

Your Ref:
Our Ref: PJF
Date: 15 August 2014
Enquiries to: Paul Finbow
Tel: 01473 265288
Email: paul.finbow@suffolk.gov.uk



LGPS Governance Regulations 2014
Department for Communities and Local
Government
Zone 5/F5 Eland House
Bressenden Place
LONDON
SW1E 5DU

Dear Sir,

Consultation Response: Draft LGPS Regulations on Scheme Governance

Thank you for the opportunity to respond to the consultation.

The importance of good governance in managing LGPS Funds is already well documented and understood. The raft of best practice guides that already exist helps ensure Funds do take the principles of good governance into account. Existing Pension Fund Committee members do understand their responsibilities and are well aware that they are accountable for their decisions.

It therefore seems a little odd that in these days of austerity and the requirement to drive down costs that the consultation is proposing to add to the costs of LGPS schemes. The costs of running individual Fund specific Pension Boards and the costs of the Scheme Advisory Board are all additional to what Funds currently pay. What is less clear is the benefits that will derive to the Funds from this. If there are Funds that are currently failing on governance issues, is there not a simpler and less costly way of putting this right without the need for additional bureaucracy?

The introduction of Pensions Boards overseeing the work of the Pensions Committee may have some unintended consequences. Some existing Pension Fund Committee members feel strongly against the oversight of their role, and may lead to some considering stepping down from Committees when Pension Boards are created.

The thrust of the proposals appears to try to fulfil a need to 'be seen to be doing something'. In this case, it seems to be to ensure that the public money in the scheme is being spent wisely. However, the 2013 Act has already taken steps to ensure that cost increases in the future will be contained. Not only this but the LGPS, unlike other schemes for public servants, is a funded scheme. Many of the individual funds will remain cashflow positive for decades even without further action. The case for increased oversight, at a cost to all of the Funds, has been made dubiously, if at all.

Following the close of this consultation, DCLG must decide quickly on the final drafting of the regulations and get them passed by the end of September 2014 at the latest, if DCLG still require Administering Authorities to create a Pensions Board by 1 April 2015.

Turning now to some specific points about the content of the draft regulations:-

It is unclear why Councillors are not eligible to sit on a Pension Board as a Scheme Employer representative. Their exclusion may make it harder to make appointments to the Board.

Finding equal numbers of Scheme member representatives may also provide some Fund's with a challenge. Many Funds already have union representatives sitting on their Pensions Committees, and finding others including pensioners who are willing to represent the interests of scheme members on a Pensions Board may be problematic. This requirement also makes it impractical that a Pension Board and Pension Committee could be combined. Decision making and accountability would be compromised from the clarity that exists at present.

There is a requirement for Board Members to have relevant experience and capacity. This is currently undefined and again puts a potential barrier in the way of successfully creating a Pensions Board.

We believe that a S101 committee structure could still be used to create a Pension Board. We already use this as the basis for the operation of the Health and Wellbeing Board that was created in the last few years. However, should DCLG decide to offer flexibility to its creation, authorities that wanted to create their Pension Board using S101 powers could still do so.

I trust you find the consultation response useful.

Yours faithfully

Peter Bellfield
Chairman of Suffolk Pension Fund Committee