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LGPS in Scotland Management Arrangements

The Scottish Public Pensions Agency is consulting on amendments to the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998. In the main these are technical changes to the way funds are managed and invested and have no direct impact on benefits.

A number of the changes proposed do impact on the governance of the Scottish funds, an issue of concern to UNISON Scotland. Under the agreement reached on the new scheme last year SLOGPAG has established a task group to review the governance arrangements.

The proposed regulations make some modest improvements to the governance of the Scottish funds including the transparency of cash transactions between pension funds and general local authority accounts by requiring separate bank accounts. Related to this, Scottish funds are to be given borrowing powers for cash flow purposes only. There will also be new restrictions on the use of pension funds by administering authorities.

Whilst this provides a welcome degree of separation it is unlikely in our view to meet the requirements of Articles 8 and 18 of the European IORP Directive and Occupational Pension Schemes Regulation 12, which cover separation of decision making and restrictions on scheme investments. Under Article 8, there is a requirement to separate LGPS funds from the sponsoring employer. However, the Scottish funds are typically controlled by local authorities and therefore there is no real distinction between the two entities. Similarly Article 18 of the Directive requires investments are made in the best interests of members and in the event of a conflict of interest, the scheme must be able to demonstrate its ability to make decisions solely in favour of members. Unlike funded schemes in the private sector which are obliged to have member-nominated trustees, LGPS investment decisions are made by pension committees linked directly to the administering authority.

The proposals will also require each fund to produce an annual report. Most Scottish funds already do this but the regulations will prescribe minimum standards.

The full consultation can be viewed at:

http://www.sppa.gov.uk/pension_reform/PRLGPSConsultations.htm.

If pension contacts and branches have any views on the proposed regulations please forward them to Dave Watson by **21 September 2009**.

For further details contact:

Dave Watson, Scottish Organiser

Kenny MacLaren, Information Development Officer

d.watson@unison.co.uk

k.maclaren@unison.co.uk