

Tri-Borough Response to the Draft Regulations on Scheme Governance Consultation

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington and Chelsea have been managing their respective pension fund investments for over two years as part of a Tri-Borough initiative, in part to reduce costs for the three councils. The current proposals for an additional layer of scrutiny and bureaucracy are, in our view, unnecessary and will simply add to the cost and administrative burden on the Authorities.

However, the Tri-borough Pension Fund Officers have considered the Consultation on the Draft Scheme Governance Regulations for the new Local Government Pension Scheme and our views are outlined below:

Combined Section 101 Committee and Local Pension Board

The draft regulations could enable a single dual function body to carry out the functions of both a section 101 committee and those of a local pension board. In practice, a combined body would be subject to two separate legal codes; must ensure that all members have the appropriate knowledge, understanding, experience and capacity required for both roles; and comply with local government law on the political composition of committees.

Tri-Borough Comments: In practice it is hard to see how one body could both make decisions and scrutinise itself at the same time. There would also be issues of representation, as the equal number of employee and employer representatives would have to apply. The overall structure of this arrangement is therefore likely to be unwieldy.

Establishment of Local Pension Boards

There are two options as to how an administering authority could establish their local pension board:

- Option 1 - Undertaken as if it was a committee under section 101 of the Local Government Act 1972. This would provide a ready-made set of provisions but it is argued that pension boards should be established on a bespoke basis best suited to their own role and responsibilities.
- Option 2 - Discretion is given to administering authorities to establish procedures such as voting rights, the establishment of sub-committees, the formation of joint committees and payments of expenses, political composition etc.

Tri-Borough Comments: Local discretion would be the preferred option, in order to provide flexibility and enable the most effective local arrangements to be put in place.

Joint Pension Boards

Some administering authorities are either already sharing or planning to share their administration with other administering authorities. Provision could be made for a single pension board to serve more than one administering authority.

Tri-Borough Comments: The Tri-Borough Pension Funds have already achieved efficiencies through its existing joint working arrangements. The establishment of a joint local Pensions Board could

further enhance these benefits. This could be achieved by appointing equal employee and employer representatives across the individual Funds onto the Board. Having a joint board able to scrutinise and compare the three funds should improve governance across all three. A board responsible for three funds would be much better placed to make comparisons than one working in isolation and could help to share good practice. A single Tri-Borough board would incur lower costs than could be achieved by insisting on separate boards for each fund. There would be lower costs in expenses for members of the board and less money would be spent servicing a single board. Officers will also be required to support, manage and administer the work of just one joint pension board.

Communication Forums

The staging of AGMs, employer forums, etc, is currently a recommendation in the Department's statutory guidance on governance compliance. There is evidence to suggest that a significant minority of administering authorities do neither and also that those that do, receive positive feedback from employers and scheme members alike.

Tri-Borough Comments: Communication forums are a good idea from a governance perspective and are used to publicise the pension fund and benefits. However, the means of communication should continue to be determined locally, to maximise the benefits to scheme members and ensure that resources are targeted appropriately.

Public Sector Equality Duty

The Equality Duty is a duty on all public bodies and others carrying out public functions to ensure the needs of all individuals are considered in their day to day work. Policies and services should be appropriate and accessible to all and meet different people's needs. Should the Scheme Advisory Board have regard to the Equality Duty in making recommendations to the Secretary of State on the desirability of making scheme changes and extending the scrutiny/compliance role of local pension boards to include the Equality Duty?

Tri-Borough Comments: Yes, we do feel that the Public Sector Equality Duty is appropriate to be considered.

Knowledge and Understanding

Pension board members would be required to have the knowledge and capacity to undertake that role. In contrast, committee members are under no regulatory requirement to do so (although they are recommended to have regard to the Knowledge and Skills Framework published by CIPFA).

Tri-Borough Comments: The law will require pension board members to have knowledge and understanding of relevant pension law and a working knowledge of the LGPS regulations and documentation. Appointed representatives will require access to training resources and time to fulfil their skills and knowledge obligations which are afforded to the role. It would seem appropriate that the equivalent knowledge and understanding requirements are applied to both the main committee and the board scrutinising it.