

Scheme Advisory Board

June 2015

It has continued to be a busy few months in the LGPS in England & Wales, with the deadline of 1st April 2015 for establishing Local Pension Boards having now passed.

Appointing members and getting Local Pension Boards up and running is expected to take several months, and work on this is ongoing, and anecdotally, administering authorities are at varying stages. The Scheme Advisory Board (SAB) issued Local Pension Board (LPB) guidance and template terms of reference document, which both now reside [here](#) on www.lgpsboard.org, is designed to help authorities in this task.

Work of the Scheme Advisory Board in other areas has been continuing since April, not least on the deficit management project, and attention has turned to the establishment of the statutory Scheme Advisory Board and transition from the Shadow Scheme Advisory Board, (SSAB).

Meeting of the Board 23rd March 2015

At its meeting on 23rd March 2015, the SSAB:

- The SSAB discussed managing the Scheme's reputation following recent inaccurate and misleading claims around council pension costs and sustainability of the Scheme.
- Agreed - The SSAB to consider writing to the Minister setting out its concerns after the election. (DCLG update on regulations and consultations)
- Agreed - The work programme and budget as presented to the SSAB was agreed.
- The Secretariat were tasked to ask the sector for feedback on the impacts of Freedom and Choice on the LGPS, in particular to seek out if there are increased examples of concerning practices/apparent fraud, and consequentially whether steps may need to be taken to prevent this activity. As at 1st June 2015, there were no reported cases.
- Action - Following on from the discussions held, the Secretariat was to circulate a draft set of recommendations to the SSAB on changes to deficit management regulations for comment prior to a further draft of recommendations being reviewed at the Board's 1st June 2015 meeting.
- Action - As a first step, a collaborations section to be included in the 2013/14 Scheme annual report to be published in at the Board event on 24th April 2015.

Actions and agreements from the meeting are available on the Scheme Advisory Board website with further details on some of the matters discussed outlined below.

Meeting of the Board 1st June 2015

At its meeting on 1st June 2015, the Board:

- Agreed - Chair to write to Greg Clark, Secretary of State for Communities and Local Government, welcoming him to the role, setting out progress and priorities.

Scheme Advisory Board

- Agreed – The Scheme Advisory Board agreed the Key Performance Indicator (KPI) project workplan.
- Agreed - The Scheme Advisory Board agreed to proceed with the proposals for work on Options for Separation.
- Agreed - The Scheme Advisory Board agreed to proceed with the proposed approach to reviewing Local Pension Boards' terms of reference.
- Action - The Scheme Advisory Board agreed that the recommendation from the Board paper on deficit management should be formally sent to the Secretary of State.

Actions and agreements from the meeting are available on the Scheme Advisory Board website with further details on some of the matters discussed outlined below.

Scheme Advisory Board event 24th April 2015

The Board held its first event for the LGPS community on 24th April 2015 at [the LGA's offices in London](#). The event had a special focus on the SSAB's deficit management project, with PwC's Mark Packham amongst the speakers. PwC were commissioned last year by the SSAB to make recommendations on deficit management in the LGPS and these recommendations informed the Board's work plan on deficit management which was published earlier this year (further detail outlined below).

However, this was not the only focus and the event was an opportunity for those within the community to see what the SSAB and its sub-committees have achieved since it was set up and to see what the priorities would be for the future. In addition, the event was used as a platform for the launch of the 2013/14 Annual Report for the LGPS.

The event was a great success, attracting over 80 delegates, and very positive feedback was received from those attending.

Establishment of statutory Scheme Advisory Board for the LGPS

In February, [the Minister agreed](#) that the SSAB may continue in its work until such time as the statutory Scheme Advisory Board has been constituted.

An update from DCLG was given at the 1st June 2015 meeting, noting that the department has advertised for a Chair for the statutory Scheme Advisory Board and has candidates lined up for consideration. Following the general election in May 2015 and changes to the cabinet, the allocation of specific responsibilities (i.e. LGPS) to new ministers is still outstanding. The Board was assured that it was 'established' on 1st April 2015, and is now running as an 'interim' statutory Scheme Advisory Board, but that formal appointment of a Chair and members will be a priority for the minister responsible once this has been confirmed.

