate across a small number of administering authorities. This would not only promote best practice and strengthen governance standards, but also limit costs. In recent years there have been significant steps taken in terms of joint working, collaborations between funds and the use of frameworks – joint Local Pension Boards build on this.

TIMING

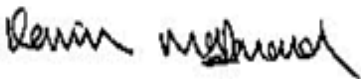
The requirement to have LPBs in place by 1 April 2015 is understood. However we note that Regulations will not be published before autumn 2014. This leaves Funds with little time to make the necessary arrangements and populate the new LPBs. We therefore suggest that both DCLG and the Pension Regulator regard sympathetically those Funds whose arrangements are evidently “work in progress” at 1 April 2015, and do not formally complete until sometime during 2015/16.

ANNUAL GENERAL MEETINGS

We note that a requirement to hold an AGM is being considered as part of the Regulations. The Essex Pension Fund holds an *Employer Forum* every year – and so is already in compliance with the existing DCLG statutory guidance. However in our experience, dialogue with stakeholders is a continuing commitment that takes a variety of forms. We have held specific seminars and workshops for particular groups of employers (i.e. Academies, Colleges and Parish Councils) along with Roadshows for individual scheme members. As a result confining engagement to one AGM appears restrictive.

It is hoped that these comments are found to be useful.

Yours sincerely



For and on behalf of the Essex Pension Fund

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