

# Warwickshire Local Pension Board

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# What are we going to cover?

## General LGPS and Pensions framework



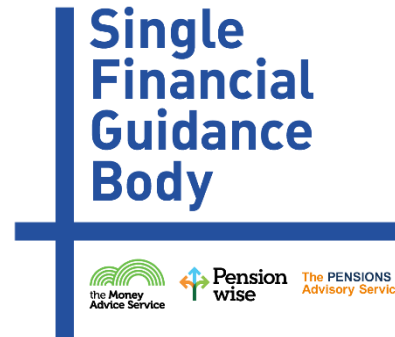
## Who's who



## LGPS developments; Good Governance and role of the Pension Board



# All of these groups are interested in your Governance arrangements



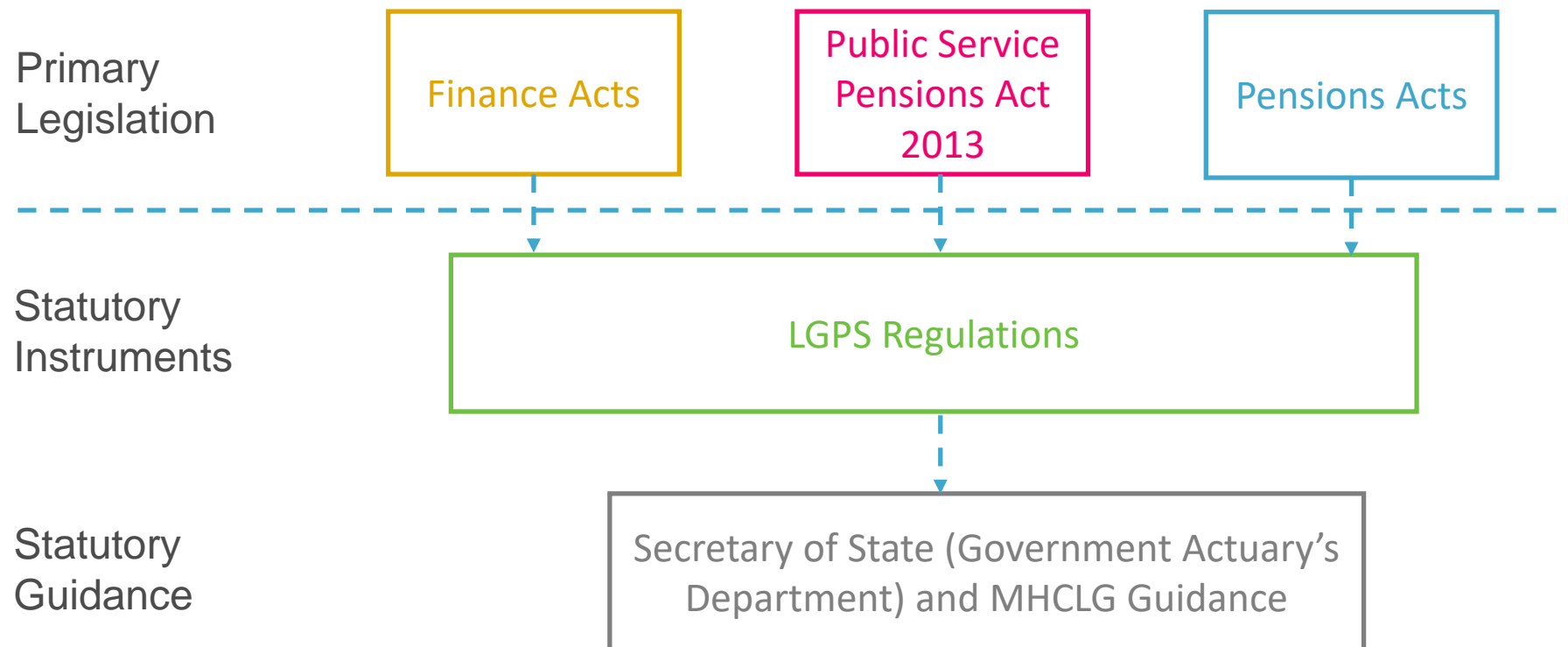
The Pensions  
Regulator



# Pensions Framework



# General Pensions Framework



# Primary Legislation

## Finance Acts (HM Treasury)

- Tax relief on pension contributions
- Tax free cash lump sum
- Thresholds on lifetime and annual pension savings
- No tax on investment growth
- Freedom and choice

## Pensions Acts (Dept Work & Pensions)

- Disclosure requirements
- Contracting out (still relevant)
- Governance e.g. dispute resolution, record keeping, funding strategy

## Public Service Pensions Act 2013 (HM Treasury)

- Benefit structure (Career Average Revalued Earnings)
- Local Pension Boards
- Role of the Pensions Regulator in public sector
- Scheme Advisory Board

# LGPS Regulations and Guidance

## LGPS Statutory Instruments

- LGPS Regulations 2013 (as amended)
- LGPS (Management and Investment of Funds) Regulations 2016 Lots of saved former regulations (2008, 1997, 1995 etc etc)
- ...all subject to (numerous) amendments!

