

The Highland Council
Pension Committee – 21 February 2014

Agenda Item	5
Report No	PC/ 01/14

LGPS Governance Consultation – Fund Response

Report by Director of Finance

Summary

This report sets out the consultation response submitted to Scottish Government in relation to new governance arrangements for Local Government Pension Schemes (LGPS). Responses will be used to inform the drafting of new regulations on governance arrangements.

1. Background

- 1.1 The Public Service Pensions Act 2013 includes provisions relating to new governance arrangements for public service pension schemes. In particular, the Act sets out new structures for governance at both national and local level. **Annex 1** provides a diagrammatical representation of the proposed arrangements.
- 1.2 The Act sets out limited detail on what the roles and responsibilities of each Body would be under the new governance structures. The purpose of the consultation is to inform the drafting of new regulations which would set out these matters in detail.
- 1.3 Deadline for submission of responses was 3 February, and a response was submitted following consultation with the Chair of Pension Committee and Chair of Investment Sub-Committee. That submission is now set out on **annex 2** for information, and provides background and context to the new governance arrangements.
- 1.4 Further reports will come back to the Committee, and to the Council, later in the year, once the new regulations are available and new structures can be put in place for the Highland Council Pension Fund.

2. Implications

- 2.1 Finance, Legal, Risk, Climate Change/Carbon Clever implications - no implications to highlight.

Recommendation

Members are asked to note the governance consultation response submitted.

