



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Public Service Pensions Bill: Northern
Ireland Local Government Association

16 October 2013

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr John Adams	Northern Ireland Local Government Association
Alderman Arnold Hatch	Northern Ireland Local Government Association

The Chairperson: I welcome to the meeting John Adams and Alderman Arnold Hatch from NILGA. We will go straight to questions if that is OK with you. The Department responded to your written submission. Do you have any comment to make on that? Do you still have concerns about clauses 5 and 6? If so, have you any suggested amendments?

Alderman Arnold Hatch (Northern Ireland Local Government Association): Yes, Chairman. Thank you very much for the opportunity to come to the Committee this morning. We want only to strengthen what we said. Our general position is that we support the continuation of quality pension provision for those working in the local government sector while balancing the need for such provision to be affordable in the long term. We looked at some figures for the level of funding that the pension funds require. In 2002-03, the level was £57 million; 10 years later, it is £201 million. There is onward upward pressure on local government to fund the scheme. As that percentage support increases, it obviously goes in the rates.

Our specific concerns relate to clause 5(2), which seeks to specify the body to act as the pension board for local government. It seems that that is unique to local government, and we wonder why that is. It potentially hinders improved governance by conflating the roles of a scheme administrator and the pension board. We suggest that those entities in the new government structures should have specified, distinct roles that should be transparently separated. We are not interested in any additional layers of bureaucracy. There is not any independent scrutiny role in the proposed one body system. We currently have the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) scheme. We do not know how efficient that scheme is. We did some cursory examination, and we found that the cost per member is higher than in other public sector pension schemes, but nobody is scrutinising that. That is one of the reasons why we think that there should be

two bodies, one of which would act as a pension board that scrutinises what is being done as far as the administration is concerned. Administration can get out of control very easily in the knowledge that councils are always going to fund it, whether or not the percentage goes up year on year. That is the main reason why we are suggesting that there should be two separate bodies. Maybe John wants to elaborate.

Mr John Adams (Northern Ireland Local Government Association): I will develop that point a little further. We talk about these issues regularly with our colleagues in England and Wales. We got access to their submissions on the issues for the Westminster Bill. In fact, they probably put it stronger than we have. They suggested that it would be better if they insisted on the functions being undertaken by the scheme administrator on the one hand and the pensions board on the other being separate.

The purpose of those roles in the new system is to improve governance. We do not think that those two distinct roles can be carried out by the same body at the same time and deliver that improved governance and transparency, which underpin the principles. We are very supportive of the principles of the governance arrangements set out in the Bill. The implementation in local government is the only scheme specifically named in the Bill. That is not the best way forward.

The Chairperson: So, you are saying that there needs to be independence and separation. Is that the case that is developing in England, Scotland and Wales?

Mr Adams: Yes; they are making exactly the same point.

The Chairperson: OK. Have you had much engagement with the Department in that regard? What kind of feedback have you received?

Mr Adams: No. We looked at its response to submissions, and we could not really find that issue being addressed in the Department of Finance and Personnel (DFP) response. It would probably be better left to scheme-specific discussions and legislation, and we could get into the detail of how that might work in the local government pension scheme with the Department of the Environment (DOE). We also submitted the same points to the Committee for the Environment.

Mr Weir: Thank you, John and Arnold for your evidence. You mentioned the scheme-specific issue. I looked through the responses from DFP, and there does not appear to be a direct response, though I might have missed it. However, representatives from DFP are next, and they may address the issue. I am sure that I will get corrected if I have missed it.

Do you feel that the scheme-specific issue could be properly dealt with through regulations, which would presumably be the DOE's responsibility? Mention has been made of the DFP response. Has there been any discussion with DOE about how it sees things operating, or whether it is sympathetic to the issues that you raised?

Mr Adams: The DOE has acknowledged our response and said that it will respond to it in due course. We have not had that response as yet. We think that leaving it to the scheme-specific discussions would be a better solution than specifying that it must be a particular way in the central Public Service Pensions Bill.

Mr Weir: OK. Could the concerns be addressed by regulations, or do you think that what is there would prevent that at present?

Mr Adams: It would appear that the specification of it being a particular way would make it difficult to correct in scheme-specific discussions. That is why we are suggesting that clause 5(2) should be removed. It is the only explicit scheme that has a specific solution put into the Bill. We feel that that should be removed. The principles of the earlier clauses are all fine with regard to the government structure, but we would like to deal with that at scheme-specific level, because we feel that there are other solutions where that improved governance can take place. As Alderman Hatch rightly pointed out, we do not want to add additional levels of unnecessary bureaucracy.

Mr Weir: I wonder, to some extent, whether the reference is a by-product. I know that, with the NILGOSC scheme, the DOE — I would not say jumped the gun — was more or less ahead of the rest of the public sector in dealing with this. NILGOSC and the DOE, via the previous Minister, moved

ahead with this at an earlier stage. I wonder whether it is to try to cover that point. I am interested to hear what the Department has to say, and whether that issue needs further exploration.

Mr Cree: You refer to the draft advisory board across England and Wales. Are you fully satisfied that that would work in connection with the various Northern Ireland schemes?

Mr Adams: We are talking specifically about the local government pension scheme. We believe, on balance, that there would be benefit in having the relevant Departments across the various jurisdictions receiving a similar suite of advice. We are not suggesting that every Department should have one single, narrow piece of advice on the various iterations of the local government pension scheme in Scotland, England, Wales and Northern Ireland. However, we think that there would be value in having a common framework of advice to prevent future issues arising between, for example, the Department for Communities and Local Government in England and the DOE in Northern Ireland. That would mean that they could not argue that they had received different advice. We feel that it would be simpler, and all the jurisdictions would have access to a common framework of advice. Although there will be different details in the different schemes, the core principles are the same. I feel that there may be some economy and avoidance of unnecessary complexity if everyone accessed the same mechanism.

Mr Cree: How long has that board been in existence?

Mr Adams: It is in shadow form. I understand that it has been in existence for about six months, and the Government are consulting on what its substantive structure and framework should be as part of the consultation that is, I think, just closing.

The Chairperson: OK, gentlemen. Thank you very much.