

**SURREY COUNTY COUNCIL****PENSION FUND BOARD****DATE: 19 SEPTEMBER 2014****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: LGPS REFORM: OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES**

14

**SUMMARY OF ISSUE:**

On 21 June 2013, the Department for Communities and Local Government (DCLG) issued a call for evidence on the future structure of the Local Government Pension Scheme. A document was submitted on behalf of the Pension Fund Board, in consultation with the Chairman of the Pension Fund Board. On 1 May 2014, the Government published a further consultation document, which acknowledged the initiatives put in place by many administering authorities with regard to collaboration and the set up of collective investment vehicles.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Board:

- 1 Note the report.
- 2 Note the consultation sent by Surrey Pension Fund with views expressed by members within the Board meeting of 15 May 2014.

**REASON FOR RECOMMENDATIONS:**

The Pension Fund Board must be aware of all prospects for collaborative working surrounding the investment 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. Further consultation by the Government was announced and published on 1 May 2014.

**Proposals Made in the Document**

- 2 The proposals can be summarised as follows:

- To move to using collective investment vehicles (CIVs). The Hymans analysis showed potential cost savings from moving to CIVs, but these savings would take a decade to realise. Within the report, there was little by way of detail on how the CIVs will work and there will be questions about what kind of CIV, how many, which asset classes and the level of the mandatory nature (if any). The document also acknowledges that the current investment regulations will need changing. It should be noted that the London Boroughs are in the process of setting up a CIV which should be in place by 1 April 2015.
- To move to greater use of passive management for listed assets. The Hymans analysis shows the LGPS scheme as a whole has not outperformed the benchmark, so there is little risk to performance and savings could be made quickly. Again, it asks how this could be done: compulsorily or through a minimum percentage held in passive. A comply or explain approach was mooted.

### **Consultation Response**

- 3 The consultation closed on 11 July 2014. Surrey's response is included as Annex 1. With over 200 submissions received, the DCLG is currently analysing the responses with support from colleagues at the Cabinet Office.

### **CONSULTATION:**

- 4 The Chairman of the Pension Fund Board has been consulted on the report.

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

- 5 Risk related issues are contained within the report, most notably the lack of any definite timescale and no clear view on the legislative process to be employed.

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

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

### **DIRECTOR OF FINANCE COMMENTARY**

- 7 Director of Finance has ensured that all material, financial and business issues and possibility of risks were considered and addressed in responding to this consultation. The options of collaboration and will be subject to further investigation and reports to the Board.

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

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

### **EQUALITIES AND DIVERSITY**

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

#### **OTHER IMPLICATIONS**

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

#### **WHAT HAPPENS NEXT**

11 The following next steps are planned:

- Future reports to the Pension Fund Board regarding Government decisions and implementation.

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**Contact Officer:**

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

**Consulted:**

Pension Fund Board Chairman

**Annexes:**

Consultation response from Surrey Pension Fund

**Sources/background papers:**

None

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