## LGPS Statutory Guidance

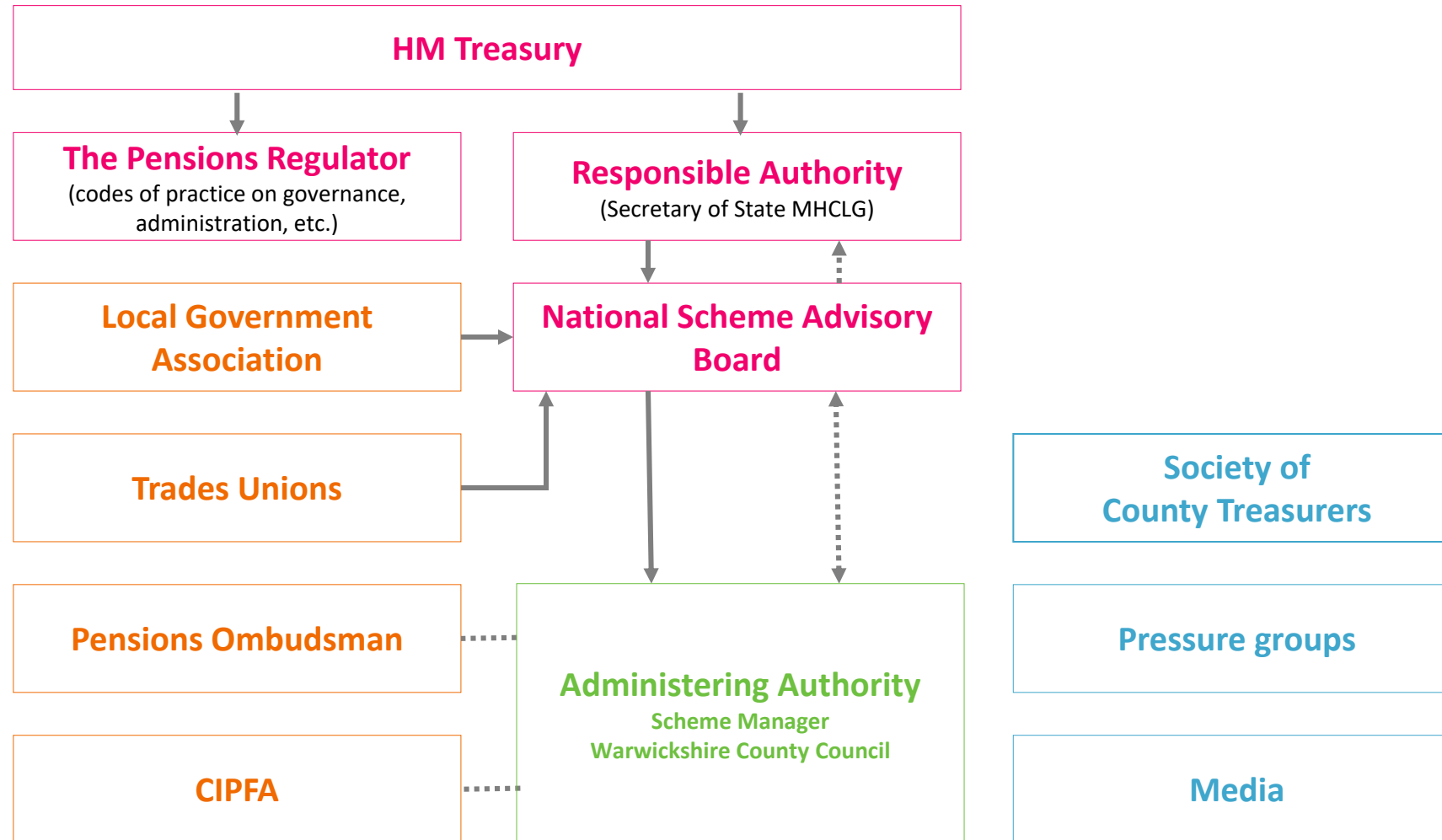
- Guidance on ill health
- Guidance on preparing and maintaining an Investment Strategy Statement
- Cash and trivial commutation
- Additional Pension, AVCs
- Annual and Lifetime Allowances
- Early/flexible Retirement (incl. Reductions)
- Transfers, interfunds
- Divorce debits and credits