Scheme Advisory Board Chair welcomes new minister

The Chair of the Board formally welcomed the Secretary of State in a letter setting out the current and future work of the Board, reiterating the Board's role as the Minister's adviser.

Annual report publication - Letter regarding deadline (LGPC)

Scheme Advisory Board

A letter was sent from the LGPC chair Cllr Roger Phillips to all section 151 officers reminding them of the publication deadline for the annual report. This was intended to draw a line and improve engagement with the Scheme Advisory Board going forward.

File on 4

A File on 4 radio program, broadcast on BBC Radio 4 on Tuesday 10th Mar 2015, "A Pensions patchwork" was focussed on public pensions in Canada and the LGPS. The SSAB chair was interviewed for the programme but had very little airtime. The programme covered a lot of ground but failed to reach any evidence based conclusions.

Training event

The first Local Pension Board training events were held on 21st May 2015 in London, and on 28th May 2015 in Liverpool. These were well attended, and further training sessions are planned for June in Leeds and Cardiff.

Scheme Advisory Board Budget - Letter to Pension Funds

The Chair of the SSAB sent a letter to all pension funds in England & Wales regarding the 2015/16 budget in April 2015. This set out three possible levy amounts, based on per capita membership, for information. Ultimately the budget of the Board will be approved by the new Minister.

Deficit Management in the LGPS

The deficits work programme the SSAB proposed for the Scheme Advisory Board is extensive and would seek to fundamentally overhaul the approach to deficit management used in the LGPS. The Board will be taking that work forward following confirmation of its funding for 2015/16, upon which much of the deficits work programme depends.

Detail on the deficits management project was provided at the Board event of 24th April 2015 and at the Board meeting of 1st June 2015. It was agreed that these recommendations will be now be formally addressed to the new Secretary of State.

Governance regulations & publication of Local Pension Board (LPB) guidance

The SSAB published guidance on creating and running LPBs and template terms of reference shortly after the finalisation of the governance regulations in January 2015. Initial feedback has been that the guidance has proved very useful, and many authorities have closely followed the template terms of reference provided.

Q&As to assist administering authorities in the use of the guidance and to answer questions that are often raised concerning LPBs have now been published [here](#) on <http://www.lgpsboard.org/>.

At its meeting on 1st June 2015, the Board discussed its approach to looking at whether regulatory requirements have been met, what meetings have been held, and how progress can be reported.

DWP Consultation "Transaction Costs Disclosure: Improving Transparency in Workplace Pensions"

Scheme Advisory Board

Although the Scheme Advisory Board's member organisations submitted their own responses to the call for evidence, the Board responded to address Paragraph 25 of the call for evidence, which stated:-

25. The new governance and charges requirements being introduced from April 2015 apply to those schemes insofar as they offer money purchase benefits. However, feedback would be welcome as to whether there is a need for increased transparency of costs and charges in non-money purchase schemes more broadly.

In its response, the Board presented the view that an open and transparent market for DB investment costs would be an effective way to both drive toward greater value and demonstrate increased accountability to the scheme's members, employers and to local tax payers. In support of this view the Board would welcome the opportunity to work with DWP and FCA in the development of detailed proposals for and the potential benefits of an extension of investment cost transparency to DB schemes in general and the LGPS in particular.

Ongoing developments to the Scheme Annual Report

Following the publication of the first LGPS Annual Report (2013) in November 2014, the second Annual Report (2014) was published much earlier in the annual cycle, on 24th April 2015 at the Scheme Advisory Board event.

Looking ahead to 2015 and beyond, one of the areas linked to the Annual Report is the development of a set of 'health', or Key Performance, Indicators (KPIs).

The KPI indicators (4 core, and 14 supplementary) have been developed in order to provide funds with the ability to assess themselves against best practice benchmarks both across the scheme and across time. The indicators will also provide for a framework for the Board to provide support to funds in a targeted manner.

A pilot was run through March/April 2015 during which funds were given the opportunity to help develop the KPIs, and in particular; assess their funds against the examples of best practice, estimate time and resources required to complete the exercise and to provide general feedback on the individual KPIs and overall.

