

**The Local Government Pension  
Scheme - Governance Guidance  
Consultation Document**

**October 2014**

*The LGPS Shadow  
Scheme Advisory  
Board - public  
consultation*

## The Consultation Process and How to Respond

### Scope of the consultation

<b>Topic of this consultation:</b>	Local Government Pension Scheme (LGPS) - Guidance on the creation and operation of Local Pension Boards in England and Wales.
<b>Scope of this consultation:</b>	This consultation seeks responses from interested parties on draft governance guidance which covers Local Pension Boards. Local Pension Boards are required to be established by Administering Authorities on 1 April 2015.
<b>Geographical scope:</b>	England and Wales.

### Basic Information

<b>To:</b>	This consultation is aimed at all LGPS interested parties.
<b>Body responsible for the consultation:</b>	The LGPS Shadow Scheme Advisory Board.
<b>Duration:</b>	5 weeks.

### Background

<b>Getting to this stage:</b>	<p>The Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public service pensions and to make recommendations on how such schemes can be made more sustainable and affordable in the long term, and fair to both public sector workers and the taxpayer. Lord Hutton's final report was published on 10 March 2011. In that report he made clear that change is needed to "make public service pension schemes simpler and more transparent, fairer to those on low moderate earnings".</p> <p>The recommendations made by Lord Hutton were accepted by the Government and were carried forward into the Public Service Pensions Act 2013. The Act included a requirement for DCLG as the responsible authority of the Scheme to make regulations establishing a national scheme advisory board and enabling each LGPS scheme manager (to be read here as 'the administering authority' as defined within Scheme regulations) to establish a Local Pension Board.</p> <p>In June 2014, the Department for Communities and Local Government (DCLG) issued draft governance regulations for consultation with</p>
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	<p>interested parties. A subsequent consultation on draft governance regulations commenced 10 October 2014 (due to cease 21 November 2014), incorporating changes from the original consultation in the Summer of 2014.</p> <p>This guidance has been developed by the LGPS Shadow Scheme Advisory Board via that Board's Governance and Standards sub-committee. This guidance is designed to assist Administering Authorities who are required to establish local pension boards and reflects the draft governance regulations (issued for consultation on 10 October 2014).</p>
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### How to respond

1. You should respond to this consultation by **21 November 2014**.
2. You can respond by email to [Liam.Robson@local.gov.uk](mailto:Liam.Robson@local.gov.uk). A response via email is preferred.

When responding, please ensure you have the words "LGPS Governance Guidance" in the email subject line.

Alternately you can write to:  
LGPS Governance Guidance Consultation  
Shadow Scheme Advisory Board Secretariat  
Floor 5 Workforce, Local Government Association  
Local Government House  
Smith Square  
LONDON SW1P 3HZ

3. When responding, please state whether you are responding as an individual or representing the views of an organisation.

### Additional copies

4. This consultation paper is available on the Shadow Scheme Advisory Board website at: [www.lgpsboard.org](http://www.lgpsboard.org).

### Confidentiality and data protection

5. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (including the Freedom of Information Act 2000 and the Data Protection Act 1998).
6. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have

provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the LGPS Shadow Scheme Advisory Board.

7. The LGPS Shadow Scheme Advisory Board will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

### Help with queries

8. Questions about this consultation should be sent to the email address given at paragraph 2 above.

### Who this consultation is aimed at?

9. The following consultation is aimed at **all parties interested in the LGPS** and in particular relating to governance matters for the Scheme. The consultation is available to all organisations and members of the public via the LGPS Shadow Scheme Advisory Board's website [www.lgpsboard.org](http://www.lgpsboard.org).

The Board has issued the consultation to the following contacts directly:

- LGPS Administering Authorities
- LGPS Member Representatives including
  - GMB
  - UNISON
  - Unite
- LGPS Employer Representatives including
  - UCEA
  - Academy Finance Directors Forum
- LGPS Pension Fund Practitioners
- Association of Local Authority Chief Executives
- Society of Local Authority Chief Executives
- Chartered Institute of Public Finance and Accounting
- The Pensions Regulator
- Association of Consulting Actuaries including
  - AON Hewitt
  - Barnett Waddingham
  - Hymans Robertson
  - Mercer
- Association of Pension Lawyers
- Association of Local Authority Treasurers
- National Association of Pension Funds
- Lawyers for Local Government
- Association of Colleges
- Regional Employer Organisations
- Public Sector Peoples Managers' Association

## Consultation

### Introduction

1.1 This document commences a period of consultation on draft governance guidance covering the creation and operation of Local Pension Boards in England and Wales. Your comments are invited on the guidance set out under Annex A of this document. You are also asked to consider the point raised in paragraph 1.13 regarding any further questions you have relating to Local Pension Boards.

**1.2 The closing date for responses is 21 November 2014.**

### Background and context

1.3 This consultation covering 'Guidance on the creation and operation of Local Pension Boards in England and Wales' is another step in the process towards the introduction of a new governance structure for the LGPS from 1 April 2015.

