

# Avon Pension Fund

## LOCAL GOVERNMENT PENSION SCHEME

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Scheme governance discussion paper  
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Date: 28 August 2013

Dear Philip,

### **Avon Pension Fund Response to Scheme Governance Discussion Paper**

Thank you for inviting the Avon Pension Fund to respond to the discussion paper. The Avon Pension Fund is administered by Bath & North East Somerset Council.

Before addressing the questions set out in the discussion paper, the Fund has a number of general comments to make arising from the paper.

The LGPS is already highly regulated and scrutinised under the existing governance arrangements. The role of the Pensions Regulator is being extended across Public Sector Schemes and a National Scheme Advisory Board is being established to develop and promote best practice and address cost issues across the LGPS. This is in addition to extensive existing audit review which examines all aspects of compliance annually. Therefore we do not believe that Local Pension Boards will add value to the already extensive governance of the local funds but, at a time when funds are under pressure to reduce costs, these proposals will in fact increase costs as the new governance arrangements and the resources required to support the local pension boards will require additional funding.

Given that a number of different bodies have an existing or emerging role in the scrutiny of LGPS funds, there is a very high risk of duplication of roles, confusion or omission over responsibility with the result that the proposed governance arrangements will become too onerous and not deliver their objectives.

The LGPS funds are administered to a high standard, having moved significantly in recent years to incorporate greater representation and transparency in decision making processes. This is in contrast to other public sector funds where responsibilities and decision making is less clear. Ultimately the legal responsibility for the local funds lies with the designated

administering authorities and they must retain full responsibility for determining the strategic policies required to discharge their duties. Specifically the Local Pension Boards should have no authority to scrutinise or comment on strategy or policy and there should be specific exclusions, purely to prevent these Boards from becoming overtly political.

The regulations must clearly define the roles of the National Scheme Advisory Board and Local Pension Boards in relation to the Scheme Manager; in the case of the National Scheme Advisory Board its role should be the development of best practice and advising on cost controls; in the case of the Local Pension Boards its role is limited to scrutiny and compliance with regulations, guidance and codes of practice.

We would also fully expect the process of appointments to Local Pension Boards to be set out (stating minimum standards) so that a consistent approach is adopted across the LGPS Funds and in particular, an approach that is reasonable in its definitions of representation – the LGPS funds are multi-employer funds and our fund alone has almost 200 employers and therefore employee groups and it would be extremely expensive and ambitious to reflect them all in the membership of the Local Pension Board.

Finally, I know you will not need reminding of the significant workload administering authorities are currently facing with introducing a new scheme, supporting employers through auto enrolment and responding to a wide range of consultations on LGPS changes. I would therefore urge considering an implementation timetable that it is expedited at a point when the relationships and responsibilities of all the Bodies within the governance arrangements are fully developed and refined.

We hope these comments are a useful contribution to the pre-consultation discussion.

Yours sincerely,

Tony Bartlett  
Head of Business Finance and Pensions