

Pensions Committee

1 November 2023

Government Consultation “Local Government Pension Scheme (England and Wales): Next steps on investments”

Report by Director of Finance and Support Services

Summary

On 11 July 2023 the Department for Levelling Up Housing and Communities published a policy consultation on Local Government Pension Scheme (LGPS) investments covering asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The consultation closed on 2 October 2023.

The full Consultation document was shared with the Pensions Committee in July 2023 and initial comments were provided by the Committee to inform the final response to the consultation, which was made by the Director of Finance and Support Services, in consultation with the Chairman of the Pensions Committee (Appendix A). The response made the following points:

- Administering Authorities, rather than pool operators, have statutory responsibility to invest for the purpose of paying pensions to LGPS scheme members. Authorities are expected to be able to demonstrate that investment decisions have taken and acted upon following proper advice and that decisions have been taken in the best long-term interest of scheme beneficiaries.
- Supporting a single model for pooling is not in line with the statutory powers on which pooling has evolved and prescribing a model could stifle innovation and erodes local control and democratic accountability.
- Further consolidation to achieve scale will be costly and disruptive, so any guidance on an optimal scale must be evidence based and reflecting different asset class. There could also be diseconomies of scale.
- Whilst the levelling up agenda is supported; the Supreme Court has determined that LGPS assets are not “public money” and accordingly the boundaries of Government’s statutory powers are clear.
- It will be important to consider the role of the Local Pension Advisory Board and the national Scheme Advisory Board to consider qualitative information relating to performance, fees, and progress of asset transfer against implementation plans.
- A consistent benchmark is not appropriate given differing objectives.

- Additional reporting needs to be balanced against workload.

Recommendation

- (1) The Pensions Committee notes the County Council's response to the consultation that was submitted by the deadline of 2 October 2023.
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Proposal

1 Background and context

- 1.1 The Department for Levelling Up, Housing and Communities published a consultation on pension fund investments on 11 July 2023.
- 1.2 Following feedback from the Pensions Committee, discussions with advisers, industry, the Pension Advisory Board and consultation with the Chairman, the Director of Finance and Support Services submitted a response on 2 October 2023.
- 1.3 Responses were also provided by the Director of the ACCESS Support Unit, the [Scheme Advisory Board](#), [Hymans Robertson](#) and others.
- 1.4 The timetable for a government response is to be confirmed. In the interim, it is recommended that the investment strategy continues to be actively managed, in line with existing Regulations and guidance.

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Appendices

Appendix A – Consultation Response “Local Government Pension Scheme (England and Wales): Next steps on investments”

Background papers

None

Recommended Training

None