



Committee and date
Pensions Committee

20 June 2014

10.30am

Item

12

Public

LGPS OPPORTUNITIES FOR COLLABORATION, COST SAVINGS & EFFICIENCIES REPORT

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1. Summary

- 1.1 The report provides Members with an update on the recent consultation issued by the Department for Communities and Local Government (DCLG) in May 2014. The consultation document is attached at Appendix A.
- 1.2 The consultation has been developed drawing on three sources of evidence, a call for evidence on the future structure of the Local Government Pension Scheme which ran from 21 June to 27 September 2013 and 133 responses were received and analysed helping to inform the consultation. In addition, an analysis of the responses to the call for evidence was provided by the Shadow Scheme Advisory Board and a supplementary cost-benefit analysis of proposals for reform commissioned from Hymans Robertson.
- 1.3 The consultation sets out evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers.

2. Recommendations

- 2.1 Members are asked to delegate authority to the Scheme Administrator and the Chair of the Pension Committee to respond to the LGPS Opportunities for collaboration, cost savings and efficiencies consultation attached at Appendix A by the deadline of 11 July 2014. A copy of the final response will be circulated to Members for any further comments or amendments prior to the 11 July deadline.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3. Risk management is considered by Committee in making decisions under the governance arrangements of the Pension Fund and in line with all relevant legislation.

4. Financial Implications

- 4.1 There are no financial implications to consider in this report as the value of the fund does not affect the resources of the Council.

5. DCLG LGPS Consultation

- 5.1 The DCLG has now released its consultation on the opportunities for collaboration, cost savings and efficiencies in the Local Government Pension Scheme. The four main proposals are listed below.
 - Establishing common investment vehicles to provide funds with a mechanism to assess economies of scale, helping them invest more efficiently in listed and alternative assets and to reduce investment costs.
 - Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since aggregate fund performance has been shown to replicate the market.
 - Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
 - A proposal not to pursue fund mergers at this time.
- 5.2 The consultation closes on the 11th July. Details of the consultation and how to engage can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307923/Consultation_LGPS_structural_reform.pdf

The document is also attached at **Appendix A** for information. The consultation questions are detailed below.

Question 1: Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.

Question 2: Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities.

Question 3: How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles.

Question 4: What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Question 5: In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the four options set out below offers best value for taxpayers, Scheme members and employers?

- Full compulsion
- Partial compulsion
- Comply or explain
- Simply consider the benefits

Respondents to the consultation are also invited to submit any feasible proposals for the reduction of fund deficits.

5.3 The consultation has been developed drawing on three sources of evidence, a call for evidence on the future structure of the Local Government Pension Scheme which ran from 21 June to 27 September 2013 and 133 responses were received and analysed helping to inform the consultation. In addition, an analysis of the responses to the call for evidence was provided by the Shadow Scheme Advisory Board and a supplementary cost-benefit analysis of proposals for reform commissioned from Hymans Robertson can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307926/Hymans_Robertson_report.pdf

5.4 The consultation sets out evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers.

5.5 Members are asked to approve the recommendation to delegate authority to the Scheme Administrator and the Chair of the Pension Committee to respond to the LGPS Opportunities for collaboration, cost savings and efficiencies consultation by the deadline of 11 July 2014 once further in-house analysis has been undertaken and evidence from our investment managers and investment consultant has been received. A copy of the final response will be circulated to Members for any further comments or amendments prior to the 11 July deadline.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Call for Evidence Consultation response

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – DCLG Consultation