1.4 In June 2010 the Government appointed Lord Hutton of Furness to chair the Independent Public Service Pensions Commission (IPSPC) and review public service pension provision in the UK. In March 2011 the IPSPC produces its final report making 27 recommendations for the reform of public service pension schemes.

1.1 These recommendations included:

- properly constituted, trained and competent pension board with member nominees, responsible for meeting good standards of governance including effective and efficient administration;
- a pension policy group for each public service pension scheme at national level for considering major changes to scheme rules; and
- independent oversight of the governance, administration and data transparency of public service pension schemes.

1.6 The majority of recommendations from the IPSPC report were implemented as part of the Public Service Pension Schemes Act 2013 which received Royal Assent in April 2013.

1.7 The areas relating to governance and in particular the introduction of Local Pension Boards were incorporated in draft regulations for the LGPS issued by DCLG for consultation in June 2014. A further set of draft regulations updated in part to reflect the responses received from interested parties was issued by DCLG on 10 October 2014 (the consultation for these draft regulations is due to end 21 November 2014).

1.8 The content of draft guidance in this consultation reflects the most up to date draft regulations issued by DCLG. Should further amendments be made to these draft regulations in advance of the regulations being made and laid before Parliament this may require the appropriate amendments to also be made to the guidance to ensure it fully reflects legislation.

### Consultation Responses

1.9 The timeframe for this consultation reflects the ongoing consultation on draft LGPS governance regulations. Your comments should therefore be sent by 21 November 2014 to LGPS Governance

Guidance Consultation, Shadow Scheme Advisory Board Secretariat, Floor 5, Local Government Association, Local Government House, Smith Square, LONDON SW1P 3HZ. Electronic responses are preferred and should be sent to Liam Robson@local.gov.uk.

## Development of Governance Guidance

1.10 The introduction of Local Pension Boards via the Public Service Pensions Act 2013 and through LGPS scheme regulations from 1 April 2015 marks a sea change in the governance of LGPS funds. The LGPS Shadow Scheme Advisory Board recognise that this changing structure will require Administering Authorities to be fully aware of their role in the creation and operation of this new structure and in particular in the introduction of Local Pension Boards. In identifying this it became evident that Administering Authorities will need guidance to provide assistance when establishing these boards. The Shadow Scheme Advisory Board has tasked its Governance and Standards sub-committee with developing this guidance in conjunction with the Governance Working Group.

Throughout summer 2014 work was undertaken to develop a template for the structure of guidance. In August 2014 the Local Government Association agreed to provide funding for external resources and therefore invited proposals from interested parties to further the preliminary work undertaken by the Governance Working Group. Eversheds LLP were the successful bidder. Over recent weeks work has been undertaken in conjunction with Eversheds LLP, the LGPS Shadow Scheme Advisory Board, its Governance and Standards sub-committee and the Governance Working Group to prepare this guidance.

## Content of the Governance Guidance

1.11 The guidance is laid out in the following chapters:

1. Introduction
2. Background
3. Legislative background and structure of governance arrangements
4. The Pensions Regulator
5. Constitution and Membership of a Local Pension Board
6. Board Knowledge and Understanding
7. Conduct of Members and Conflicts of Interest
8. Reporting
9. Resourcing
10. Other Possible Structures
11. Other Guidance
  - Schedule A
  - Schedule B

Given that this guidance has been prepared with only sight of draft regulations, we appreciate that there may be a requirement that the guidance is reviewed where the laid scheme regulations are different.

The draft scheme regulations provide for local determination in many areas and the view of the LGPS Shadow Scheme Advisory Board is that, in line with the spirit of draft regulations, guidance on the creation and operation of local pension boards should not be overly prescriptive.

In addition the guidance closely aligns to the principles of the Pensions Regulator's (tPRs) draft code of practice number 14 and where relevant cross-reference to this code is included in guidance. The

draft tPR code of practice number 14 can be found at:

<http://www.thepensionsregulator.gov.uk/docs/draft-code-14.pdf>. It is expected that the made and laid code of practice will be available later in 2014.

Finally whilst this guidance has been developed by the Shadow Scheme Advisory Board, this guidance will, when finalised, be adopted by the full statutory scheme advisory board and Administering Authorities must give regard to such guidance as required by section 7(3) of the Public Service Pensions Act 2013.

## Responses and Connected Issues

1.12 Interested parties are invited to send comments on the draft guidance to the LGPS Shadow Scheme Advisory Board Secretariat by 21 November 2014. Email responses are preferred.

1.13 In addition to responses on the draft guidance the LGPS Shadow Scheme Advisory Board would like to invite responders to include any additional questions they may have relating to the introduction of Local Pension Boards. These may be questions on areas included in the guidance or additional areas where interested parties feel further information or clarity is required. The intention is that relevant questions would then be used in a 'questions and answers' style document to be issued from the LGPS Shadow Scheme Advisory Board later this year (in addition to the governance guidance).

**Draft LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales - Separate document see [www.lgpsboard.org](http://www.lgpsboard.org)**