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Robert Ellis
 LGPS Governance Regulations 2014
 Department for Communities and Local
 Government
 Workforce Pay & Pensions
 2nd Floor
 South East Quarter
 Fry Building
 2 Marsham Street
 London SW1P 4DF

24 November 2014

Dear Mr Ellis

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 – Better Governance and Improved Accountability in the Local Government Pension Scheme

This letter sets out the London Borough of Bromley's formal response to the consultation on the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014. We welcome the opportunity to comment on the draft Regulations and proposals on cost control.

As you will be aware, this consultation is running concurrently to that of the LGPS Shadow Scheme Advisory Board concerning guidance on the draft regulations. Cllr Simon Fawthrop (chairman of Bromley's Pensions Investment Sub-Committee) has provided an early response in relation to the SSAB's consultation (copy attached). As the views expressed are also pertinent to this consultation, I would request that you consider his response together with this submission.

The Regulations describe the role of a local pensions board being to 'assist the administering authority in ensuring compliance with the Regulations' and 'ensuring the effective and efficient governance and administration of the scheme'. Clearly, we agree that oversight and good management are crucial but do not agree that the establishment of a local pension board will add any value in the management and administration of the scheme. To establish a board of four members, made up of two employer and two member representatives, only serves to add a further layer of bureaucracy with no visible benefit.

We are firmly of the opinion that through our established committees (Pensions Investment Sub-Committee and General Purposes and Licensing Committee), we have a robust structure already in place for the oversight and scrutiny of the fund. An expansion to the remit of these already established

Peter Turner, Director of Finance

committees, would better deliver the outcomes anticipated from the establishment of a new local board.

We have noted that regulation 106(2) states that, subject to approval from the Secretary of State, the option of combining the pensions committee and local pension board remains a possibility. However, it would appear impossible for this to occur while at the same time satisfying regulation 107(3).

A further concern to Bromley is the task of populating a local pensions board. The regulations require an administering authority to be satisfied that employer and member representatives appointed to a local pension board have the relevant experience and capacity to perform their role. The draft guidance makes clear that the legal responsibilities for each board member commence from day one. However, owing to regulation 107(3), seemingly those with the requisite knowledge and experience are prevented from membership of the board. We anticipate that finding suitably qualified individuals to join the board will be extremely difficult, and will therefore result in a hugely onerous training exercise. This may very well have a negative impact in not only attracting but retaining potential members to the board, for what will be an adjunct role to their existing work/life commitments.

Regulation 107(3) also appears to prevent officers or elected members of an administering authority, responsible for the discharge of any function under the LGPS regulations, from sitting on the board of another administering authority. Although probably not by design, an amendment would be welcome, in allowing administering authorities to use the knowledge and expertise of those at other authorities.

We have previously expressed concerns about the complexity of the new Local Government Pension Scheme, and the associated impact on the resources needed to both manage and administer the scheme. The addition of a separate local pensions board simply adds to this pressure on administering authorities (eg. providing the required level of support, training, administration, etc.)

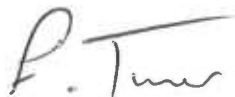
We are of the view that the introduction of local pension boards should be optional. It may indeed offer a template for those authorities who feel they do not have mechanisms in place to achieve greater standards of scheme governance. However, for those authorities with established committees already in place, the same outcomes can be achieved without the additional time and cost pressures generated by the introduction of a local pensions board.

We note that the proposals on scheme governance and cost management are key to providing a level of protection for scheme employers and taxpayers against rising pension costs and welcome the introduction of an employer cost cap mechanism. However, we continue to express concern that the scheme is not sustainable in the longer term. Pension fund costs and deficit liabilities are a significant financial burden on local authorities and we have previously expressed disappointment that scheme changes did not go far enough to deliver the proposed level of savings and address the financial pressures facing local authorities.

We would like to see further development within the cost control system to provide a better balance between employee and employer contributions to deliver real savings to local authorities and ultimately council tax payers.

In summary, we remain extremely concerned that the time and resource required in establishing and maintaining the Local Pensions Board may very well not be compensated by the improvements to scheme governance it intends to generate. Consequently, there is a danger that this may ultimately represent a deterioration in value for money to council tax payers of the London Borough of Bromley.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Turner', with a long horizontal stroke extending from the top of the 'P'.

Peter Turner
Director of Finance

c.c Liam Robson, Shadow Scheme Advisory Board Secretariat

From: Fawthrop, Simon, Cllr
Sent: 18 October 2014 09:51
To: 'Liam Robson'
Subject: RE: Shadow Scheme Advisory Board issues consultation on draft Local Pension Board guidance

Hi Liam

My comments are that a local pensions board is potentially a big improvement where nothing currently exists. However in the majority of cases in Local Authorities where we have a full range of governance via existing pensions committees, such a board does not add any value and actually increases the burden, bureaucracy and cost to the pensions schemes.

It appears the way forward is that where suitable governance does not exist then Boards should be introduced, but where suitable governance does exist the current arrangements should remain in force. There may be a requirement for a local authority to demonstrate that governance exists, possibly every 3 years in line with the tri-annual valuation.

I would also go one step further and suggest that where good governance already exists to compel the use of local pensions boards would in the short to medium term be both disruptive and counter productive.

A better change to the rules would be to look at the recovery period used to fund pensions deficits, this might be restricted to a particular period for example a maximum of 21 years. My own preference is that the recovery period should be no more than 12 years. This will act as a disincentive to constantly prolong the repayment period as happens in some local authorities and pension schemes and an additional incentive to look at investments cautiously.

Regards

Simon

Cllr Simon Fawthrop
Cllr for Petts Wood & Knoll Ward
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