

## **Scottish Local Government Pension Scheme Trade Union Side**

### **Governance Issues**

The Trade Union Side believes that representation by members on each of the Local Government Pension Scheme (LGPS) funds in Scotland will increase transparency and accountability in their operation. At present there are a range of consultative processes that fall considerably short of best practice in other pension schemes.

We recognise that there are a range of options to strengthen governance including developing the best of the current deliberative involvement arrangements in place. However, we believe that Member Nominated Representatives (MNR's) offer greater potential for compliance with the Myners code on consultation with LGPS contributors and beneficiaries as well as providing greater management stability for the funds. We therefore seek mandatory MNR's through new legislation or amendment by statutory instrument as part of the 'new' scheme provisions currently under consideration. MNR's should hold 50% of all seats on all decision making bodies within each LGPS although this may be implemented in a phased approach with a strict timetable to reach the 50% mark.

This would be complementary and not replace the best practice advisory, consultation and communication arrangements adopted by a number of Scottish funds, although it may require a review of current arrangements to fit in with the new approach.

We set out below some of the issues that underpin this proposal.

- That good performance of the fund is a shared goal by all, in that it protects member benefits, council tax-payer, government allowances and employer contributions.
- The Trade Union Side also believe that the presence of employee representatives in an observer capacity, often only on lower tier committees, does not imply "representation" in any sense other than the existence of advocacy. Representation in the sense of democratic participation requires decision-making participation, with voting rights, on all tiers of management, from senior committees to lower.
- Equality proofing should be applied to all current and proposed changes to committee and governance arrangements. A mechanism for carrying out equality impact assessments should be agreed with and included in the best practice guidance.

- Scottish Ministers and CoSLA have raised the issue of cost sharing within the LGPS. However, if scheme members are to consider taking on more responsibility on this issue they should have voting rights to allow them to contribute to such decisions.
- MNR's would therefore allow members to have such a voice within the decision-making bodies of each LGPS fund. Any consideration of cost sharing must be balanced with representation rights.
- By having MNR's this would ensure that the interests of scheme members are fully represented. This is similar to the powers afforded to pension fund trustees elsewhere.
- Facility time and other resources including training should be made available to MNR's in order to ensure their effective performance.

The Trade Union Side are also looking for clear and transparent national governance structures in the LGPS in Scotland. This would build on the SLOGPAG arrangements developed for considering the 'new' scheme. This would include consideration of standard governance procedures across all the LGPS funds in Scotland with a clear and readily understood constitution, clearly defined roles of the main committee in charge of the fund and its relationship to any other committees such as a pensions and investment committee.

The new national body would also be responsible for keeping the LGPS provisions under review to ensure it develops as anticipated and to address any issues that might arise.

Scottish LGPS Trade Union Side  
April 2007