

Item 7

CT/13/44
Investment and Pension Fund Committee
13 September 2013

GOVERNANCE ISSUES

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: (a) That the Committee notes the action of the Chairman in agreeing a response to the consultation document issued by the Department for Communities and Local Government on “The Local Government Pension Scheme (England and Wales) new governance arrangements (LGPS)”.
(b) That the Committee approves a revised Governance Policy and Compliance Statement.

1. Introduction

- 1.1 This report updates members on the latest consultation on governance arrangements for the LGPS.
- 1.2 The report also sets out a revised Governance Policy and Compliance Statement for the Devon Fund for approval.

2. Consultation on revised Governance arrangements

- 2.1 Shortly after the last committee meeting a consultation document was issued by the Department for Communities and Local Government on “The Local Government Pension Scheme (England and Wales) new governance arrangements (LGPS)”, with a closing date of 30th August.
- 2.2 The consultation follows the passing into law of the Public Sector Pensions Act (‘the Act’), which was subject to a report to the last meeting of the Committee. A submission was drawn up by officers in consultation with the Chairman, in order to meet the deadline.
- 2.3 As reported at the last meeting, the Act provides a standard governance framework within which all public sector pension schemes should operate. In summary, the Act introduces a list of new governance groups:
 - Scheme Advisory Board – to make recommendations to the Secretary of State, the Pension Regulator and local boards on the effective governance, administration, performance and cost management of the scheme
 - Pensions Board – to assist the Scheme Manager in securing the effective and efficient governance and administration of the pension scheme. The Act requires that the Board must have an equal number of employer and member representatives, and that members must not have a conflict of interest.

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- Scheme Manager – to be responsible under the regulations for managing and administering the pension scheme. The Act makes clear that for the LGPS this will be the relevant administering authority.

2.4 The key question posed by the consultation was whether the new LGPS scheme regulations should require local pension boards to be a body separate from the existing statutory committee or for them to be combined as a single body. There are a number of pros and cons to this.

Advantages of having one committee/board

- Officers only have to service one committee which would remove duplication of effort.
- Will avoid significant additional costs.
- Members of pension committees would receive a higher level of training and knowledge.

Advantages of a separate board

- Can better act in an audit role.
- Could be smaller in numbers.
- Would allow current committee to remain constituted similar to the current make-up, without the requirement for equal numbers of employer and employee representatives.

2.5 On balance it was concluded that the Pension Board should be a separate body, in order to more effectively fulfil its audit/scrutiny role, but that issues such as how often the board should meet should be left to local determination.

2.6 The full response is attached as Appendix 1 to this report.

3 Devon Pension Fund Governance Policy and Compliance Statement

3.1 Under regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it.

3.2 The Devon Pension Fund last updated its governance policy and compliance statement in February 2006, and the policy is therefore out of date and in need of revision. Given the current proposal to change governance arrangements for LGPS Funds it could be argued that revision of the current policy should wait for the new regulations. However, given that the changes are unlikely to be implemented for another 12-18 months, it was considered that a revised Governance Policy and Compliance Statement should be brought to Committee now to apply for the interim period until the new regulations come into effect.

3.3 The key changes to the revised strategy are:

- Updating of information in relation to the Fund's Independent Advisor and Actuary;
- A fuller description of the tasks delegated to the Committee and the County Treasurer;

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- A more comprehensive analysis of the Fund's compliance with the latest guidance issued by the Secretary of State for Communities and Local Government.

3.4 One change to the proposed delegation arrangements is that while the Investment and Pension Fund Committee should be responsible for the determination of Pension Fund policy in regard to employer admission arrangements (within the limits prescribed by regulation), the County Treasurer is delegated the responsibility for the admission of organisations into the Pension Scheme. As a consequence applications for admitted body status will no longer be brought to the board for agreement. New admitted bodies will be reported to the Committee for information on an annual basis.

3.5 A copy of the revised Governance Policy and Compliance Statement is attached as Appendix 2 to this report.

4 Conclusion

4.1. Members are asked to note the response to the consultation document issued by the Department for Communities and Local Government on "The Local Government Pension Scheme (England and Wales) new governance arrangements (LGPS)", and approve a revised Governance Policy and Compliance Statement.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

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