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Robert Ellis
Department for Communities and Local Government
Workforce Pay and Pensions
2nd Floor
South East Quarter
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Dear Mr Ellis,

Re: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 Consultation

We are responding to the consultation above, issued 10 October 2014 on the amended governance regulations for the Local Government Pension Scheme and cost control mechanisms for the Scheme.

Establishing local pension boards

The NAPF welcomes the revised governance regulations, which take on board many of the recommendations made by the NAPF in response to the initial consultation. In particular, we welcome that administering authorities will be able to establish their own procedures for the creation of the local pension boards (LPBs). We do not believe establishing the LPBs under the existing framework would have been compatible with the function and membership of the LPBS.

In order to achieve a level of consistency across LGPS funds we believe the Shadow Scheme Advisory Board (SSAB) should set out detailed guidance on the establishment, appointment and function of these boards. The Shadow Board is currently consulting on draft guidance and we will be responding to this consultation. The NAPF is not convinced that the SSAB guidance needs to be statutory in nature as this restricts the amount of direction it can give to funds. Given that funds are required to 'have regard' to any Scheme Advisory Board guidance we think more directive guidance, in particular around the minimum Terms of Reference for LPBs, will be incredibly valuable to all funds and especially those struggling with how to establish this new body.

Local pension board membership

The amendments to the membership regulations are helpful. However, it would be useful if the final regulations could clarify that elected members can sit on the LPB of another administering authority. We have a number of members who are looking to populate LPBs with the elected members of neighbouring authorities to ensure they have board members with sufficient experience and capability. We think it would be helpful if the regulations could be explicit about the fact that in addition to member and employer representatives, others can sit on the LPB. The regulations do not explicitly forbid this but clarifying this point would minimise any confusion. Ideally the regulations should state that the number of 'other' members should not exceed the total number of member and employer representatives.

Joint Boards

Despite being referenced as key policy areas in the original regulation consultation document, there is no reference in these revised regulations to Joint Boards, AGMs or the application of the Public Sector Equality Duty. The NAPF understands that these will be addressed in the final regulations but it is disappointing not to see the detail at this stage.

Scheme Advisory Board

The revised regulations make it clear that the Secretary of State appoints all Board members, not just the Chair. Similarly Sub-Committee appointments require the agreement of the Board. We welcome these changes for the degree of independence and transparency that they add. We also welcome the fact that the new regulations provide for three non-voting advisory members to be appointed to the Board. However, we would like the regulations to go further. We think it is critical to the effectiveness of the Scheme Advisory Board that LGPS practitioners, those who actually run the fund at local level, have a clear position on the Board. We would argue that at least two of these three non-voting positions should be filled by practitioner representatives elected from LGPS fund officers. We also believe that there should be at least one practitioner on each Board Sub-Committee.

In order for the Scheme Advisory Board to carry out its functions it will need to have a separate budget and its own secretariat. The NAPF supports the proposal to fund the Scheme Advisory Board as part of scheme administration costs. We believe that a subscription calculated using membership bands to be the fairest way to achieve this aim. However, there should be a structure for how these funds are directed, for example setting out whether these are provided from the funds to DCLG or via another means. The Board should also have a dedicated secretariat. This could either be a secretariat taken from DCLG staff or a support team that the Board employs from its own budget.



Cost control regulations

We welcome the cost control regulations, in particular the provisions that allow the Scheme Advisory Board to make recommendations on managing costs within the 4% HMT window.

Kind regards

Helen Forrest

Policy Lead: DB

National Association of Pension Funds