

Local Government Policy Division 2
Department of the Environment
Level 4
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Townparks
1-7 Bedford Street
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24 September 2014

Dear Sirs

**Proposed Scheme Governance and Draft Local Government Pension Scheme
(Amendment) Regulations (Northern Ireland) 2014**

Thank you for the opportunity to comment on the Scheme Governance proposals. I have set out below a response to your consultation document. As usual the response is that of the Committee and does not necessarily represent the views of individual Committee members or officers.

Preamble

Firstly the Committee believes it is important to recognise that the Public Service Pension Act (the Act), the primary legislation which requires a Pensions Board to be established, is clear that the role of the Pensions Board is to *assist* the Scheme Manager. It is the Scheme Manager that remains responsible for securing compliance with Scheme regulations and the Pensions Regulator requirement. It appears to us that the requirement to have a Pensions Board is a means of allowing Scheme members to be involved in the running of their public service pension schemes, and this is already a characteristic of the LGPS in Northern Ireland.

Pensions Board

Question 1

If the Committee is designated as the pension board, do you consider that there may be any issues arising from the Committee advising itself (as scheme manager) on compliance with legislation, requirements of the Pensions Regulator and other matters?

There are no issues with the Committee 'advising itself'. As the Pensions Board only has an advisory role, and not one of accountability or compliance, there is no conflict. The NiLGOSC Committee has been in operation for over 60 years and has fulfilled the role that is now being proposed for a Pensions Board. It would be inefficient to duplicate this role with two different committees and would not add any value to the administration of the Scheme.

Question 2

Should the chairman and members of the Committee receive remuneration for the additional responsibility and work as a member of the pension board? If yes, what level of remuneration would you consider appropriate?

There is no additional responsibility by taking on the work of the Pensions Board as the Committee is already responsible for compliance with the Scheme regulations and it already adopts Pensions Regulator guidance as best practice when appropriate.

However the members of the NILGOSC Committee are currently only remunerated £114 for attending a meeting. It would be more efficient if members were not remunerated for the number of meetings that they attend but rather the effort required over a year. We therefore propose that members receive an annual fee more in line with other public bodies, subject to satisfactory performance and attendance.

Question 3

Should the annual report of the pension board be included in the NILGOSC report or published as a separate document?

There is no requirement in the Act to publish an annual report of the Pensions Board and therefore we do not support the prescribing of such in the Scheme regulations.

On the assumption that the NILGOSC Committee and the Pensions Board will be one and the same body then any reporting required of a Pensions Board should be included in the NILGOSC Annual Report and Accounts. The NILGOSC Annual Report already sets out details of the NILGOSC Chairperson and members, including which organisations the members represent. Therefore a separate report detailing the same information would be duplication.

Question 4

Which method of appointment of the pension board do you consider most appropriate?

We believe that NILGOSC should be the Pensions Board. However, if it is determined that the NILGOSC Committee will not act as the Pensions Board then NILGOSC should appoint its Pension Board in accordance with the Commissioner of Public Appointments guidance. NILGOSC should appoint a chairperson and members as part of the same appointment exercise.

Question 5

How many members, including the chairperson, do you think would be appropriate for the pension board?

We believe that NILGOSC should be the Pensions Board. However, if it is determined that the NILGOSC Committee will not act as the Pensions Board then, bearing in mind the representation that is already on the NILGOSC Committee, only a small Pensions Board would be required. We recommend that the Board consists of 3 members, 1 Chairperson, 1 Employer representative, and 1 member representative.

Question 6

Should the Regulations provide for a minimum and maximum number of employer and member representatives on the pension board members? If yes, what number would you consider appropriate?

We believe that NILGOSC should be the Pensions Board. However, if it is determined that the NILGOSC Committee will not act as the Pensions Board then, for consistency from year to year, the Regulations should prescribe the number of employer and member representatives. We recommend that there should be 1 of each.

Question 7

Should the pension board include members other than those representing employers and members?

The Pension Board should include an independent Chairperson.

Question 8

Should the chairperson of the pension board be independent of member and employee representatives?

The Chairperson should be independent of employers and members.

