

# What is the Local Government Pension Scheme?

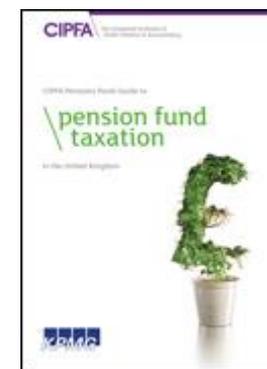
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## Pensions Basics

- Defined benefit / Defined Contribution
- Funded and Unfunded
- Trust Schemes and Statutory Schemes
- Types of Member
- Types of Employers
- Tax Position



# Pension Fund accounting

## The Cashflows



**OBJECTIVE – Pay Benefits when due**

## Pensions Legislation

- Public Services Pensions Act 2013
- Superannuation Act 1972
- Pensions Acts 1993, 1995, 2004
- Financial Services and Markets Act 2000
- Contracted Out
- Trustees Act 1961/2000 (Investments)

- Timeline Regulations

<http://lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014>

# The Regulations

- Local Government Pension Scheme Regulations 2013
- Local Government Pension Scheme (Amendment) Regulations 2014
- Local Government Pension Scheme (Management & Investment of Funds) Regulations 2013
- New role for The Pensions Regulator
- Plus various CIPFA Guidance.....

## LGPS in Operation

- Funded Scheme i.e. assets circa £200bn
- National benefits package
- Administered Locally (99 Funds)
- Statutory responsibility of Administering Authority
- Delegated to Pension Committee
- Local Accountability
- Largely externally invested
- Range of employing body participants

# Roles & Responsibilities

- Pension Committee
  - Agree Funding / Valuation
  - Set Investment Strategy / Approach
  - Appoint Fund Managers / Monitor performance
  - Statutory Statements
  - Administration / Accounting etc:
- Committee Members
  - Prudent / efficient stewardship
  - Fiduciary responsibility

# Roles & Responsibilities

- Administering Authority
  - Collect employer / employee contributions
  - Administer / pay benefits
  - Manage funding / investment strategy / accounting
  - Communications
- Fund Administrator
  - Treasurers responsibilities / SI5I role
- Employers
  - pay over employer / employee contributions
  - Administer benefits from employer perspective

# Roles & Responsibilities

- Investment Managers
  - Deliver performance / manage (Mandate)
- Custodian
  - Safe keeping securities
  - Collect / account for dividends etc:
- Actuary
  - triennial valuation
  - transfer advice
- Advisers
  - investment / legal / procurement etc:

# Statutory Documents

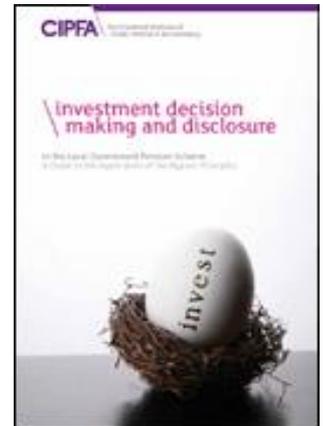
- Funding Strategy Statement
  - responsibility / solvency / target funding levels
  - risk / control
  - approach to employer contribution rates / employer risk
- Communications Policy
  - information / publicity / promotion
  - format / frequency / distribution
- Governance Compliance Statement
  - delegation arrangements
  - frequency of meetings / membership
  - compliance with CLG guidance

# Statutory Documents

- Statement of Investment Principles
  - Investment types, balance, risk, return
  - Social, environmental & ethical considerations
  - Voting rights, stock lending
  
- Annual Report
  - review of performance
  - actuary statement
  - fund account
  
- Pensions Administering Strategy (discretionary)
  - communication with employers
  - performance / pay over of contributions requirements

# Governance Compliance Statements

- DCLG Guidance 2008
- Reg 55 LGPS Regs 2013
- Funds to publish Statement
- Assess state of current arrangements
- Aim for consistent best practice
- DCLG Survey 'Overall high' compliance
- Did identify 'weaknesses' to be addressed

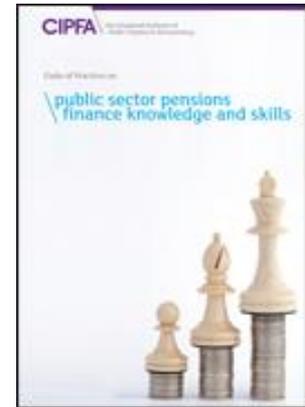


# Governance Compliance Statements

- 9 'Best Practice' Principles:
  - Structure
  - Membership & Representation
  - Selection and role of lay members
  - Voting
  - Training/Facility time/Expenses
  - Meetings
  - Access
  - Scope
  - Publicity

# CIPFA Knowledge & Skills Framework

- Launched January 2010 / Best Practice
- Application Members / Officers
- Adapt to Fund, Gap Analysis, Training Programme
- Annual Report disclosure – Code of Practice
- New version for Local Pension Boards



# LGPS Fund Governance Knowledge & Skills / Key Areas

- Pensions Legislative and Governance Framework
- Pensions Accounting and Auditing Standards
- Financial Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices

# Questions?