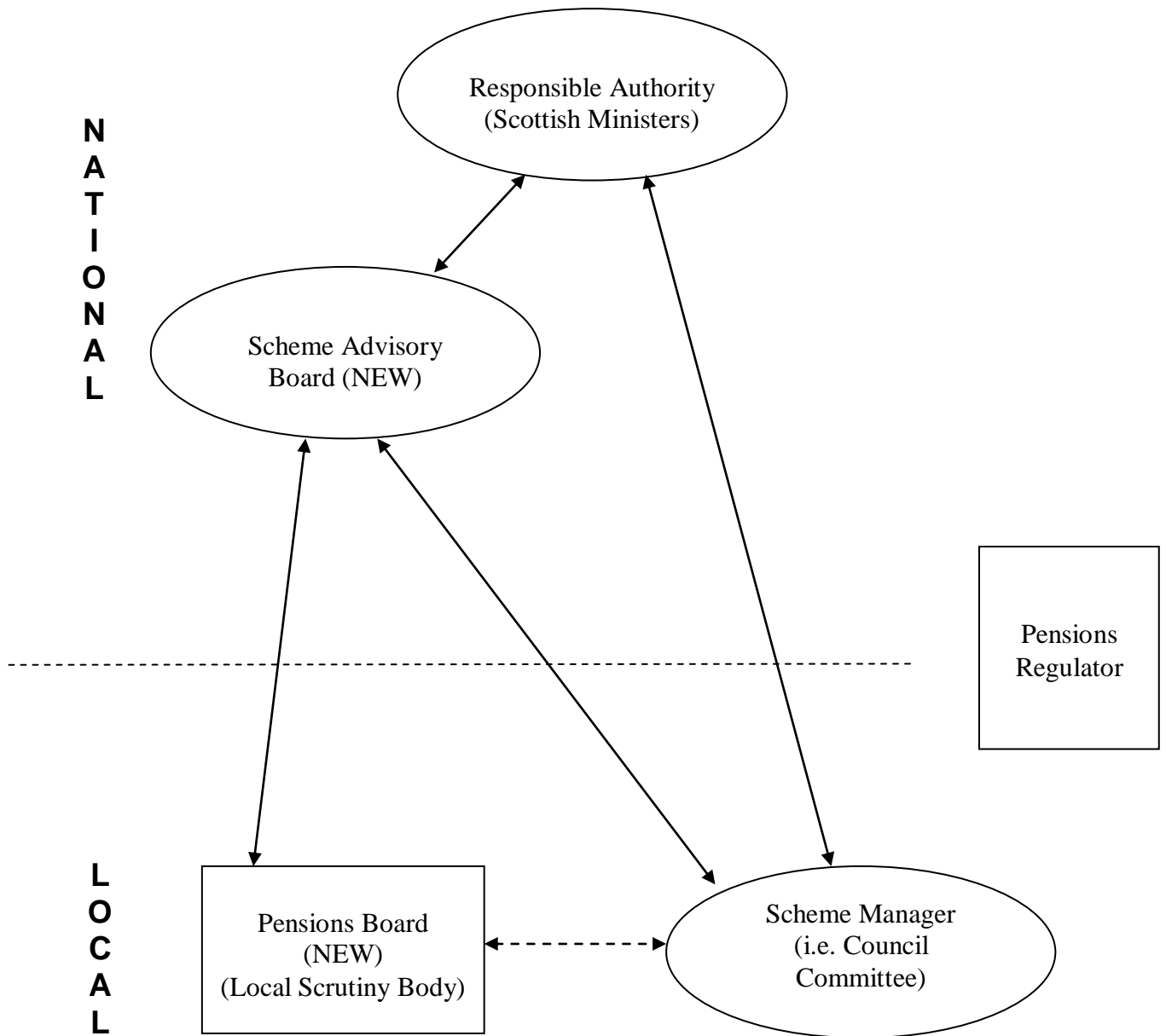
Designation: Director of Finance

Date: 10 February 2014

Author: Brian Porter, Finance Manager

Annex 1

New Governance Structures arising from Public Service Pension Act 2013



Local Government Pension Scheme
(Scotland) New Governance
Arrangements

Discussion paper

FINAL Version 1.0 – 23 December 2013

Contents

How to Respond	3
Introduction	4
Part 1 - Scheme Manager	5
Part 2 - Pension Board	5
Implementation	6
Membership of Pension Boards	9
Accountability of the Board	11
Training and Qualifications	11
Part 3 - Scheme Advisory Board	12
Membership	12
Implementation	13
Shadow Advisory Board	16
Resourcing of the Advisory Board	17
Constitution	18
Part 4 – Review of the Structure of the Scottish LGPS	18
General	19
Conclusion	19
List of Questions	20-21
Consultation response form	22
Heads of Agreement	24

How to respond

You should respond to this discussion paper by **Monday 3 February 2014**

You can respond by email to; locgovpensionsreform@scotland.gsi.gov.uk

When responding please ensure you have the words “**Scheme governance discussion paper**” in the email subject line.

Alternately you can write to:

Kimberly Linge, Policy Manager, Local Government Pension Scheme, Scottish Pensions Agency, 7 Tweedside Park, Tweedbank, Galashiels, TD1 3TE.

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

Introduction

The [Public Service Pensions Act 2013](#) includes several key provisions relating to the administration and governance of the new public service pension schemes established under Section 1 of the Act. In the case of the Local Government Pension Scheme in Scotland, these arrangements will apply to the new Scheme which comes into effect on 1 April 2015.

This paper explores four specific sections of the Act which impact on the governance arrangements in the new Scheme:-

- **Scheme manager**
- **Pension board**
- **Pension board information, and**
- **Scheme advisory board**

Each section includes background and a more detailed summary of what we are required to include in the new Scheme to comply with the Act. Where appropriate, the paper also invites comment on consequential issues. Responses to the questions posed throughout the paper will enable us to start work on preparing draft regulations on governance for consultation early in 2014.

Part 1 -“Scheme manager”

1.1 Section 4 of the Act requires the new Scheme regulations to provide for a person (“the scheme manager”) to be responsible for managing or administering the Scheme. The term “person” is not to be taken literally. In the Local Government Pension Scheme (Scotland), the “scheme manager” for the purposes of Section 4 will be each of the individual Scheme administering authorities in Scotland.

Part 2 - “Pension board”

1.2 Section 5 of the Act requires the new Scheme regulations to provide for the establishment of a board with responsibility for assisting the scheme manager, or each scheme manager, in:-

- a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme connected with it;
- b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator, and
- c) such other matters as the scheme regulations may specify.

1.3 In making these regulations, Scottish Ministers as the “responsible authority”, must have regard to the desirability of securing the effective and efficient governance and administration of the Scheme and any connected schemes.

1.4 Regulations will also need to include provision requiring each scheme manager to be satisfied that a person to be appointed as a member of a pension board does not have a conflict of interest, either at the outset, or from time to time. Section 5(5) of the Act defines “conflict of interest” as any financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of being a member of the Scheme.

