

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: 23 JULY 2015

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: CHANCELLOR'S BUDGET: UPDATE



SUMMARY OF ISSUE:

The Chancellor of the Exchequer presented his budget to the House of Commons on 8 July 2015. This paper contains a summary of the implications for the Local Government Pension Scheme (LGPS).

RECOMMENDATIONS:

It is recommended that the Surrey Pension Fund Committee note the report.

REASON FOR RECOMMENDATIONS:

To comply with best practice and to assist the knowledge and training of the Surrey Pension Fund Committee.

DETAILS:

- 1 The Chancellor delivered his Budget on 8 July 2015. From a Local Government Pension Scheme perspective, paragraph 2.19 from the budget paper reads:

“Local Government Pension Scheme pooled investments: the government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.”
- 2 With regard to this extract, there is no mention of active versus passive, mandatory passive or any prescriptive legislation involving passive investment at this time. The Surrey Pension Fund is already working individually and collaboratively on delivering savings (negotiations on manager fees, current procurement processes and shared administration costs).
- 3 A further consultation paper from the government to be released soon will provide clarity in terms of the scale of savings required and a possible benchmark in terms of the total expense ratio for individual/pooled LGPS funds. A further report on progress for the Surrey Pension Fund will be taken to the 18 September committee meeting.

CONSULTATION:

- 4 The Chairman of the Surrey Pension Fund Committee has been consulted and has requested that this paper be presented at the meeting in order to inform and generate discussion on the proposals and the future direction of the Surrey Fund in terms of reducing its cost base.

RISK MANAGEMENT AND IMPLICATIONS:

- 5 The risk contained within the Chancellor's announcement is that local authorities must put forward their own proposals for delivering savings against the backdrop of pending legislation that will impose mandatory pooled investments against those administering authorities that do not come forward with sufficiently ambitious proposals.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 6 The major financial implication is the government's drive to deliver substantial savings against the current £650m investment manager fee base within the 89 funds of the LGPS.

DIRECTOR OF FINANCE COMMENTARY

- 7 The Director of Finance will ensure that proposals will be worked on and presented to future meetings of the Surrey Pension Fund Committee in order that sufficiently ambitious proposals for cost savings can be generated.

LEGAL IMPLICATIONS – MONITORING OFFICER

- 8 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

- 9 There is no requirement for an equalities and diversity assessment at this time, but this will be reviewed when criteria have been established.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

- 11 The following next steps are planned:
- Further report to the Surrey Pension Fund Committee.

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Consulted:

Surrey Pension Fund Committee Chairman.

Annexes:

None.

Sources/background papers:

None

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