

Essex County Council
Essex Pension Fund
Corporate Services
County Hall
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Essex CM1 1LX



Mr Philip Perry
Department for Communities and Local Government
Zone 5/G6 Eland House
Bressenden Place
LONDON
SW1E 5DU

Our ref: Penfund/kmcd
Date: 2 September 2013

Dear Mr Perry,

Local Government Pension Scheme (England & Wales) new governance arrangements – discussion paper

The Essex Pension Fund (“the Fund”) welcomes this opportunity to comment on the discussion paper issued regarding the new governance arrangements for the Local Government Pension Scheme (LGPS). It is felt that good governance reduces risks associated with running the LGPS.

Public Service Pensions Act 2013

The discussion paper stems from the Public Service Pensions Act 2013 (“the Act”). The Act which applies to the LGPS as well as other public sector schemes, requires the establishment of a local Pension Board. Under Section 5 of the Act, the local Pension Board’s role is defined as securing compliance with regulations and legislation. This has been widely interpreted to be a scrutiny function.

Also under Section 5 of the Act is the requirement that local Pension Boards “*include employer representatives and member representatives in equal numbers*”.

Essex Pension Fund - existing governance arrangements

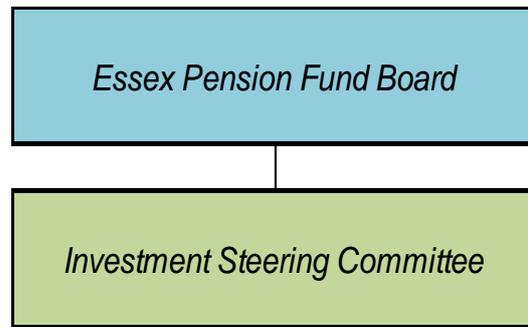
In 2008 the Essex Pension Fund Board (“the Essex Board”) was established. This body fulfils the discharge of function under Section 101 of the Local Government Act 1972 and has overarching responsibility for the Essex Pension Fund. This is a broader remit than the scrutiny role referred to above.

Specific responsibility for the establishment and maintenance of the Fund’s investment strategy has been delegated to an Investment Steering Committee (“the ISC”).

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The ISC reports to the Essex Board as illustrated below.



Each body has its own Terms of Reference. The current workload of both the Essex Board and the ISC involves scrutiny. 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 to the key questions posed within DCLG's discussion paper are set out below:

Question: Should the new Scheme Regulations require local Pension Boards to be a body separate from the statutory committee or for it to be combined as a single body ?

Response: The Essex statutory committee is the Essex Board. Its establishment followed careful consideration of the size and profile of the Fund's employers and their responsibility to help fund the required benefits. It also includes one UNISON nominee who represents scheme members. This broad balance is felt to be appropriate and one with which the Fund would wish to continue.

The Act requires equal member and employer representation (highlighted above). As a consequence, combining the new local Pension Board with the current Essex statutory committee would require significant changes which would fundamentally alter the existing membership balance. In turn, this could present practical and logistical difficulties.

In light of the legislative framework, a local Pension Board that is separate from the statutory committee appears the only sensible way forward.

Question: Although not required by the Act, should Scheme regulations prescribe a minimum number of employer and employee representatives ?

Response: No. This should be determined locally.

Question: What period, after new governance regulations are on the statute book, should be given for scheme managers/administering authorities to set up and implement local pension boards ?

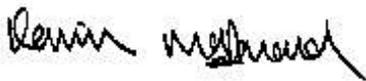
Response: Given the requirements of the Act, existing LGPS Boards and Committees will need appropriate time to both consider and implement the new governance arrangements. Between now and March 2014, LGPS Funds in England & Wales will be working through the 2013 Actuarial Valuation process. In April 2014, the new CARE scheme arrangements (for which regulations are awaited) are due to commence. It is therefore felt that the governance regulations should provide that the earliest date to implement local Pension Boards should be April 2015.

Question: How long after new governance regulations are on the statute book should the national scheme advisory board become operational ?

Response: The structure and membership of the *shadow* national Scheme Advisory Board are already known. It would be appropriate for the *shadow* national Scheme Advisory Board to become *the* national Scheme Advisory Board from April 2014. This would facilitate the provision of guidance to Administering Authorities in the build up to implementing local Pension Boards.

It is hoped that these comments will help inform the future governance arrangements for the LGPS.

Yours faithfully,



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