

19<sup>th</sup> August 2013

Committee Clerk  
Committee for Finance and Personnel  
Room 419  
Parliament Buildings  
Ballymiscaw  
Stormont  
Belfast  
BT4 3XX

Dear sir/ madam,

#### Call for Evidence - Public Service Pensions Bill

The Northern Ireland Local Government Association (NILGA) is the representative body for the twenty six district councils in Northern Ireland. Our councils have a direct interest in particular in the Northern Ireland Local Government Pension Scheme (LGPS) as it was established to provide pensions to the local government workforce on behalf of district councils.

Local councils in Northern Ireland employ some 11,600 people, the considerable majority of whom are members of the LGPS.

We wish to comment on those clauses of the Bill relating to Governance (clauses 4 to 7) and in particular on clause 5(2) and clause 7.

#### Governance

NILGA supports the outline of governance requirements contained in the Bill. In making those high level requirements operational our priorities are to ensure that governance arrangements are both effective and efficient. Effective in terms of proper oversight, scrutiny, decision taking and separation of roles and efficient in terms of having structures which are not unnecessarily unwieldy or which place an undue financial burden on the scheme.

The Bill sets out governance roles for public sector pension schemes by identifying essentially four key roles:

- Responsible Authority - the person who makes regulations for the scheme (Clause 2). In the case of the LGPS this is the Department of the Environment (Schedule 2) with the consent of the Department of Finance and Personnel (Clause 3).
- Scheme Manager - the person responsible for managing or administering the scheme (Clause 4).
- Pension Board - a board with responsibility for assisting the scheme manager in securing compliance with scheme regulations, other legislation covering governance and administration and the requirements of the Pensions Regulator (Clause 5).
- Scheme Advisory Board - responsibility for providing advice to the Responsible Authority and the Pension Board (Clause 7).



### **Pension board - Clause 5(2)**

This clause requires that the Northern Ireland Local Government Officers Superannuation Committee must be appointed as the Pension Board for the LGPS.

We read this as having the effect that NILGOSC would act as both the Pension Board and also the Scheme Manager (it is assumed that there are no plans to change the existing role of NILGOSC as the body responsible for administering the scheme). Whilst such an arrangement is permissible in the equivalent GB Bill, it is not pre-determined in the way the Northern Ireland Bill is for local government only.

This reduces the distinct roles from four (which it would appear will exist for other public sector schemes) to three.

Whilst it could be seen as being administratively convenient to merge the roles of Scheme Manager and Pension Board into a single organisation, we would have concerns about this.

1. The roles of the two are very different and may require different resources, for example, investment skills in one role and audit skills in the other
2. A single committee constitution may not be able to effectively encompass the decision making requirement of the Scheme Manager role and the 'assistance' role (specified in the Bill) of the Pension Board
3. The cross scrutiny functions will prove difficult to apply and demonstrate within one committee with less than clear separation of functions, roles and responsibilities
4. The intention of the reforms in this regard was to improve scheme governance, not necessarily to continue with the status quo.

We are not convinced, for example, that splitting responsibilities within NILGOSC between Scheme Manager and Pension Board responsibilities would be capable of maintaining the standards and clarity of governance that should be expected.

We do though feel that it should be possible to maintain appropriate governance structures for NILGOSC in its role as Scheme Manager and have a separate entity acting as Pension Board without adding unduly to complexity or costs to the scheme.

For these reasons, on balance, we cannot support the content of Clause 5(2).

### **Scheme Advisory Board – Clause 7**

This would be a high level Board advising the Department of the Environment on, for example, regulatory changes to the scheme and also providing advice to Pension Boards.

We are conscious that in GB the Scheme Advisory Board will operate at scheme (rather than individual fund) level. The Bill suggests an Advisory Board for Northern Ireland that would simultaneously operate at both scheme and fund level (as there is only one LGPS fund in Northern Ireland). On the face of it this would appear excessive.

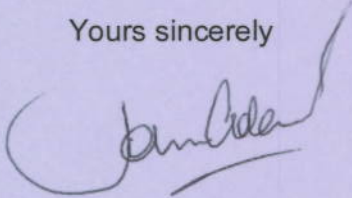
Given that there already exists (though currently only in 'shadow' form) a Scheme Advisory Board for the LGPS in GB, we feel this body could also act as the Board for the LGPS in Northern Ireland.

Our view is that this would give full access for the Department, the Minister and Pension Board to the highest level of expert advice as and when required, but as it would be operating across the range of LGPS schemes should represent a much lower cost.

In view of the above we would suggest that provision be made within clause 7 to appoint the Scheme Advisory Board established for schemes in England and Wales as the Board for Northern Ireland also.

Should you require any further information then please feel free to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Adams', with a large, sweeping flourish on the left side.

John Adams  
Head of Workforce