1.5 Scheme regulations will also need to require any person appointed to the pension board or proposed to be appointed, to provide information that can reasonably be requested by the scheme manager to determine whether or not a conflict of interest exists.

1.6 By virtue of Section 5(4)(c), the regulations will also need to ensure that each pension board includes employer representatives and member representatives in equal numbers. Under the Act “employer representatives” means persons appointed to the board for the purpose of representing employers for the Scheme and “member representatives” means persons appointed to the board for the purpose of representing members of the Scheme. In this respect, it is noted that the Act permits nominations for scheme member representatives to come from trades unions or from members who are not members of trades unions.

1.7 Under Section 5(7) of the Act, where the scheme manager is a committee of a local authority, Scheme regulations may provide for that committee also to be the board for the purposes of Section 5.

1.8 Scheme regulations will also need to include provision for each scheme manager to publish information about the pension board and to keep that information up to date. This information includes who the members of the board are; representation on the board of members of the scheme and the matters falling within the board's responsibility.

Implementation

1.9 It is clear that the new Scheme regulations will need to require each scheme manager/administering authority to establish their own pension board.

1.10 To comply with Section 5 of the Act, the new Scheme regulations will need to include the role of each pension board to assist the scheme manager/administering authority in securing compliance with scheme regulations and other legislation; with the Pension Regulator's codes of practice and with any other matters specified in Scheme regulations.

Q1. What "other matters", if any, should we include in Scheme regulations to add to the role of local pension boards?

Comments:

It is important that the regulations provide clarity on the role of the Pensions Board, and how that would be distinct from the Scheme Manager. At present the Act contains little detail on this point. In particular the respective roles and responsibilities, and including decision making powers versus scrutiny role.

On the premise of the Pensions Board and Scheme Manager being separate (see Q7 for justification of that approach), there will be a need for clear responsibilities, and avoiding unnecessary duplication of activity.

With the primary role of the Pensions Board being scrutiny, there should be clarity within the regulations of what powers, if any, the Board has in relation to decisions made by the Scheme Manager.

Please use this space for additional comments

1.11 There is a requirement for scheme managers/administering authorities to check that no person appointed to the board has any conflict of interest as defined in the Act and also to undertake regular checks;

Q2. Should Scheme regulations make it clear that nobody with a conflict of interest, as defined, may be appointed to or sit on a pension board?

Comments:

Yes. Board members should in addition declare any conflict of interest on any item that may arise in the course of a meeting

Please use this space for additional comments

1.12 There is a provision requiring a member of the board or person proposed to be a board member to provide whatever information about conflict of interest that the scheme manager/administering authority reasonably require.

Q3. Should Scheme regulations prescribe the type of information that may be “reasonably required”?

Yes a prescriptive list should be supplied

Please use this space for additional comments

Q4. Should Scheme regulations prescribe the requirement for managers/administering authorities to undertake regular checks to ensure board members do not have any conflicts of interest?

No. It should be sufficient for initial checks prior to appointment, and thereafter a responsibility on the board member to declare any conflict that may arise at the start of each meeting. This would be consistent with normal practice for Council Committee meetings, and avoid unnecessary administrative burdens.

Please use this space for additional comments

1.13 There is a requirement that each pension board must include employer representatives and member representatives in equal numbers.

Q5. Although not required by the Act, should Scheme regulations prescribe a minimum number of employer and employee representatives?

Comments:

This proposal is not practical as different Funds will have a different range and number of stakeholders, for example, the potential for very different numbers of scheduled and admitted bodies. The level of scheme member (employee/pensioner) interest may also vary and to impose a prescribed minimum may prove unworkable. A prescribed minimum number would not provide sufficient flexibility for Funds to have board memberships that reflect their needs and stakeholder mix.

Please use this space for additional comments

1.14 Section 5(7) of the Act would allow the new Scheme regulations to permit a committee of a local authority to also be the local pension board. This option was deliberately left open in the Act to ensure that a proper discussion of the issues with all interested parties could be undertaken.

1.15 The argument for and against separate bodies is finely balanced. Those who support the committee and pension board being one and the same body argue that local government cannot afford to spend more time and money setting up new bodies, particularly when the function could easily be undertaken by existing pension or investment committees. Others argue that a statutory decision making committee is in no position to fulfil the clear scrutiny role set out in the Act. It cannot, in effect, scrutinise itself and be in a position to assure the scheme manager that it is complying with all relevant legislation and Pension Regulator's codes of practice.

