



meeting	PENSIONS INVESTMENT SUB COMMITTEE	
date	12 DECEMBER 2008	agenda item number

REPORT OF THE SERVICE DIRECTOR (FINANCE)

NAPF LOCAL GOVERNMENT CONFERENCE 2008

Purpose of the Report

1. To report back on the key issues covered at the National Association of Pension Funds (NAPF) Conference held in May 2008.

Information and Advice

2. The Pensions Act 2004 stresses the need for trustees to maintain an appropriate level of knowledge and understanding of the investment of Pension Fund assets. In order to achieve this level of understanding, the Fund has a training policy in place and conferences such as the NAPF Local Government Conference have been identified as training events which should be attended by members of the Pensions Investment Sub Committee. Accordingly, three members and one officer attended the Conference held in Warwickshire during May 2008.
3. The Conference theme was 'The New LGPS – Ringing the Changes' and the key issues raised by the speakers are summarised below:

a) Future of the LGPS Scheme

The current financial climate for local authorities tends to be typified by rising demand for spending but with a slowing grant, implying continuing pressure on Council tax. For the LGPS, more emphasis is being placed on its sustainability and while developments such as cost sharing aim to make the scheme more affordable, it is inevitable that further initiatives will be considered in future years. In terms of its survival as a final salary scheme this was seen as a sensitive political issue with a perception that public sector schemes are out of line with private sector schemes.

b) Pensions Knowledge and Skills Framework

The CIPFA Pensions Panel are developing a knowledge and skills framework to provide guidance to Members of Pensions Committees, Finance Directors and Investment staff. It is likely to cover the following:-

- Legislation
- Accounting and audit standards
- Financial services procurement
- Investment performance and risk management
- Financial markets and products
- Actuarial methods and practices

The intention is to produce a self regulated Code of Practice to be applied locally in the format of the Audit Commission's Use of Resources matrix. It will suggest that an assessment of compliance with the Code should be carried out annually and feature in the Pension Fund's annual report.

c) Scheme Governance

The key messages arising from the NAPF review of the application of the Myners Principles were summarised as:-

- Governance is now more complex
- Compliance with Myners has increased but is patchy
- Trustee knowledge and understanding has improved
- The 'comply or explain' approach should be retained

On most key indicators, local government was felt to be ahead of its private sector counterparts with the LGPS particularly good at promoting trustee knowledge and understanding. The response to the NAPF review would emerge over the coming months.

d) Scheme Communication

The purpose of Pension Scheme Communication was defined as enlightening the target audience and encouraging the appropriate reaction. It was seen as imperative to research what is important to internal customers and show how the communication can satisfy their needs. Various means of communication were identified including digital e.g. websites, text messaging, emails, CD-ROMs, DVDs and interactive PDF's and paper, eg reports. Ayub Mamoojee outlined to the audience the communication methods used by the Nottinghamshire Pension Fund describing the Fund's website, the range of guides and leaflets issued and the format of Pensions Roadshows.

e) Employer Covenant

The employer's covenant is the employer's commitment to fund the Pension Scheme's benefits. For the LGPS this is a statutory requirement while in the private sector, more dependence is placed

upon the employer's ability and willingness to adequately fund the scheme. In order to meet the commitment, it is important to assess the financial strength of the various employers involved and some authorities have used a risk assessment approach to assess Pension Funds' potential exposure in this area. The current Investment Regulations were also discussed with the LGPS Regulations being felt, by some, to be in need of review. Issues to be considered were:-

- The lack of certainty in interpretation
- Whether the Regulations were now out of date
- The potential rigidity of asset allocation limits

f) LGPS in 2012

Looking ahead to four years time, speakers gave their own personal views on what the LGPS will look like in 2012. A number of factors will influence the scheme including public attitude, cost pressures, work force sentiment and the alternatives available. The key factors are costs, recruitment/retention and Union negotiation. Overall, one speaker felt that if cost sharing is agreed and investment performance is reasonable, then a LGPS that is similar to the present scheme, but still under challenge, would emerge.

Statutory and Policy Implications

4. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

Recommendation

5. That the Conference report is noted.

ALAN SUMBY
SERVICE DIRECTOR

Background Papers Available for Inspection

Nil