

By: Chairman Superannuation Fund Committee  
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 21 March 2014

Subject: **UPDATE ON LGPS REFORMS**

Classification: Unrestricted.

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Summary: To update on changes to the LGPS

## **FOR INFORMATION**

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### **INTRODUCTION**

1. This is a period of unprecedented change in the LGPS and this report gives a latest position statement. Attached in the Appendix are presentations made at a conference attended by Mr Davies and the Head of Financial Services from CLG and the Pensions Regulator.

### **1 APRIL 2014 LGPS REGULATIONS**

2. Key elements of the new LGPS Regulations for the Career Average Revalued Earnings Scheme introduced from 1 April 2014 were only received on 10 March. This also means that updates to the pensions administration software have been delayed. This is highly unsatisfactory and means that there may be no alternative but to delay benefit calculations or calculate them manually in April.

### **DRAFT GOVERNANCE REGULATIONS**

3. Draft governance regulations to take effect from 1 April 2015 are expected to be published in late March. The regulations are required as part of the overhaul of public sector pensions following the Hutton Report.
4. Key features of the new arrangements are:
  - (1) The Secretary of State for Communities and Local Government will be the Responsible Authority for the LGPS.
  - (2) The Scheme Advisory Board will advise the Secretary of State but he can also seek advice from elsewhere.

- (3) Local administering bodies become the “Scheme Manager” – also now referred to as the Section 101 Local Government Act 1972 statutory committee. For the Kent Fund this is the Superannuation Fund Committee.
- (4) There is a new requirement for a Pension Board – the precise role of this body is as yet unclear for the LGPS. But it is understood that it will be a requirement, membership has to be equally drawn from employees and employers and the CLG may set down a minimum frequency for meetings. To date there has been no explanation of what problem the Pension Board is supposed to address. Establishing a Pension Board from 1 April 2015 will be a major piece of work in the coming year.

### **PENSIONS REGULATOR**

5. The Pensions Regulator was set up by the 2004 Pensions Act but from 1 April 2015 their remit will be extended to cover public sector pension schemes.
6. In their oversight of the LGPS the Pension Regulator states that:
  - (1) Scheme manager – must apply adequate internal controls.
  - (2) Pension board – must have knowledge and understanding.
7. Their draft code of practice covers:
  - Governing your scheme
    - Knowledge and understanding required by pension board members
    - Conflicts of interest
    - Information to be published about schemes
  - Managing risks
    - Internal controls
  - Administration
    - Scheme record-keeping
    - Maintaining contributions
    - Information to be provided to members
  - Resolving issues
    - Internal dispute resolution
    - Reporting breaches of the law

### **CALL FOR EVIDENCE**

8. Again some announcement is supposed to be imminent on what happens next.

### **RECOMMENDATION**

9. Members are asked to note the report.

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