

Sub-Committee Chairs meeting

4 June 2014

Present:

Joanne Segars - NAPF (Shadow Advisory Board chair)

Ged Dale - Fund Practitioner (Administration & Communications chair)

Ian Greenwood - LAPFF (Investment & Engagement chair)

Jeff Houston - LGA (Shadow Advisory Board secretariat)

Con Hargrave - LGA (Shadow Advisory Board secretariat)

Apologies - Mark Wynn - Fund Practitioner (Value for Money & Collaboration chair), Bob Summers - CIPFA (Governance & Standards chair), Brian Strutton - Member representative (Cost Management & Contributions chair)

- 1) The respective chairs provided updates on the work being undertaken by their sub-committees. Jeff Houston (JH) updated the group with respect of the Governance & Standards, Value for Money & Collaboration and Cost Management & Contributions sub-committees.

a. Administration & Communications

- i. A paper reviewing ill health provisions in the LGPS has been produced by the Secretariat for the Board's review. This paper has come about out of concerns with the current ill health process and, in particular, a concern that employers have too much discretion in determining whether an ill health pension should be paid. *This paper is attached as appendix B and the Board are asked for recommendations as to how the sub-committee should proceed.*
- ii. Annual benefit statement guidance in respect of the new career average scheme has been produced at the Board's request and now includes a section on best practice for annual benefit statement delivery. *This guidance is attached as appendix A for the Board's approval.*
- iii. The sub-committee have held initial discussions on a further piece of work to draft Board guidance on a minimum standard for data cleansing. However, this may not currently be possible given limitations on Board resourcing.

b. Cost Management & Contributions

- i. Valuations papers have been produced by the sub-committee in detailed and summary versions. These set out the results of the 2013 valuations and provide an overview, in varying degrees of detail, the process through which LGPS valuations take place. *These papers are attached as appendices C and D for the Board's approval.*

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- ii. GAD will be undertaking a dry run of the cost-management process based on the 2013 valuation data at the sub-committee's request, and a discussion was had of the assumptions which GAD plan to use in this dry run at the last meeting.
- iii. An initial discussion was held on deficit management in the LGPS at a special meeting in April and a summary of the discussions at the sub-committee forms the basis of a paper going to the Board meeting of 9th June.

c. Governance & Standards

- i. The main area of the sub-committee's planned work in the coming months is in drafting Board guidance in respect of a) implementing the Pensions Regulator's code of practice in an LGPS context, and b) forthcoming draft governance regulations. A working group has been set up to look at the detail of the guidance needed.
- ii. The working group had a productive initial meeting on 2nd June and a draft structure for the guidance will be reviewed, along with initial draft TPR implementation guidance, at the next sub-committee meeting on 25th June.
- iii. Later in the year, the sub-committee plan to commence work on the separations which exist between the pension fund and the lead authority to establish what further separations may be desirable and which could be practically implemented in regulations.

d. Investment & Engagement

- i. A further Counsel opinion has been reviewed by the sub-committee in draft format. This opinion covers the application of IORP to the LGPS and the ultimate guarantor of the LGPS. Some further questions have been asked of Counsel in respect of this, and it has been agreed that following the revisions currently being made, this matter will go to the Board for its review.
- ii. The publication of the initial Counsel opinion is a good example of the value of the Board, and the work that has been done over the last year.
- iii. The sub-committee had a productive discussion on engagement based on a LAPFF paper on this topic at its last meeting. There was some initial discussion of possible amendments to the Scheme regulations which arose out of this, and these will be considered further at the next meeting of the sub-committee.

e. Value for Money & Collaboration

- i. The sub-committee have taken on responsibility for agreeing financial health indicators for the Board scheme report matrix of comparison. A meeting was held in early May at which a basic list of comparators was agreed, and the Board update on the Scheme report at its 9th June meeting will include a review of these financial indicators.
- ii. An event for the wider LGPS community on collaborations in the Scheme has been tentatively scheduled for Autumn and there will be further discussions on this matter at the next sub-committee meeting in early August.

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- 2) The Chair provided an overview of the Board's plans for its forthcoming meeting. The Board will focus on agreeing the principles of a response to the structural reform consultation, and initial discussions will be held on deficit management in the LGPS..
- 3) Other points noted in the course of the meeting:
 - a. Take up of membership of the sub-committees continues to be an issue in respect of some stakeholders and the Secretariat will be looking to seek a resolution of this issue in the coming months. This will potentially open up the membership of the sub-committees to other stakeholder groups.
 - b. There will be a need in the coming months for the sub-committees and the Board to review the strengths and weaknesses of the Board in its shadow form and consider the possible benefits of changes to the Board and sub-committee structures for the final statutory Board.
 - c. Discussions are being held on the future resourcing of the Board, which it is planned will include a permanent staffing structure and resources to fund Board work. It is hoped this structure can be implemented prior to the Board taking on its statutory duties in 2015.