

LGPS 2014 - JOINT STATEMENT

UPDATE ON PROGRESS OF WORKSTREAMS 1 AND 2

SCHEME DESIGN (WORKSTREAM 1)

The proposals agreed jointly by the Local Government Association (LGA) and trade unions were roundly endorsed by employers and members in a consultation exercise undertaken in the summer.

It was expected that draft regulations designed to implement these proposals would be the basis of a statutory consultation in the autumn. However the work involved in developing the details required for regulations has taken longer than initially envisaged and we would now expect regulations by the end of the year.

The delay will not change the basis of the agreement reached and we can confirm that the regulations will set out the scheme consulted on in the summer.

SCHEME GOVERNANCE AND COST MANAGEMENT (WORKSTREAM 2)

The Local Government Association (LGA) and trade unions reached agreement on and submitted to government at the end of July a set of proposals covering the future governance and cost management of the scheme.

Extensive and detailed discussions have since followed with the government on these proposals and a point of final sign off has not yet been reached. However in order to clarify the nature of those discussions and to dispel any misinformation that may be circulating we set out below the essential elements of those proposals.

1

Both governance and cost management are equally essential to the future sustainability of the scheme and should not be considered in isolation

2

A national LGPS board would be set up to include representatives of scheme employers, scheme members, the government and professional bodies. The remit of the board would be to extend best practice, increase transparency, co ordinate technical and standards issues and provide an effective liaison with the scheme regulator

3	The board would also manage the future cost of the scheme and explore effective improvements in value for money in the areas of administration and investments
4	Although not having any statutory powers of its own the board would make recommendations to the Secretary of State, the regulator or professional standards bodies in order to further its remit
5	At the local level we propose that boards provide for a greater degree of segregation between funds and administering authorities and that the potential for conflicts of interest at both member and officer level is reduced
6	Membership of local boards is proposed to require a minimum recognised level of skills and knowledge and to include representation for fund employers and trade unions
7	We also propose that best practice with regard to transparency and accountability is extended across all funds
8	For cost management a total future service target cost for the scheme from April 2014 be set at 19.5%
9	The cost of the scheme shall be measured at each valuation taking into account both model and individual fund data with movements in cost driven by changes to membership data or assumptions reflected in changes to future scheme design
10	Such changes are to be considered, and actions to amend the scheme agreed by both employers and unions with recommendations made to the Secretary of State. Where the movement is 2% or more in either direction the Secretary of State shall be obliged to take action
11	Although financial assumptions are excluded from the formal process we are proposing that movements in these be considered by the national board in order to ensure the future sustainability of the scheme
12	Finally the project have recommended that a working party be set up to investigate potential solutions to the issue of past service deficits.

We shall continue to work closely with government and are seeking to agree an outcome with regard to these proposals as soon as possible. It would be our intention for narrative covering governance and cost management to be included with the draft regulations in the forthcoming statutory consultation.

LGPS 2014 Project Board
1st November 2012