# Who's who?

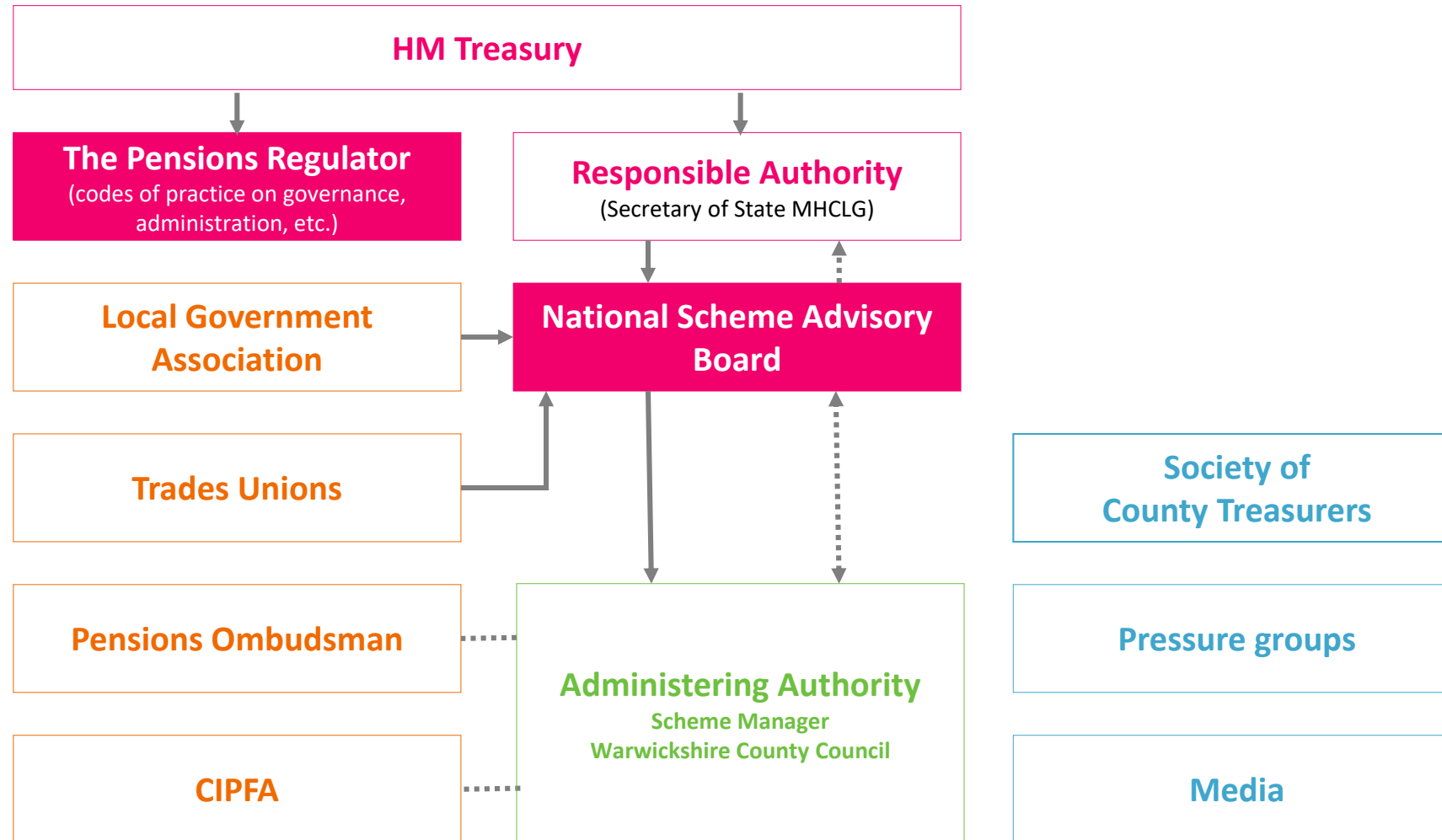




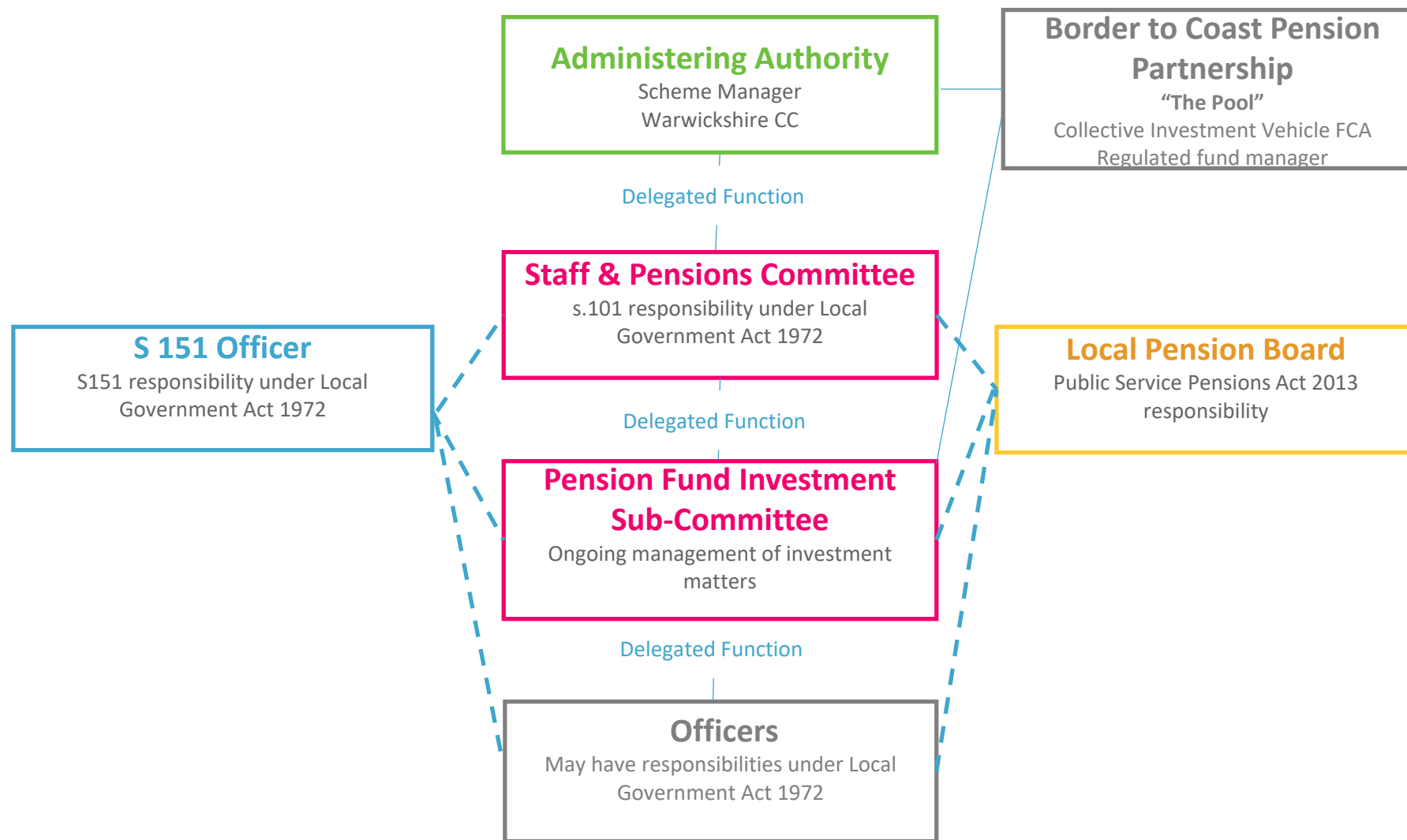
# Who's who at national level



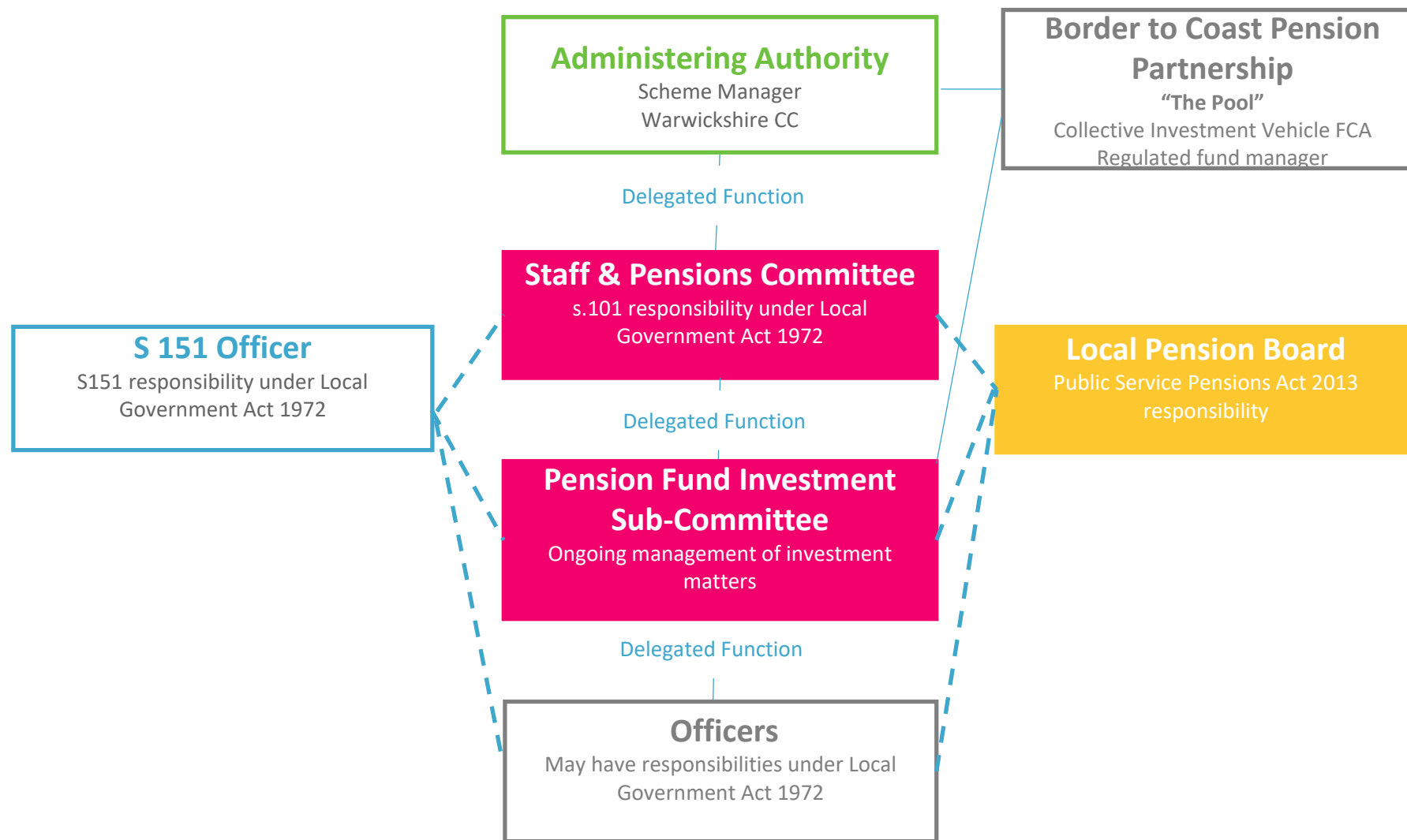
# Who's who at national level



# Who's who at a local level



# Who's who at a local level



# Role of the staff and pensions committee

Carries out a delegated function on behalf of the administering authority, including;

- Staffing related issues, eg;
  - Appointments
  - Terms and conditions
- Associated pension related issues, eg;
  - Admitting new employers to the Fund
  - Pension protections for transferring staff
- Receiving relevant reports, eg;
  - Cost management of the LGPS
  - Relevant regulation changes



Delegated function  
under s101 of the  
Local Government  
Act 1972

