

**Speech by Joanne Segars, Chair of the Shadow Scheme
Advisory Board**

2013 NAPF Local Authority Forum – 18 July

Good afternoon colleagues.

I am delighted to see so many of you here today for this Summer meeting of the NAPF Local Authority Forum.

I'm here today, though, to talk to you as Chair of the newly-formed Shadow Scheme Advisory Board. It's so new in fact that it had its first meeting only on Monday.

Let me say that I'm honoured to have been elected to Chair the Shadow Advisory Board, and to help steer this important new body at such a critical time for the LGPS.

Let me also take this early opportunity to thank my fellow Board members their commitment to seeing through some of the key challenges ahead.

If you've taken a quick look at the LGA website, you'll have seen that it's a pretty big Board.

The board is drawn from all parts of the LGPS community, including employers, unions, practitioners, and specialist advisers. Many of its members are here today.

Regardless of its size, it is essential that as a Board we work collaboratively.

People may sit around the Board table drawn from different backgrounds, but we have common interests and ambitions – delivering outcomes that support a sustainable future for the LGPS.

So, we need to work collaboratively. Based on experience to date, I've every confidence that that will be the case.

So if our first rule of operating is to work collaboratively, our second is that the Board mustn't be a talking shop. It would be quite easy for us to slip into debate and deliberation.

Instead, the Board's role must be about delivery, getting results and making a difference. Again, I know my fellow Board members share that ambition.

The Board has, of course, been a long time in the making.

It seems like a lifetime ago now that Lord Hutton suggested that the public service schemes should have their scheme-level governance bodies, and that we together won the argument that the LGPS should too.

So let me quickly remind you about the Shadow Board's role and remit.

- First, it's to provide advice to the secretary of state on the desirability of changes to the scheme.

So, that's about the Board being involved at *scheme* level.

That doesn't always mean, of course, that the Minister will accept the Shadow Board's recommendations. And by the same token, it doesn't always mean he'll like the advice he's given, though I hope he does.

- The second key function is to provide advice to LGPS scheme managers and pension boards in relation to the effective scheme management and administration of the LGPS.

So that's about the Board being involved at *fund* level.

So, the remit is pretty broad, and its role is to be both reactive and proactive, as you can see.

But what I think what all that really boils down to in practice are two things:

1. The successful delivery of the LGPS 2014; and
2. Dealing with the Minister's call for evidence on structural reforms to the LGPS.

One thing's for sure - we're not exactly going to be short of work.

We're less well blessed for time, of course. There are only 257 days to go before the new scheme has to be up and running.

So time is running short.

Let me say a few words, then, about the Shadow Advisory Board's work on the 2014 reforms.

Much of the work and heavy lifting to lay the ground for the 2014 reforms will be taken forward by the five sub-committees the Board has established.

These cover:

1. Standards and Governance
2. Administration and Communications
3. Investment and Engagement
4. Value for Money and Collaboration; and
5. Cost Management and Contributions.

Again, there are lots of things the sub-committees could do. So, again it's been necessary to prioritise. When we met on Monday the sub-committees were put straight to work on the following priorities:

- Standards and Governance will be supporting the Pensions Regulator in developing its governance and administration codes of practice;
- Administration and Communications will be developing recommendations on a revised ill health retirement process;
- Investment and Engagement will be developing recommendations on revised investment regulations; and
- Cost Management and Contributions will be formalising the LGPS cost management methodology.

In addition the Value for Money Committee will be collating all the existing joint procurement frameworks and collaborative commissioning.

Over the summer, the sub-committees will be taking forward these work plans.

There is a substantial amount of activity here, and the sub-committees are likely to need your help in delivering some of this.

So if you're asked to help – please do. And if you've got ideas – don't wait to be asked to let us hear them.

Of course, the Shadow Board, and its sub-committees aren't the only groups working on LGPS issues. At the last count there were around 30, not including individual pension committees! That's a lot of groups!

And it's a lot of good people doing a lot of good work.

But I'm sure we'd agree that there's scope for streamlining it.

So, in the longer term, we need to think about how these groups can be dovetailed with the Board to ensure that work is taken forward in a clear, efficient and coherent way.

This not about empire building, but ensuring that work is coordinated appropriately.

In the shorter term, we need to make sure we are co-ordinated and not duplicating effort. None of us has time to waste.

The 2014 reforms aren't the only game in town, of course.

Many of you will have heard the Minister, Brandon Lewis, talk at the NAPF Local Government Conference in May about his ambition for structural reform.

Since then, of course, LGA and CLG have jointly published a call for evidence which marks the start of an important, public, debate about the future of the LGPS.

I'm hearing two views emerging from people's initial reactions to the Call for Evidence:

- Firstly, is there any point in responding, hasn't the Minister already made up his mind? And;
- Secondly, our fund hasn't undertaken any of this kind of analysis so what can we usefully provide in response?

In response the first point I believe that the Minister is genuinely open-minded about the outcome of this debate.

Don't get me wrong there is a wider political imperative driving this discussion. And the Minister has made it clear that the current situation cannot continue. The buzz words in central, just as local government are about efficiency and cost saving.

You don't need me to tell you, of all people, that.

