

# Item 8

CT/13/45  
Investment and Pension Fund Committee  
13 September 2013

## CALL FOR EVIDENCE ON THE FUTURE STRUCTURE OF THE LOCAL GOVERNMENT PENSION SCHEME

### Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

**Recommendation: That the Committee approves the suggested response to the Government's Call for Evidence attached at appendix 1 to this report.**

#### 1. Introduction

- 1.1. As anticipated in the governance report to the previous meeting of the Committee, the Department for Communities and Local Government (DCLG) have now launched an informal 'call for evidence' on the question of LGPS Fund sizes, potential mergers and cost management.
- 1.2. The Call for Evidence had been announced by Local Government Minister Brandon Lewis at the National Association of Pension Funds' annual local government conference in May. The Minister stated "*I am neither ruling anything in nor ruling anything out at this stage. However, the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the scheme, I shall not shy away from pursuing that goal.*"
- 1.3. The call for evidence sets out two high level objectives and six secondary objectives. These are as follows:
  - High level objectives
    1. Dealing with deficits
    2. Improving investment returns
  - Secondary objectives
    1. To reduce investment fees
    2. To improve the flexibility of investment strategies
    3. To provide for greater investment in infrastructure
    4. To improve the cost effectiveness of administration
    5. To provide access to higher quality staffing resources
    6. To provide more in-house investment resource
- 1.3 There is also the suggestion that, although there is a wide range of data available on Local Government Pension Scheme funds, it is currently widely dispersed and would benefit from enhancement, collation and further analysis. The call for evidence also asks for views on how best to achieve a high level of accountability to local taxpayers, particularly if services are to be shared or funds merged.

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- 1.4 The call for evidence has asked for responses giving regard, but not exclusively, to five questions.

## 2. Proposed Response

- 2.1 A proposed response is attached at Appendix 1 to this report. The main thrust of the response is that the Government's objectives can be achieved through greater collaboration between funds without structural change that would reduce local accountability.
- 2.2 The response further sets out evidence in relation to the priority that should be attached to performance, the lack of correlation between size and performance across LGPS funds, and the value of current collaborative initiatives already taking place between funds. The response sets out the current work in progress towards a shared pensions administration service with Somerset, that could be expanded to cover a wider number of authorities.

## 3 Conclusion

- 3.1 Members are asked to endorse the proposed response that increased collaboration and sharing of services between LGPS funds is the way forward to achieve improved performance, as opposed to a structural change involving the merger of funds.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

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