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## **Consultation Response – The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014**

LGSS is a shared service provider of the Local Government Pension Scheme (LGPS) to both Cambridgeshire and Northamptonshire Pension Funds. This response represents the views for Cambridgeshire Pension Fund.

After our general comments below we have commented on the revised draft regulations contained within Annex A as called for by this consultation.

### **General Comments:**

LGSS still firmly maintain that the requirement for a local pension board within the Local Government Pension Scheme is an unnecessary additional level of bureaucracy only required due to the “one size fits all” nature of the 2013 Public Service Pensions Act. It is an unnecessary burden, adding an additional layer to the robust governance arrangements already in place.

LGSS welcome the opportunity to comment further on the draft Governance Regulations taking into account changes since the June consultation, that closed 15 August 2014 and to comment on the introduction of the cost control proposals.

### **Annex A – Local Government Pension Scheme (Amendment)(Governance) Regulations 2014**

We have only made comment against specific sections where we feel we need to, otherwise we have no concerns against individual draft regulations within the document.

## **Local pension boards: establishment**

- 106(2) The wording of 106(2) still reads as though it is still possible, subject to Secretary of State approval, to combine the s101 committee and the local pension board. However, this option appears to be impossible given the changes made to regulation 107 (see below).
- 106(5) We welcome the decision made by DCLG on the approach to the setting up of pension boards. Allowing administering authorities flexibility around the setting up of boards as opposed to insisting that the process must comply with the Local Government Act 1972 is the most sensible and practical option.
- 106(6) This draft regulation states that “A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.” It is our opinion that it would have been useful to provide more detail as to the remit of the local pension board and clearly define the type of role it is intended to deliver.

## **Local pension board: membership**

- 107(2) We welcome the change made to this draft regulation which now permits elected members from assuming the employer representative role on local pension boards.
- 107(3) This draft regulation reads “No officer or elected member of an administering authority who is responsible for the discharge of any function under these regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of a local pension board. It is unclear whether the above mentioned officers and elected members are restricted from serving on all local pension boards. If officers and elected members were allowed to be representatives on other local pension boards this would allow for a greater selection of representatives with the desired knowledge and capacity as detailed in draft regulation 107(2).

## **Scheme actuary**

- 114 We understand that it is DCLG’s intention to appoint GAD as scheme actuary as they are best served to collect data and perform analysis at a national level for cost control purposes and they do not act as an actuary to any individual LGPS fund. However, there is a potential conflict of interest to be aware of given that GAD will be acting on behalf of the Treasury and also, separately, for DCLG in relation to the calculations required under these regulations.

## **Employer cost cap**

- 115(1) It is difficult to fully comment on this draft regulation at this stage without a definitive level of employer cost cap to consider.

115(4) If a situation arises where the Local Government Scheme Advisory Board cannot reach a consensus on how to achieve the target cost as specified in the Cost Cap Regulations, the Secretary of State should not be limited to changing only one element of the scheme design. For example, the Secretary of State should be able to change other elements such as member contributions and other benefits.

### **Scheme advisory board – additional functions**

116 This draft regulation concerns the additional LGPS Advisory Board cost control process intended to run alongside the main cost control process in draft regulation 115. As well as the overall cost of the Scheme, this process also targets a split of the cost between employee and employer. Here the assessed cost is compared against a total overall cost of 19.5% of pay with a target split of two-thirds employer and one-third member.

Our view is that targeting an overall cost and employer/employee split could require much more flexibility in adjusting scheme design and contributions compared to regulation 115 of adjusting just the future accrual of benefits.

It is difficult to understand how the target split can be achieved without requiring regular changes to employee contributions whereas it may be possible to achieve cost control relative to the employer cost cap by changes to future benefit accrual.

Yours sincerely

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