1.16 Whilst we are seeking your views on the status of local pension boards and statutory committees, it is likely that Scheme Regulations will require that the final outcome must be applied consistently across the Scheme as a whole, i.e. all pension boards will either be combined or separated from statutory committees.

Q6. How should the governance of the local government pension scheme in Scotland change to incorporate the changes required by the Act?

There is a potential conflict between rules relating to conduct of Council business, and voting rights for Council Committees, and the proposed representation of the Pensions Board (50:50). Under the Local Government Act, for a Committee at least two-thirds of the members appointed to any such Committee shall be members of that Authority. This highlights the need to keep separate the role of Scheme Manager (Committee) and Pensions Board.

Please use this space for additional comments

Q7. Should the new Scheme regulations require local pension boards to be a body separate from the statutory committee or for it to be combined as a single body?

It would be helpful if you could provide the reasons which support your answer.

Comments:

A separate Committee and Board are necessary to ensure segregation of the scrutiny role as described above, and a sense of independence in relation to that scrutiny role.

As set out at Q6, the current 2/3rds membership rule in relation to elected members on Committees, also conflicts with the Pension Board 50:50 representation within the Act. As such separation of the Scheme Manager and Pensions Board role is necessary.

Finally, the ultimate impact of many of the decisions made by a scheme manager will fall upon scheme employers (e.g. financial implications ultimately impacting on employer contribution rates). As such, it is essential that ultimate accountability and decision making powers sits with those employers (through the Scheme Manager/Committee). It would not be appropriate for the Pensions Board to take decisions which may have far-reaching implications for employers, but where they may not have ultimate control over decision making through the 50:50 representation on the Pension Board.

Please use this space for additional comments

Membership of Pensions Boards

1.17 Apart from requiring equal numbers of employer and scheme member representatives and the restriction on conflicts of interest, the Act is silent on key issues of the pension board including, for example, membership, constitution, frequency of meetings, the nomination process and training.

Q8. To what extent should the new Scheme regulations specify the types of members of the pension boards?

Comment

No requirement for specifying types of member. As for Q5, there should be sufficient flexibility to allow each Fund to have arrangements appropriate to their requirements.

Please use this space for additional comments

Q9. How should the Pension Boards be chaired?

This could be covered within constitution relating to the board.

Please use this space for additional comments

Q10. What should happen in the event of a tied vote at a Pensions Board?

Chair has casting vote.

Please use this space for additional comments

1.18 The appointment process should be clear and transparent to ensure accountability of the board.

Q11. To what extent should the new Scheme regulations specify the manner in which members of the pensions boards are selected?

Comments:

As for Q5, this should be for local discretion to allow flexibility to suit the needs of local Pension Funds.

Please use this space for additional comments

1.19 Guidance currently sets best practice for funds to include representatives of participating employers, admitted bodies and scheme members (including pensioner and deferred members) in their governance. However the pension board will compel member and employer representation.

Q12. Should the introduction of the pension board affect employer and member representation in other parts of funds' governance? If yes, how?

Comments:

Membership of the scheme manager should be left at the Fund/Administering Authorities discretion as is currently the case, to provide flexibility to meet local needs.

However, there may be a need for scheme managers to review current arrangements, for example expanding voting rights on the scheme manager Committee to include scheduled and admitted bodies.

Please use this space for additional comments

Accountability of the Board

1.20 Under Section 6(1) of the Act, Scheme regulations will require scheme managers / administering authorities to publish certain membership details of their local pension board. Given that the main function of the board will be to assure the scheme manager/administering authority that those to whom they have delegated the pensions function are complying with legislation and codes of practice, there is a case for the new Scheme regulations to also require each board to publish an annual report summarising its work.

Q13. Should the new Scheme regulations include a requirement for each local pension board to publish an annual statement of its work and for this to be sent to the relevant scheme manager, all scheme employers, the scheme advisory board and Pensions Regulator?

Comments:

No requirement for a separate report, a report from the Board could be a standard disclosure requirement in the Fund's Annual Accounts

Please use this space for additional comments

Training and qualifications

1.21 Paragraph 14 of Schedule 4 of the Act amends Section 90 of The Pensions Act 2004 and requires the Pensions Regulator to issue various codes of practice, including one on the requirements for knowledge and understanding of members appointed to pension boards of public service pension schemes.