Covers the Fire  
Schemes

# Pension Fund Investment Sub-Committee

Carries out a delegated function on behalf of the administering authority.

*“To oversee the investment policy relating to the pension fund and to ensure appropriate management of the fund and administration of the pension scheme”*

- Setting Fund’s objectives and strategy
- Setting investment strategy
- Holding pool to account & specifying requirements
- Approving the actuarial valuation
- Approving pension fund publications, for eg;
  - the Investment Strategy Statement,
  - the Funding Strategy Statement,

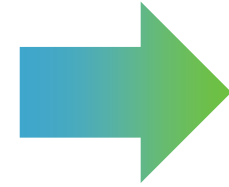


Delegated function  
under s101 of the  
Local Government  
Act 1972

LGPS only

# The role of the Local Pension Board

- Requirements set out under the Public Service Pensions Act 2013
- Assist the scheme manager in securing compliance with:
  - Scheme regulations
  - Legislation relating to governance and administration of the Scheme
  - Pension Regulator's requirements e.g. Code of Practice
- Members must have appropriate knowledge and understanding
- The Board must have equal number of scheme member and employer representatives
- No conflict of interest



Does not make  
delegated decisions  
on behalf of the  
administering  
authority

# What should the Local Pension Board be doing?

## Assisting the scheme manager in securing compliance with:

- Scheme regulations
- Legislation relating to governance and administration of the Scheme
- Pension Regulator's requirements e.g. Code of Practice

