

Surrey Pension Fund: Response to the Draft Governance Regulations

Timescale

The timescale is challenging and it will be extremely difficult to implement the new reforms by 1 April 2015.

Guidance

Guidance will be extensively relied on, given the broad brush detail included in the Regulations, and will need to be published well before the implementation date in order to be of any use or help, making the 1 April 2015 deadline even more challenging.

Combining the Local Pension Board with the Pensions Committee

The combining of the Local Pension Board function with an existing Pensions Committee would be a challenging solution. The Local Pension Board should be a separate body to the statutory Section 101 committee used to make executive decisions on pension fund management. In order to have credibility, the Local Pension Board should not be the same individuals scrutinising their own decisions. The existing Pensions Committee and the Local Pension Board should be distinct entities, each with their own remit.

Section 101 or Fully Flexible

We would support maximum local discretion over the arrangements for the Local Pension Board and therefore support Option 2. The following items should be included within that discretion:

Membership profile

Voting rights

Terms of Reference and reporting arrangements

Quorum arrangements and frequency of meetings

Payments permitted to Board members including expenses

Process to appoint a chairman

We do not agree with the proposal that the Local Pension Board cannot include local authority members as the representatives of employer bodies in the Fund. This will be too restrictive. The stipulation may be to reduce the potential for any conflict of interest with the existing pensions committee, but provided the memberships of the two functions are different, this shouldn't arise.

Funding of the Scheme Advisory Board

It would be helpful to understand the range of costs to be shared out among the 89 LGPS Funds. Annual increases in the levy payable to fund the National Scheme Advisory Board should be capped to prevent it becoming more of a burden. We suggest no more than CPI indexed increases should apply.

Joint Local Pension Boards

We would be happy for the regulations to include a provision for the Local Pension Board to be shared between administering authorities. Each administering authority should decide if such an arrangement is appropriate based on their local circumstances. We do not believe it is a matter for the Secretary of State or the national scheme advisory board to determine or agree to.

Annual Meetings

The provision of a Fund annual meeting is established good practice as is regular contact with Fund employers. However, such provision is a matter for local decision making as to what particular arrangements are suitable for each Fund. Therefore, we do not support the proposal that the Regulations should specify that a forum is required for both employers and employees to meet the Fund on an annual basis. We do not support the regulatory requirement for employee/employer communications. Funds should be trusted to judge what arrangements are suitable locally to promote good communications between both employers and employees within the Fund. This should be determined at a local level.

Equality Duty

As stated above, our view supports as much discretion as possible at a local level over how the new arrangements will apply. We therefore consider it should be up to each Administering Authority to decide if the scrutiny/compliance role of its Local Pension Board should have an explicit regard to the equality duty. We are also not persuaded that the remit of the national scheme advisory board needs to be extended to have regard to this either.

Knowledge and Understanding

Knowledge and understanding are a requirement that the existing Pensions Committee undertake to ensure they have adequate knowledge to discharge their role. We do not feel it is a matter for Regulations to specify, or for a prescriptive national approach. Each Fund should justify and publish its approach, if necessary to the Pension Regulator, as being sufficiently robust.

Surrey Pension Fund
14 August 2014