1.22 Scottish Ministers, together with other interested parties, are being consulted on the content of this and other codes of practice and this ought to be sufficient to ensure that the specific circumstances of the Local Government Pension Scheme in Scotland and the role of new local pension boards can be taken into account.

Q14. Apart from the training and qualification criteria that may be covered by the Pensions Regulator in a code of practice, are there any specific issues that we should aim to cover in the new Scheme regulations as well?

Comments:

No

Please use this space for additional comments

Part 3 – “Scheme advisory board”

1.23 Section 7(1) of the Act will require Scheme regulations to provide for the establishment of a board with responsibility for providing advice to Scottish Ministers, at their request, on the desirability of changes to the Scheme.

1.24 For locally administered schemes, like the Local Government Pension Scheme in Scotland, where there is more than one scheme manager, Scheme regulations may also provide for the board to provide advice (on request or otherwise) to the Scheme managers or the Scheme’s pension boards, in relation to the effective and efficient administration and management of the Scheme or any pension fund of the Scheme.

1.25 Under Section 7(4), Scheme regulations will need to apply the same provisions relating to conflicts of interest to the scheme advisory board as described at paragraph 1.18 above, except that it will be for Scottish Ministers to consider and act on actual cases.

Membership

1.26 As Section 7 of the Act makes no provision for membership of the scheme advisory board, it will be for Scheme regulations to make such provision. This could be achieved in a number of different ways, for example:

- The Scottish Local Government Pensions Advisory Group (SLOGPAG), could consider and make recommendations to Scottish Ministers relating to the number of members, where those members should be drawn from and the balance of membership across the representative areas e.g. employer and employee representatives;
- Scottish Ministers could appoint a small membership panel whose remit would be to nominate and appoint initial members of the board, including the Chairperson;
- The membership profile of SLOGPAG could be carried forward.

Implementation

Scope/role

1.27 Section 7(1) of the Act defines the scope and role of the scheme advisory board in the widest possible terms (see paragraph 1.23 above). Replicating the wording of the Act in Scheme regulations would be advantageous in terms of allowing the work of the scheme advisory board to evolve without the need for regulatory amendments, but equally, there may be merit in clearly defining certain areas of work, for example, making recommendations to Scottish Ministers on cost management proposals.

Q15. Should Scheme regulations simply replicate the wording of the Act? If not, what specific areas of work should the new Scheme regulations prescribe?

Comments:

Suggest that the Regulations refer to the current version of the Act as opposed to replicate the wording

Please use this space for additional comments

1.28 Section 7(1) of the Act provides that the scheme advisory board is responsible for providing advice to Scottish Ministers, as the responsible authority, at their request. It has been suggested that Scheme regulations include a requirement the advisory board to advise Scottish Ministers on the desirability of changes to the Scheme.

Q16. Should Scheme regulations include a general provision enabling the scheme advisory board to advise Scottish Ministers on the desirability of changes to the Scheme as and when deemed necessary?

Comments:

Yes.

Please use this space for additional comments

Q17. Are there any specific areas of advice that Scheme regulations should prohibit the scheme advisory board from giving?

Comments:

No

Please use this space for additional comments

Q18. What would be your preference be for establishing membership of the scheme advisory board?

Comments:

Nominations could be sought from individual funds, and/or through Cosla. Whatever approach is adopted, there will be a need to ensure a nomination process is in place to allow the most suitable candidates for the advisory board to be identified.

Please use this space for additional comments

Q19. Should Scheme regulations require the Scottish Ministers to approve any recommendation made for the position of Chair?

Comments:

Yes

Please use this space for additional comments

Q20. Should Scheme regulations prescribe tenure of office? If so, what should the maximum period of office be and should this also apply to the Chair of the board?

Comments:

It would be sensible to tie these into the timescale of LA elections

Please use this space for additional comments

Q21. Should Scheme regulations make provision for board members, including the Chair, to be removed in prescribed circumstances, for example, for failing to attend a minimum number of meetings per annum? If so, who should be responsible for removing members and in what circumstances (other than where a conflict of interest has arisen) should removal be sought?

Comments:

No, this could be covered within constitution relating to the advisory board, with Scottish Ministers perhaps having ultimate sanction of removing a board member.