The pilot proforma was completed in full by 13 funds, which included representation from a cross section of funds in terms of size, region, and type of administering authority etc.

The Board were updated on the initial analysis of the feedback received at the 1st June 2015 meeting. The Board agreed the proposed work plan and timescales for delivery.

From the sub-committees

Administration & Communications

The committee last met on 4th September 2014, and are awaiting analysis from GAD on possible reforms to the ill health retirement process and the potential costing for each option. The sub-committee will then consider which options should be presented to the Board for recommendation to DCLG. Future meeting dates are tbc.

Scheme Advisory Board

Cost-Management & Contributions

At its 30th March 2015 meeting, the sub-committee discussed a number of specific technical issues around the Employer Cost Cap (ECC) assumptions for standard funding calculations and in setting the agenda for the next meeting resolved to include an item on possible 'blue sky thinking' strategies for addressing the Scheme's deficit.

The secretariat were tasked with arranging meetings with 1) payroll software suppliers, 2) pensions software suppliers, and 3) LGPS accountants to establish the extent of the issues with the GAD cashflow requirements, and seek to agree means via which this data can be provided for the 2016 valuation to as full an extent as possible.

Subject to conversations with DCLG on the costs of the dry run of the FSC, the sub-committee agreed to recommend to the Board at its next meeting that it proceed on the basis of the GAD quote. Future meeting dates are tbc.

Governance & Standards

The Committee last met on 16th February 2015. Following the publication of the LPBs guidance which was the sub-committee's focus early this year and in the latter half of 2014, the sub-committee reviewed draft Q&As on the establishing LPBs prior to these being published on the website; [here](#) on <http://www.lgpsboard.org/>.

The sub-committee also agreed that it would be desirable to have a platform to share local experience on the establishment of LPBs, and discussed the possibility of developing a webpage on the SSAB website to contain all LPB guidance and linking to administering authorities' individual webpages containing information on their LPBs. The sub-committee hope to take this forward in the coming months as more information becomes available. Future meeting dates are tbc.

Investment & Engagement

The Investment & Engagement sub-committee last met on 11th March 2015 and held positive discussions on means via which the Scheme could encourage collective engagement with those organisations that the LGPS invests in, so the sector may better the value the Scheme has in those stockholdings.

The sub-committee also had initial discussions on developing knowledge and understanding guidance for pension committee members in order to assist administering authorities in the process of training to develop a high standard of knowledge and understanding across the LGPS among those with responsibility for the investment of the Scheme's assets.

The sub-committee hope to take both matters forward in the course of the 2015/16 year. Future meeting dates are tbc

Value for Money & Collaboration

The VFM&C Committee last met on 11th December 2014.

Scheme Advisory Board

The sub-committee brainstormed potential options for a future work plan for the LGPS on matters relating to value for money. Future meeting dates are tbc as the statutory Scheme Advisory Board awaits appointments and budget.

Elsewhere in the LGPS...

Please see the latest version of the LGPC Secretariat's latest Bulletin for further information on other matters relating to the LGPS. The latest Bulletin is available [here](#).

Coming up

- The health, or Key Performance, Indicators (KPIs) will be undergoing revision and review following the pilot conducted in April 2015. An amended version of the proforma expected in autumn 2015. Administrating authorities are encouraged to complete the exercise and feedback any further comments.
- Meetings of the Scheme Advisory Board and its sub-committees in the coming period:
 - Investment & Engagement - tbc
 - Governance and Standards - tbc
 - Scheme Advisory Board – 13th July 2015
 - Cost Management & Contributions – tbc, next meeting of the sub-committee to be arranged for after the SSAB's 1st June 2015 meeting.
 - Administration and Communications - next meeting to be arranged once the ill health costings have been obtained from GAD.
 - Value for Money and Collaboration - tbc

Contact us

This update is distributed by the Scheme Advisory Board's Secretariat. If you have any comments or suggestions on the content of this, please email liam.robson@local.gov.uk. An archive of the Board updates previously published is available [here](#).