

Scheme Advisory Board

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Local Government Pension Scheme: Scheme Advisory Board

I am writing to you as Chair of the Local Government Pension Scheme Advisory Board in England and Wales.

The Board was established under the Public Service Pensions Act 2013 to both advise the Secretary of State for Housing, Communities and Local Government on the desirability of changes to the regulations governing the scheme and LGPS administering authorities on improving scheme governance and administration.

The Board's work is supported by two committees, one on Investment, Governance and Engagement and the other on Cost Management, Benefit Design and Administration. Full details of the Board and committees can be found at www.lgpsboard.org.

An important feature of the Board's work in recent times has been to work with scheme stakeholders alongside your public service pension's team to improve the quality of scheme data and record keeping to best practice standards and help to ensure that scheme managers in the LGPS are able to comply with the relevant codes of practice. The Board is clear that it wants to work in partnership with you to deliver improvements in scheme governance and administration.

The Board fully appreciates the need for LGPS scheme managers to attain these standards but at the same time, it has to be recognised that they are often facing serious difficulty in fulfilling all their statutory responsibilities to the highest possible standard against financial constraints and stringent recruitment and retention policies.

Scheme managers are also having to come to terms with a scheme that is more complex than it has been in the past given the different dynamics of the CARE scheme introduced in April 2014 and the need to maintain at the same time two different sets of final salary records under the protection afforded by section 20 of the Public Service Pensions Act 2013.

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Notwithstanding these difficulties, the Board is clear that the overwhelming majority of administering authorities have been taking steps to improve the quality of their data and record keeping and are making significant progress towards achieving the prescribed standards. Early indications from this year's administration and governance returns are that significant improvements continue to be made and there is nothing to suggest that further improvements will not continue to be achieved over time. I would therefore hope that you would agree to work jointly with us in communicating any lessons learnt from your engagement with a selected number of LGPS administering authorities to the scheme as a whole. We see this as an alternative to enforcement action against any of the selected funds that you consider to be non-compliant with your codes of practice. The Board is clear that the threat of enforcement action would not be helpful in creating an environment where administering authorities can be fully open and willing to resolve any shortcomings identified by your casework teams.

Outside of the current one-to-one programme, it has been reported that progress within the LGPS is lagging behind other cohorts. But such conclusions do not in the Board's view reflect the unique position of the LGPS as a locally administered, multi-employer, funded pension scheme. To borrow the fruit analogy, we take the view that apples are not being compared with apples in this case.

Against the good progress that we believe is being made, the Board is disappointed to learn of cases where formal action is being considered against individual LGPS scheme managers with the imposition of fines being a real possibility. The Board fully accepts that the Pensions Regulator has a clear responsibility to apply the enforcement powers conferred by the various Pensions Acts in appropriate cases and we are certainly not questioning the right for these powers to be exercised where warranted. However, having identified the LGPS as the most at risk public service pension scheme, the timing of individual enforcement action would appear to sit uncomfortably with the wider one-to-one engagement you are presently undertaking with a number of LGPS scheme managers where positive engagement is being encouraged.

The Board would also like to draw your attention to the work it is undertaking to address some of the concerns raised by academy employers in the scheme, in particular, the introduction of a standard monthly data extract that we believe will greatly assist both scheme employers and administering authorities to improve the quality of data and record keeping. Once agreed, we will also be recommending to Ministers at MHCLG that the standard data extract should be adopted as a kite mark standard for payroll providers. The current proliferation of payroll providers of varying quality is a major obstacle to administering authorities receiving prompt and accurate data from scheme employers on a consistent basis. This is just one example of the work the Board is undertaking to improve scheme data and record keeping. If we are to succeed, it is essential that we maintain the goodwill of scheme stakeholders in taking this important work forward.

On behalf of the Board, I would therefore ask that consideration is given to deferring any direct action or financial penalties against individual scheme managers until both

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the results of the one-to-one engagement and 2017/18 administration and governance survey are known. We will then all be in a far better position to assess the quality of data and record keeping across both the scheme as a whole and with individual scheme managers and to take stock of cases where remedial action is required.

I and my Board members would of course be very happy to discuss our concerns with you in more detail if you think that would helpful.

I am sending a copy of this letter to Rishi Sunak, the local government Minister, given his responsibilities for the Local Government Pension Scheme in England and Wales.

Yours sincerely

Cllr Roger Phillips
Chair of the Board