Please use this space for additional comments

Q22. Should Scheme regulations prescribe a minimum number of meetings in each year? If so, how many?

Comments:

No, that should be a matter for the advisory board to decide and be encapsulated in its constitution.

Please use this space for additional comments

Q23. Should Scheme regulations prescribe the number of attendees for the board to be quorate? If so, how many or what percentage of the board's membership should be required to be in attendance?

Comments:

No, that should be a matter for the advisory board to decide and be encapsulated in its constitution.

Please use this space for additional comments

Q24. Rather than make specific provision in Scheme regulations, should the matters discussed at Q16 to Q23 be left as matters for the scheme advisory board itself to consider and determine?

Comments:

See above

Please use this space for additional comments

Shadow Advisory Board

1.29 The Scheme Advisory Board will be established from 1 April 2015 and the establishment of a Shadow Scheme Advisory Board will be kept under review, but such a Shadow Scheme Advisory Board is anticipated to be beneficial from Autumn 2014 onwards.

1.30 In the period until the Board (or Shadow Board) is established, SLOGPAG will review the governance arrangements within its agreed remit of developing a new Scottish LGPS. Topics for consideration will include, but are not limited to:

- a. The structure of the 4 governance related roles identified by the Public Service Pensions Act 2013
- b. The membership and constitution of the Scheme Advisory Board
- c. Operation of the cost control mechanism
- d. The requirements of the Pensions Regulator
- e. Publication of scheme information
- f. Relevant provisions in the Institutions of Occupational Retirement Provision (IORP)
- g. Data collection

Q25. What other specific issues should SLOGPAG consider prior to the Board being established?

Comments:

Sharing of information on best practice

Please use this space for additional comments

Q26. Under what circumstances should a Shadow Board be established prior to April 2015?

Comments:

Given the scale of change to be implemented, a shadow board would be extremely helpful, and greater credence would be given to the remit listed above at 1.30 if taken forward by a shadow board rather than say SLOGPAG in a more informal capacity.

Please use this space for additional comments

Resourcing of the Advisory Board

1.31 If the scheme advisory board is to undertake its full range of duties effectively, it will need to have access to finance for example to pay for secretarial services and the necessary advice or analysis on which to base its decisions.

1.32 It is proposed this is regarded as an administration cost and therefore payable by the individual pension funds.

Q27. Do you agree that the scheme advisory board should be funded by a mandatory levy on all Scheme pension fund authorities? If not, what alternative approach would you propose?

Comments:

No, funded centrally as the primary role is to advise Ministers and therefore it is reasonable that cost is met by Scottish Government. Furthermore, the nature of the Board should be such that administrative costs are kept to a minimum and related largely to costs associated with holding its meetings.

Please use this space for additional comments

Q28. How should the subscription vary by fund? Should it be a fixed fee for all funds or proportional to their membership?

Comments:

See Above

Please use this space for additional comments

Constitution

1.33 The Act requires the setting up of the scheme advisory board but not the manner of its legal constitution. This would imply some form of body corporate to be set out in scheme regulations. Beyond setting out the corporate status of the board, scheme regulations would also need to spell out the personal liability protection for board members.

Q29. What would be your preferred manner of legal constitution of the scheme advisory board and how should Scheme regulations deal with the issue of personal liability protection for board members?

Comments:

No comment.

Please use this space for additional comments

Part 4 – “Review of the Structure of the Scottish LGPS”

1.34 The Heads of Agreement includes the commitment for SLOGPAG or the Shadow Scheme Advisory Board, as appropriate, to establish a process, commencing April 2014, to consult on, and collate data relevant to, a review of the structure of the Scottish LGPS, in order for the Scheme Advisory Board to be in a position to complete such a review.

Q30. What factors should be taken into account in a review of the structure of the Scottish LGPS?

Comments:

Timetable for such a review will be critical. Given the scale of change taking place both in the lead up to April 2015, and thereafter as the new scheme beds in, there needs to be recognition of the challenge such a review will place on already stretched resources. The review will also be more meaningful if the data and evidence used to support it is captured under the operation of the new scheme from April 2015 onwards, and preferably following conclusion of the 2015/16 financial year.

The review should also recognise the existing body of work from the Pensions Pathfinder project, and consider to what extent the work of that review can be used to inform this exercise.

