

**SURREY COUNTY COUNCIL**

**PENSION FUND BOARD**

**DATE: 15 MAY 2014**

**LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER**

**SUBJECT: NATIONAL CHANGES TO THE LGPS**



**SUMMARY OF ISSUE:**

On 1 May 2014, a consultation was published by the Government following the Call for Evidence on the future structure of the LGPS, which was launched on 21 June 2013. The document reflects certain initiatives in terms of collaboration by various LGPS administering authorities that have been announced and implemented.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Board:

- 1 Note the report.

**REASON FOR RECOMMENDATIONS:**

The Pension Fund Board must be aware of all strategies and prospects of collaborative working surrounding the running of the Pension Fund.

**DETAILS:**

**Background**

- 1 Following the call for evidence, the DCLG consulted on fundamental changes to the 89 Local Government pension schemes funds in England and Wales. An announcement from the Minister in the form of a consultation document was made on 1 May 2014. The document is lacking in terms of a prescriptive approach or definitive timelines.

**Possible Outcome**

- 2 Since the debate first commenced last year, there has been considerable speculation as to the likelihood of a mandatory merger of funds or, alternatively, the non-mandatory option of existing funds collaborating with the formation of common investment vehicles (CIVs) across England and Wales. Following the publication of the 1 May 2014 document, it would appear that mandatory merger of the LGPS funds is no longer an option and the collaboration route along with collective investment vehicles is the preferred choice.
- 3 There have been many alliances formed and strategies agreed between LGPS administering authorities as to collaborative working with the objective of benefitting from economies of scale and reducing overall costs.

- 4 Most notable of these initiatives is the London Borough Partnership and the formation of a CIV applicable to London, led by LB Wandsworth and the City of London Corporation. With regard to the counties, the most prominent alliances have been formed by Devon and Cornwall, Cambridgeshire and Northamptonshire and the Thames Valley (Oxon, Bucks and Berks).
- 5 The principle behind this partnership is that is it a sounder strategy to encourage a “collaboration of the willing” with good governance and funding/investment strategies to implement a self-designed reform, rather than have a Government designed solution imposed on unwilling recipients.

### **South East 7**

- 6 The Pension Fund authorities within the South East 7 (Surrey, East Sussex, West Sussex, Hampshire and Kent) have assessed options to collaborate together with regard to asset and liability management. Such an initiative could generate scale economies with combined assets valued at circa £12bn. An idea of the Minister’s agreed direction would be necessary prior to any work being commenced.
- 7 An initial paper prepared for the South East 7 is shown as Annex 1. For collaboration to work effectively within the South East 7, close working relationships and agreements will be needed from all participants.
- 8 Officers will continue to work on proposals and the partnership will be the subject of future reports to the Pension Fund Board.

### **CONSULTATION:**

- 9 The Chairman of the Pension Fund has been consulted on the report and has offered full support for the proposals, subject to investigative work and future reports to the Pension Fund Board.

### **RISK MANAGEMENT AND IMPLICATIONS:**

- 10 Risk related issues are contained within the report, the most notable of which is the lack of clear direction and timelines offered by the Government’s consultation document.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

- 11 Financial and value for money implications will be discussed in future reports once a clear direction ahead has been established.

### **CHIEF FINANCE OFFICER COMMENTARY**

- 12 The Chief Finance Officer is satisfied that, as far as the current information available allows, all material, financial and business issues and possibility of risks have been considered and addressed and that the possible option of collaboration offers a possible solution, allowing a still independent approach concerning funding and investment strategies to be followed by the five separate administering authorities.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

- 13 Legal implications or legislative requirements associated with this initiative will be addressed in future reports.

### **EQUALITIES AND DIVERSITY**

- 14 Equalities and diversity implications associated with this initiative will be addressed in future reports.

### **OTHER IMPLICATIONS**

- 15 There are no potential implications for council priorities and policy areas.

### **WHAT HAPPENS NEXT**

- 16 The following next steps are planned:
- Further investigation and future reports to the Pension Fund Board

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**Contact Officer:**

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

**Consulted:**

Pension Fund Board Chairman

**Annexes:**

Initial Report to the South East 7

**Sources/background papers:**

None

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