

Pension Advisory Board

22 May 2019

Good Governance

Report by Director of Finance and Support Services

Summary

This report provides a summary of the Scheme Advisory Board's work on 'Good Governance' within Local Government Pension Schemes.

Recommendation

That the Pension Advisory Board notes the report and considers the options.

1. Background and Context

- 1.1 In 2015, the National Scheme Advisory Board (SAB) commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of LGPS administering authorities from their host authorities. Due to other priorities this work was put on hold but the Board agreed that as part of its 2018/19 work programme that it would undertake a further project to determine how the recommendations from the KPMG report could be undertaken.
- 1.2 The SAB has therefore commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions.
- 1.3 The Board has renamed the project from the previous 'Separation Project' as this name was misleading and gave rise to fears that the option of removing the scheme from local authority control was being considered.
- 1.4 The SAB are expecting to receive a final report for consideration in July.

2. Criteria

- 2.1 Hymans has determined the following as being 'key criteria' against which options for any new governance structure for the LGPS.

Headline	Context
Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including the Pensions Regulator (TPR) requirements.

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Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to S151 officer conflicts.
Representation	The model allows for appropriate involvement in decision making for key stakeholders.
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered

3. Options

3.1 To inform the discussion, Hymans have proposed four options for governance structure for the LGPS. Some may be reflective of current practice within Administering Authorities.

- Improved practice through guidance
- Greater ring fencing including budgets, resourcing and pay policies.
- New structures such as a Joint Committee who are delegated LGPS functions
- New local authority body, with local democratic accountability and subject to the Local Government Act provisions.

These are set out in more detail in Appendix A.

4. Input and Consultation

4.1 The intention is for Hymans on behalf of the SAB to consult widely to develop options. They aim to consult widely and capture as many views as possible from those working within the LGPS.

4.2 Meetings with the Hymans team have been arranged for officers, Katharine Eberhart, as Scheme Manager, and the Chairman of the Board.

4.3 Members of the Board and Panel are able to complete a survey.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A - LGPS Good Governance Options

Background

Good Governance Survey - <https://www.hymans.co.uk/news-and-insights/research-and-publications/research/good-governance-project-survey>