Please use this space for additional comments

General

1.35 The current LGPS (Scotland) Regulations have a light touch’ on governance, instead they refer to the Governance Compliance Statement. This allows for

changes in governance arrangements to be made without having to amend existing regulations.

Q31. Would it be preferable to retain a ‘light touch’ to governance in the Scheme regulations, with reference instead to a Governance Compliance Document which would contain the detailed governance requirements?

Comments:

Yes, a light touch is appropriate in terms of legislation, with supporting guidance notes providing further detail where required.

Please use this space for additional comments

Conclusion

1.36 Scheme governance has a critical role in supporting the delivery of excellent LGPS performance and open and transparent governance arrangements have long been encouraged and supported in Scotland. We would strongly encourage you to consider this paper carefully and to respond to as many of the questions as you see fit. Your contribution will be of great assistance in helping us to prepare a set of draft regulations on Scheme governance for formal consultation.

List of Questions

Q1. What “other matters”, if any, should we include in Scheme regulations to add to the role of local pension boards?

Q2. Should Scheme regulations make it clear that nobody with a conflict of interest, as defined, may be appointed to or sit on a pension board?

Q3. Should Scheme regulations prescribe the type of information that may be “reasonably required”?

Q4. Should Scheme regulations prescribe the requirement for managers/administering authorities to undertake regular checks to ensure board members do not have any conflicts of interest?

Q5. Although not required by the Act, should Scheme regulations prescribe a minimum number of employer and employee representatives?

Q6. How should the governance of the local government pension scheme in Scotland change to incorporate the changes required by the Act?

Q7. Should the new Scheme regulations require local pension boards to be a body separate from the statutory committee or for it to be combined as a single body? It would be helpful if you could provide the reasons which support your answer.

Q8. To what extent should the new Scheme regulations specify the types of members of the pension boards?

Q9. How should the Pension Boards be chaired?

Q10. What should happen in the event of a tied vote at a Pensions Board?

Q11. To what extent should the new Scheme regulations specify the manner in which members of the pensions boards are selected?

Q12. Should the introduction of the pension board affect employer and member representation in other parts of funds' governance? If yes, how?

Q13. Should the new Scheme regulations include a requirement for each local pension board to publish an annual statement of its work and for this to be sent to the relevant scheme manager, all scheme employers, the scheme advisory board and Pensions Regulator?

Q14. Apart from the training and qualification criteria that may be covered by the Pensions Regulator in a code of practice, are there any specific issues that we should aim to cover in the new Scheme regulations as well?

Q15. Should Scheme regulations simply replicate the wording of the Act? If not, what specific areas of work should the new Scheme regulations prescribe?

Q16. Should Scheme regulations include a general provision enabling the scheme advisory board to advise Scottish Ministers on the desirability of changes to the Scheme as and when deemed necessary?

Q17. Are there any specific areas of advice that Scheme regulations should prohibit the scheme advisory board from giving?

Q18. What would be your preference be for establishing membership of the scheme advisory board?

Q19. Should Scheme regulations require the Scottish Ministers to approve any recommendation made for the position of Chair?

Q20. Should Scheme regulations prescribe tenure of office? If so, what should the maximum period of office be and should this also apply to the Chair of the board?

Q21. Should Scheme regulations make provision for board members, including the Chair, to be removed in prescribed circumstances, for example, for failing to attend a minimum number of meetings per annum? If so, who should be responsible for removing members and in what circumstances (other than where a conflict of interest has arisen) should removal be sought?

Q22. Should Scheme regulations prescribe a minimum number of meetings in each year? If so, how many?

Q23. Should Scheme regulations prescribe the number of attendees for the board to be quorate? If so, how many or what percentage of the board's membership should be required to be in attendance?

Q24. Rather than make specific provision in Scheme regulations, should the matters discussed at Q16 to Q23 be left as matters for the scheme advisory board itself to consider and determine?

Q25. What other specific issues should SLOGPAG consider prior to the Board being established?

Q26. Under what circumstances should a Shadow Board be established prior to April 2015?

Q27. Do you agree that the scheme advisory board should be funded by a mandatory levy on all Scheme pension fund authorities? If not, what alternative approach would you propose?

Q28. How should the subscription vary by fund? Should it be a fixed fee for all funds or proportional to their membership?