## Governance and Administration:

- Managing risks and ensuring there are adequate internal controls
- Keeping records and ensuring the quality of member data
- Managing conflicts of interest
- Publishing information about the board
- Communicating information to members
- Breaches of the law

## Developing knowledge and skills:

- Consider a training needs assessment to highlight gaps
- Develop training plan to suit the requirements of the Board
- Consider; CIPFA framework, TPR toolkit, in-house, external

## Assisting the scheme manager where requested:

Might include;

- Input into policies
- Input into communications

But not to replace or duplicate the role of the administering authority or make decisions which are the responsibility of Warwickshire CC



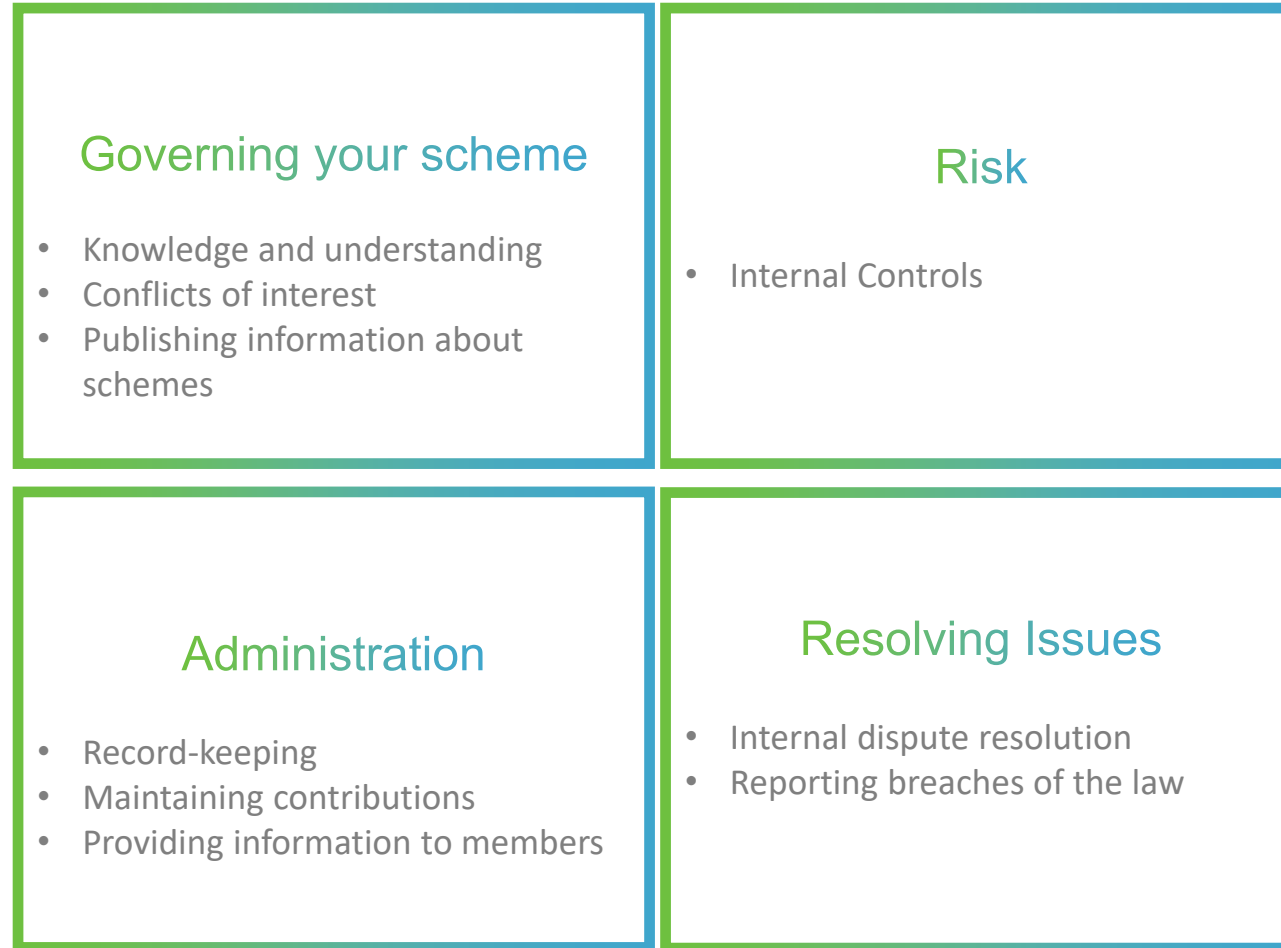
# The Pensions Regulator



# The Pensions Regulator

- **Public Service Pensions Act 2013**
  - Provides TPR's regulatory framework for public service schemes
  - Does not extend to investment and funding decisions but could cover the governance around those decisions.
- **Code of Practice 14**
  - Directed at scheme managers and the members of pension boards
  - Sets out the standards of conduct and practice expected from public pension service schemes