Question 9

Should the chairperson and members of the pension board be remunerated? If yes, what level of remuneration would you consider appropriate?

We believe that NILGOSC should be the Pensions Board. However, if it is determined that the NILGOSC Committee will not act as the Pensions Board then, as the Pensions Board is an advisory panel it should only receive travel expense payments.

Question 10

Should the requirement that the pension board produce an annual report and publish it on the NILGOSC website be included in the Regulations?

There is no requirement in the Act that the Pensions Board produces an annual report. The Act states that the Scheme Manager should publish particular information about the composition of the Board and keep that information up to date. Therefore we don't believe that the Scheme regulations should prescribe that an annual report is produced.

NILGOSC as the Pensions Board

As stated above, it is the preference of NILGOSC that NILGOSC be designated as the Pensions Board for the sake of simplicity, cost effectiveness and to avoid unnecessary duplication. For the avoidance of doubt, we envisage that the NILGOSC Management Committee would take on the responsibilities of the Pensions Board as part of its routine activities, as these are responsibilities it already fulfils as Scheme Manager. We do not envisage the need for separate meetings of the NILGOSC Management Committee and the Pensions Board. There is no requirement under the Act to do so as long as the role of the Pensions Board remains to *assist* the Scheme Manager rather than to hold it to account.

There is a minor issue with the NILGOSC Committee being the Pensions Board. The Act makes the Scheme Manager responsible for ensuring that no conflicts of interest arise either on appointment, or during the term, of the Pensions Board. As NILGOSC does not appoint its own Board members (they are Ministerial appointments) there would need to be a mechanism whereby NILGOSC could alert the Department to any potential conflict of interest before appointment is made. The current method of self-declaration by applicants would not be sufficient to meet the requirements of the Act.

Scheme Advisory Board

Question 11

Which of the two methods given above would you consider more suitable?

The Scheme Advisory Board should have a similar structure and membership to that of the Review Group.

Question 12

Do you consider there is another more appropriate method to appoint the scheme advisory board? If yes, please provide details of your preferred method?

No.

Question 13

Should the chairperson of the scheme advisory board be independent of the member and employer representatives?

The Chairperson should be independent of member and employer representatives. As the Board will advise the Minister it is appropriate that the Chairmanship rests with the Department. This will ensure that the Board remains focused on its role to advise the Department and Minister.

Question 14

Do you consider that the scheme advisory board should have equal numbers of member and employer representatives? If yes, what number would you consider appropriate?

A balance needs to be struck between having adequate representation and having enough interested parties to be efficient. The current number of 4 employer representatives and 4 member representatives is adequate.

Question 15

Should the scheme advisory board include other representatives?

Yes. As stated above, the purpose of the Board is to advise the Minister – we are therefore of the view that the NILGOSC representatives should continue to advise the newly formed Board.

Question 16

Should there be a limit on the number of terms the chairperson and members of the scheme advisory board can serve? If yes, what number of terms would you consider appropriate?

Good practice would suggest that the maximum terms should be 8-10 years, therefore suggesting that 2 terms would be the maximum. This ensures consistency and the building-up of knowledge but also facilitates rotation to allow other representatives to be part of the Board. The cap should not apply to the Chairperson if the Department undertakes that role.

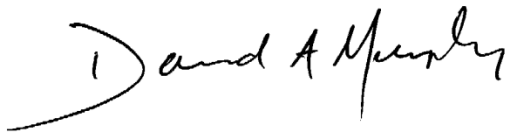
Question 17

Do you consider that chairperson and members of the scheme advisory board should be remunerated? If yes, what level of allowance would you consider to be appropriate?

The Scheme Advisory Board is an advisory panel and should receive travel expense payments.

Payments should be met by the Department, not the Pension Fund. The purpose of the Scheme Advisory Board is to advise the Minister, not the Pension Fund. NILGOSC is accountable for the Pension Fund however it would have no control over the operations of the Scheme Advisory Board and would not be able to properly manage this expenditure.

Yours faithfully

A handwritten signature in black ink that reads "David A. Murphy". The signature is written in a cursive style with a large, sweeping initial 'D'.

David Murphy
Chief Executive