Q29. What would be your preferred manner of legal constitution of the scheme advisory board and how should Scheme regulations deal with the issue of personal liability protection for board members?

Q30. What factors should be taken into account in a review of the structure of the Scottish LGPS?

Q31. Would it be preferable to retain a 'light touch' to governance in the Scheme regulations, with reference instead to a Governance Compliance Document which would contain the detailed governance requirements?

CONSULTATION RESPONSE FORM LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)

(please complete and return to the address at the end of the form to ensure that we handle your response appropriately).

1. Name/Organisation

Organisation Name

HIGHLAND COUNCIL PENSION FUND

Title

MR

Surname

PORTER

Forename

BRIAN

2. Postal Address

HIGHLAND COUNCIL

FINANCE SERVICE

GLENURQUHART ROAD	
INVERNESS	
Postcode IV35PF	Phone 01463 702424
Email brian.porter@highland.gov.uk	

3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) **or** sections (c) and (d):

Individual or Group/Organisation	
<p>(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?</p> <p><i>Please state yes or no: _____</i></p> <p>(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis</p> <p><i>Please state yes to one of the following:</i></p> <p>Yes, make my response, name and address all available </p> <p style="text-align: center;"><i>or</i></p> <p>Yes, make my response available, but not my name and address </p> <p style="text-align: center;"><i>or</i></p> <p>Yes, make my response and name available, but not my address </p>	<p>(c) The name and address of your organisation will be made available to the public (in the Scottish Government library and/or on the Scottish Government web site).</p> <p>Are you content for your response to be made available?</p> <p><i>Please state yes or no: YES...</i></p>
<p>(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?</p> <p><i>Please state yes or no: YES.....</i></p>	

Please e-mail your response to logovpensionsreform@scotland.gsi.gov.uk or send via mail to:

LGPS Governance Consultation
 SPPA Policy
 7 Tweedside Park
 Tweedbank
 Galashiels
 TD1 3TE

The closing date for receipt of comments is **3 February 2014**.

Heads of Agreement - Scheme Governance proposals

The following details the governance proposals in the Heads of Agreement agreed by the Scottish Local Government Pension Scheme Advisory Group.

- The Public Service Pensions Act 2013 identifies 4 core governance related roles which must be established from 1 April 2015:
 - a. Responsible Authority – the Scottish Ministers who make the regulations for the LGPS (Scotland)
 - b. Scheme Manager – the function of managing and administering the scheme
 - c. Pension Board – the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator
 - d. Scheme Advisory Board – the body responsible for providing advice to the Responsible Authority, at the authority's request, on the desirability of changes to the scheme. The Scheme Advisory Board also provides advice to the Scheme Manager and Pension Board in relation to the effective and efficient administration and management of the scheme.
- SLOGPAG recognises the critical role governance has in supporting the delivery of excellent LGPS performance and therefore encourages and supports good practice through open and transparent governance arrangements.
- SLOGPAG will review the governance arrangements within its agreed remit of developing a new Scottish LGPS. Topics for consideration will include, but are not limited to:
 - a. The structure of the 4 governance related roles identified by the Public Service Pensions Act 2013
 - b. The membership and constitution of the Scheme Advisory Board
 - c. Operation of the cost control mechanism
 - d. The requirements of the Pensions Regulator
 - e. Publication of scheme information
 - f. Relevant provisions in the Institutions of Occupational Retirement Provision (IORP)
 - g. Data collection
- SLOGPAG will discharge its duties, as defined in the 'Role of SLOGPAG' document agreed by SLOGPAG members in December 2012, and will then cease to operate.

- The Scheme Advisory Board will be established from 1 April 2015 and the establishment of a Shadow Scheme Advisory Board will be kept under review, but such a Shadow Scheme Advisory Board is anticipated to be beneficial from Autumn 2014 onwards.
- It is anticipated that the Scheme Advisory Board will be bilateral with an equal number of employer and employee representatives. There will be an independent chair and the size of the Board will be around 15 people. In addition, advisors and observers will also attend the Board but will not have membership status.
- SLOGPAG or the Shadow Scheme Advisory Board, as appropriate, will establish a process, commencing April 2014, to consult on, and collate data relevant to, a review of the structure of the Scottish LGPS, in order for the Scheme Advisory Board to be in a position to complete such a review.