# Code of Practice 14: contents



# TPR's approach: clearer, quicker, tougher

## Set Clear Expectations

- Be clear about standards and expectations

## Identify risk early

- Prevent risks occurring through prioritisation, monitoring, supervision and early proactive intervention

## Drive compliance through supervision and enforcement

- Wider range of regulatory interventions
- Systematic and escalating interactions

## Working with others

- Work with regulatory partners, stakeholders and advisers to deliver a comprehensive and consistent regulatory framework

# TPR's main challenges to funds

## Resources

- How will you deliver what you say you will?
- Can you deliver statutory and CoP requirements?

## Record keeping

- Common and scheme specific data scores?
- Data Improvement Plan – how will you improve your data?

## Relationships

- What quality of service do members get?
- How do you work with employers to ensure they and you fulfil statutory duties?

# Scheme Advisory Board: Purpose

## Public Service Pensions Act 2013 and LGPS Regulations 2013

- Encourage best practice
- Increase transparency
- Coordinate technical and standards issues
- Provide advice to MHCLG about the desirability of changes to the LGPS
- Provide advice to scheme managers and local pension boards on the administration and management of the LGPS
- The SAB has two sub-committees:
  - Cost management, benefit design and administration committee
  - Investment, governance and engagement committee

# Scheme Advisory Board: membership

## Employers

- Cllr Roger Phillips\* (Chair)
- Cllr Ian Brookfield
- Cllr Yvonne Johnson
- Emelda Nicholroy (Universities and colleges)
- Cllr John Fuller
- Cllr Clive Lloyd
- Vacancy

## Scheme members

- John Richards\* (UNISON) (Vive-Chair)
- Chris Tansley (UNISON)
- George Georgiou (GMB)
- Garry Warwick (GMB)
- Jim Kennedy (Unite)
- Dick Banks (Unite)

