

LGPS Good Governance Options

Opt	Headline	Context	Features
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.	<ul style="list-style-type: none"> • SAB guidance on minimum expected levels of staffing and resourcing. • SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards. • Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds. • LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.
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.	<ul style="list-style-type: none"> • The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs. • Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front. • Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid though the host authority's revenue account to be recharged at a later date. • The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s)*. • The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year. • The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain. • Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit. <p>In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.</p> <ul style="list-style-type: none"> • Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee. • Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee. • Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.¹
3	Use of new structures: Joint Committees (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.	<ul style="list-style-type: none"> • The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers. • Consideration could be given to the representation of other employers and scheme members on the JC. • Assets and liabilities still sit with the existing administering authority. • Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA). • The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.
4	New local authority body	<p>New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.</p> <p>This might be through a combined authority route or through a public body established by statute.</p>	<ul style="list-style-type: none"> • The new body must retain a strong link to democratic accountability. • Employment of staff and contractual issues dealt with by the new body. • Assets and liabilities transferred to the new body. • Separate accounts based on CIPFA guidance. • Funded by an element of the contribution rate and by a levy on constituent authorities. • Officers in the new body are responsible only for the delivery of the LGPS function.

¹ Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.