

Essex Pension Fund Strategy Board	PSB/19/15
date: 16 September 2015	

LGPS Reform

Report by the Director for Essex Pension Fund

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1. Purpose of the Report

- 1.1 To update the PSB on developments regarding potential structural reforms of the Local Government Pension Scheme as a result of the Budget 2015 announcement.
- 1.2 To inform the PSB on work currently being undertaken by the national Shadow Scheme Advisory Board exploring potential options on the degree of separation between the Scheme Manager function and the host authority.

2. Recommendations

- 2.1 That the report be noted.

3. Structural Reform

- 3.1 At its meeting on 18 September 2013, the Essex Pension Board (Board) agreed the basis of its response to the *call for evidence* on the future structure of the LGPS issued jointly by the Local Government Association (LGA) and the Department for Communities & Local Government (DCLG).
- 3.2 Following receipt of responses to the call for evidence, DCLG commissioned analysis of structural reform options to be led by Hymans Robertson. These options covered:
- merging funds; and
 - the use of Collective Investments Vehicles (CIVs).
- 3.3 On 1 May 2014, DCLG published the consultation document “Opportunities for collaboration, cost saving and efficiencies” along with the analysis undertaken by Hymans Robertson.
- 3.4 The consultation’s emphasis centred on the use of CIVs and passive management, at the time removing the option of fund mergers.
- 3.5 At its meeting on 9 July 2014 the Board agreed its response to the consultation.

4. Budget 2015

- 4.1 The Chancellor on the 8 July 2015 announced in his budget statement the following:

2.19 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.

5. Subsequent developments

- 5.1 During August, the Local Government Association arranged a roundtable event and, in conjunction with the Shadow Scheme Advisory Board a seminar to explore this issue. Officials from DCLG were in attendance at both events and the Fund was represented.
- 5.2 It appears likely that the consultation to which the Budget statement refers will be issued in November. The common criteria are expected to be size, cost and governance.
- 5.3 A verbal update on the dialogue held with officers from other LGPS Funds will be given at the meeting.

6. Shadow Scheme Advisory Board

- 6.1 The national Shadow Scheme Advisory Board (SSAB) has commissioned KPMG to report on potential options on the degree of separation between the Scheme Manager function and the host authority. KPMG are expected to report to the SSAB on 21 September 2015.
- 6.2 The Annex to this report details the specification to which KPMG are required to work. The options are:
 - Option 1 – Stronger role for Section 151 Officer within a distinct entity of the host authority
 - Option 2 - Joint Committee of two or more administering authorities.
 - Option 3 - LGPS complete separation of the pension fund from the host authority
- 6.3 A verbal update will be given at the meeting.

7. Background papers

- 7.1 DCLG consultation “Opportunities for collaboration, cost saving and efficiencies” – May 2014
- 7.2 Fund response agreed 9 July 2014