However I believe the Minister is genuinely open-minded when it comes to questions such as:

- what does reform – and what does “good” look like?
- if the answer is consolidation, what's the right number of funds if 89 isn't the answer? and
- perhaps the most difficult question of all ...how – and when – do we get from here to there.

But to be clear - structural reform of some sort is going to happen.

So it's important that we all play a full part in the debate so that the conclusions work for LA funds and deliver something worthwhile.

The Minister has asked the Shadow Advisory Board to review the responses to the call for evidence and to provide advice on the range of options for reform.

Something tells me there's going to be plenty of evidence for us to look at.

And something also tells me that there will be plenty of advice for us to provide!

That advice has to be built on the evidence.

So in terms of what funds might usefully input to the debate – well, it's helping us build up that evidence base.

What I have in mind is some of the key information you gather for your annual reports that will help identify what changes may drive down costs and improve efficiency.

- For example if the number of employers in the scheme has gone up and the corresponding cost of administration has also increased, is this because there is a direct link between these two aspects of the scheme or are there other factors at play?
- Similarly if costs have gone down is this because the size of the scheme means it can negotiate more competitive quotes for such services?

And we also want to hear the evidence from the structural changes already taking place, including the framework agreements and the collaborative commissioning.

The role of the Shadow Advisory Board, then will be to evaluate and analyse the responses and to make recommendations on a possible range of reforms to the Minister in the Autumn.

He will then move forward with a further consultation later this year.

Our advice will take place within the wider context of ensuring we can deliver good pensions in a sustainable and efficient framework.

In so doing, it must also take account of the linked debate of tackling deficits.

In particular we know that the Government is keen to hear ideas on how to tackle deficits and improve investment returns.

Annual report

Of course it's immediately clear that to answer the questions of "what does good look like" when it comes to the LGPS...

...let alone be able to measure an efficient scheme...

....still less be able to answer some of the questions that need answering to deliver the 2014 scheme...

...we need decent data.

Whenever we talk of pensions and data, I'm constantly reminded of the Rime of the Ancient Mariner – *water, water everywhere but not a drop to drink.*

I guess in this case it might be *data, data everywhere but none of it makes sense.*

Well, at least, not much of it speaks to each other and we know there are big data holes.

I'm not thinking specifically about the LGPS, but pensions generally.

It's not a new complaint either. Lord Turner made the same point over 10 years ago. And to put my NAPF hat on for a moment, it's something that endlessly frustrates us at the NAPF too.

The LGPS is no exception.

It's why the Minister has asked the Shadow Board to help produce an annual report for the LGPS which brings together data from all the funds in England and Wales.

There are, of course, a number of ways you could do this.

- At its simplest, we could bring together all the 89 reports in one place. That would be a step forward, but not really help us much in comparing one scheme with another and trying to answer that all-important question “what does good look like?”
- In addition we could bring together the analysis already undertaken by organisations, for example CLG's annual statistical release and the NAPF Annual Survey. That would also be a step forward.

- But if we really want to compare one scheme against another what we need is a single report with a commentary and analysis of how the scheme is performing overall and where various funds sit relative to this general performance level.

It's this bigger vision that the SAB has agreed to pursue.

Identifying the ambition is the easy bit.

Delivering it is a bit harder. Well, quite a lot harder, actually.

So the Shadow Board is going to spend part of the summer with wet towels over their heads looking at the sort of data that it would be most useful to collect, and how we can develop a metric that enables a sensible comparison.

So the Board will be thinking about:

- what information is already collected;
- what new data we may require; and
- what analysis may be of specific relevance to the LGPS.

Once we've got that data, we can really see how well individual funds are performing across a range of factors, such as funding levels, governance, investment strategies, and administration costs.

It will give us not only a fund-by-fund comparison but also a holistic picture of the strengths and weaknesses of the scheme.

It will also tell us where the scheme and funds compare favourably or less favourably with private sector counterparts, where that is relevant.

....

So, to conclude

I hope from what you've heard so far, you can see that the Board isn't letting the grass grow under its feet.

We've only had one two-hour meeting, and we've already developed for ourselves and the sub-committees a pretty big work programme. And the timescales are tight.

So a key issue will be resource, both in terms of people, but also the money required to conduct key pieces of research.

We will continue our discussions with the Government about the need for such resources for the Shadow Board, in particular in advance of any final decision about a levy to fund the Board when it's up and running properly.

But, in the meantime, we're focussed on getting the job done.

Putting in place radical changes for the world's 5th largest pension scheme – a scheme with 4.6m members and nearly £150bn of assets – is no small task.

I am honoured to be working with the Board to encourage these debates and find ways to meet these challenges

Together we can achieve much.

And that brings me back to where I first started.

I said that if the Shadow Advisory Board is to succeed, it needs to be a collaborative body. That's right. But I'm not just talking about collaboration within the SAB's members.

It's about collaboration with the whole LGPS community.

If we are to succeed, we will also need your help, views and support.

I am keen that throughout this process the Shadow Board truly represents the whole of the LGPS and I would encourage employers, members and practitioners to use their representatives on the Board to ensure that their views are reflected.

As we progress our ambitious work programme, I want to hear from you too.