## Non Voting

- Nick Kirby (TUC)
- Duncan Whitfield
- Nicola Mark

\*appointed by Secretary of State

# Scheme Advisory Board: workplan

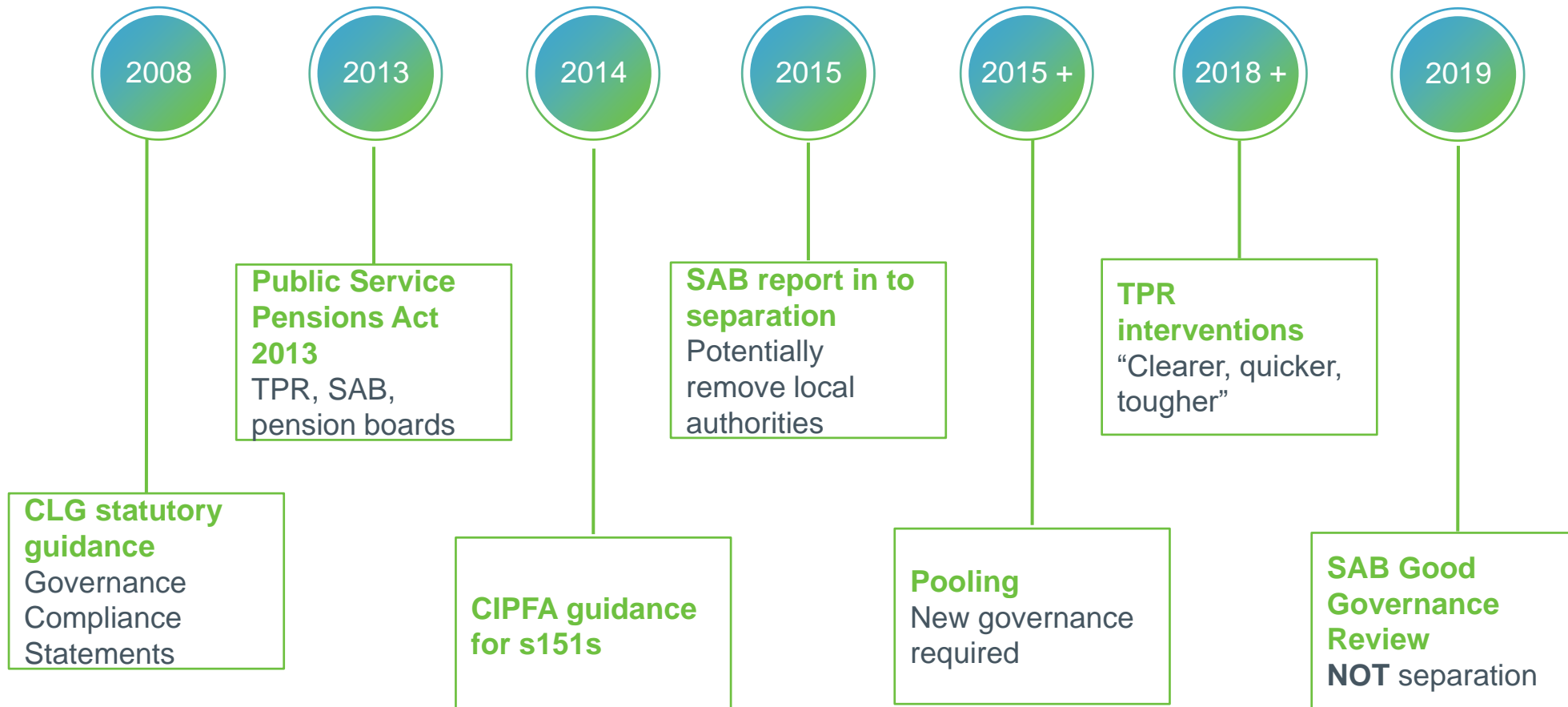
## Current SAB projects include

- Code of Transparency
- Good Governance Review
- Common and Scheme Specific Data requirements
- Plus, working with MHCLG on;
  - 4 year valuation cycles
  - Cost management process
  - McCloud ruling



# The Local Pension Board and Good Governance

# The Recent Context



# Purpose and Scope of Good Governance Review

## Purpose

- Examine effectiveness of current LGPS governance
- Identify enhancements or alternative models which could strengthen LGPS governance

## Scope

- Any governance models considered must “maintain strong links to local democratic accountability”
- Consider four SAB models
- Carry out widest possible survey of the LGPS

# Timeline

## January Scope

- Strong links to democratic accountability to be maintained.
- Explore actual and perceived conflicts, e.g. budgets for admin, contribution rate decisions
- Ensure minimum standards met consistently
- Keep what is good
- Satisfy TPR oversight
- Future-proofing

## March Fact Find

- Interviewed selected representatives from key stakeholder groups
- Developed criteria to assess options
- Developed models for survey
- One size (model) fits all solution unlikely

## April/May Survey

- On-line survey: 140 responses
  - Plus 150 interviews, calls and conversations
  - Individual responses from all stakeholder groups
  - Seminars—15 & 29 May
  - Webinar— 31 May
- Other engagement activity
- CIPFA Pensions Panel
  - ALATS/SCT/SLT
  - Monitoring Officers/Democratic Officers
  - Audit bodies

## July Report to SAB

- Report to SAB
- SAB approved taking next steps forward
- Hymans assisting with the phase 2

## September – November

- Hymans assisting with the phase 2
- 2 separate workstreams to be developed

# Models Surveyed

## **Option 1 – Improved practice**

Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

## **Option 2 – Greater ring fencing of the LGPS within existing structures**

Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

## **Option 3 – Joint Committee (JC)**

Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

## **Option 4 - New local authority body**

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

**Survey favoured option 2 but improved practice could be part of that**

# Main themes

## Outcomes based approach

- Avoid “one size fits all”
- Give funds local discretion over their own governance
- Set the bar for standards
- Funds to evidence how they meet standards

## Critical features of the “outcomes” based model

- Robust conflict management
- Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget
- Policy on employer and scheme member engagement representation in governance
- Regular independent review of governance.

## Enhanced training requirements

- S151
- Officers
- Committees trained to the same standard as local pension boards

## Update relevant guidance and better sign-posting

- What is statutory? What is best practice?
- Examples; CLG’s Governance Compliance statement guidance (2008), CIPFA “The role of the CFO in the LGPS” (2014)

# Phase 2

## Workstream 1: Outcomes

Will focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds and how these outcomes should be evidenced.

## Workstream 2: Compliance and Improvement

Will focus on establishing the compliance regime that will be required to independently assess funds against this framework

It will be for the SAB to consider the findings of the workstreams and take forward any ideas that they wish to.

# What could be the role of the local pension board?

Enhanced governance compliance statement

Service delivery and budget setting

New conflicts of interest policy



How can the LPB assist in achieving compliance?

Knowledge and understanding

Representation policy

Independent governance review



# Thank you

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