

Essex Pension Fund Board	EPB/24/14
date: 17 September 2014	

Local Government Pension Scheme (LGPS) Reform Scheme Governance

Report by the Director for Essex Pension Fund and the Independent Governance & Administration Adviser

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1. Purpose of the Report

To allow the Board to:

- 1.1 be updated on the draft Regulations on Scheme Governance; and
- 1.2 consider next steps

2. Recommendations

It is recommended that the Board:

- 2.1 note the Fund's response to the draft Regulations; and
- 2.2 agree the outline timetable shown in paragraph 7.1.

3. Consultation response on draft Regulations on Scheme Governance

3.1 A presentation on the draft Scheme Governance Regulations was made at the last meeting of the Board, and a number of issues regarding the new Local Pension Boards (LPBs) were highlighted during discussion.

3.2 The Fund's response was submitted during August, is set out in Annex A, and included observations which are summarised below:

- existing S101 Committees and the new LPBs have different functions, and therefore should not be combined;
- as a consequence the Fund's preference is for administering authorities to have the discretion to establish the procedures applicable to the new LPBs such as voting rights, the formation of joint committees and the payment of expenses;
- joint LPBs should be allowed to operate across a small number of Funds;
- confining engagement with employers to one AGM appears restrictive; and
- the timing of the published Regulations is likely to give little time to populate the new LPBs. As a consequence both DCLG and the Pensions Regulator ought to be sympathetic to those Funds whose arrangements are underway as at 1 April 2015, but not finalised.

4. Other key publications

4.1 In addition to the Regulations mentioned above there are two further key publications:

- The **Code of Practice** from the Pensions Regulator. This was issued in draft form in December last year and was the subject of the Governance training sessions delivered by the Independent Governance & Administration Adviser (IGAA) in January 2014.
- **Guidance** on the creation and operation of local pension boards. The Shadow Scheme Advisory Board (SSAB) has tasked its Governance & Standards sub-committee with developing guidance on the creation and operation of local pension boards to further assist pension fund practitioners with the work needed to realise these new boards. A two week consultation on this guidance was expected to take place towards the end of September/early October 2014, however, as DCLG is expected to mark parts of this Guidance as statutory (i.e. it must be taken into account by the LPBs), a longer consultation period may be required.

5. Publications summary

Publication	Consultation on draft
Regulator's Code of Practice	10 December 2013 -17 February 2014
Regulations on Scheme Governance	30 June 2014 – 15 August 2014
Guidance	Expected Late September / early October Endorsement of 'best' draft by SSAB to follow

6. Governance Working Group

- 6.1 At the July meeting, the Pension Board agreed to the formation of a Working Group (GWG) consisting of Cllr Susan Barker, Cllr Jon Whitehouse and Jenny Moore. The Group would explore possible options and be supported by Barry Mack the IGAA, and two Fund officers.

7. Recommendation - outline timetable

- 7.1 In light of the anticipated timings of the publications highlighted in section 5 above **it is recommended** that the following outline timetable is considered for adoption.
- 7.2 This requires changing the forthcoming strategy day on 19 November 2014 to a meeting of the Governance Working Group, and holding an additional Board meeting on 19 January 2015 instead of a training session the following day.

Date	Event (original)	Event (proposed)	Comment
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19 November 2014	Board Strategy day	Governance Working Group	GWG (am) explore options in light of available publications.
10 December 2014	Pension Board	Pension Board (no change)	GWG update the Pension Board on progress
Mid December 2014 – Mid January 2015			GWG, IGAA & Fund officers monitor situation GWG finalises proposals
20 January 2015	Training session	19 January 2015 (pm) Pension Board (additional meeting)	An additional meeting of the Pension Board to formally consider final GWG proposals. <i>(NB: this is proposed one day earlier than the originally scheduled training session).</i>
10 February 2015	Full Council	-	Essex County Council considers the Pension Board's proposal
Mid February onwards			Process of populating new Local Pension Board commences.

7.3 The outline timetable is consistent with the arrangements for the re tender for the position of IGAA which is the subject of a separate item on this agenda.

8. Link to Essex Pension Fund Objectives

8.1 Maintaining awareness of current issues with regard to LGPS reform will assist the Board in achieving the following Fund objectives:

- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk and compliance
- To ensure the Fund is properly managed
- Compliance with Fund's governance arrangements.

8.2 Failure to maintain an awareness of current issues with regard to LGPS reform and respond to consultations would mean that the Fund’s views were not taken into account when changes are proposed.

9. Risk Implications

9.1 The anticipated timing of the finalised Regulations has led to a change in score for risk G1 *“Failure of governance arrangements to match up to recommended best practice leads to loss of reputation and employer confidence and /or need to make major changes at short notice”*.

9.2 The change in ratings for this risk are detailed below:

	Residual Impact	Residual Probability	Residual Risk score	Above key risk threshold (residual risk score of 6)
Prior rating	3	1	3	No
Current rating	3	3	9	Yes

10. Communication Implications

10.1 When the consultation on the guidance is issued, a draft response will be circulated to the all members of the Pension Board via email for comment.

11. Finance and Resources Implications

11.1 The expenses of the new LPB will be met from the Fund.

12. Background Papers

12.1 Annex A – Fund response to DCLG consultation: Draft Regulations on Scheme Governance, August 2014

12.2 Fund response to Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper, September 2013

12.3 Training session on Governance by Independent Governance & Administration Adviser 22 January 2014.

12.4 Item 6C (Draft Regulations on Scheme Governance) from Pension Board agenda 9 July 2014.