



<b>Report for:</b>	Pensions Committee 23 <sup>rd</sup> June 2014	<b>Item number</b>	
--------------------	--	--------------------	--

<b>Title:</b>	Pension Fund Consultation
---------------	---------------------------

<b>Report authorised by :</b>	Assistant Director – Finance (CFO)
-------------------------------	------------------------------------

<b>Lead Officer:</b>	George Bruce Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726
----------------------	---

<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>
------------------------------	------------------------------------

## **1. Describe the issue under consideration**

- 1.1 The DCLG has issued a consultation document “Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies”. A proposed response is attached for consideration.

## **2. Cabinet Member Introduction**

- 2.1 Not applicable.

## **3. Recommendations**

- 3.1 That members approve the proposed response to DCLG attached to this report and authorise the Assistant Director – Finance to send the response to DCLG on behalf of the Committee.

## **4. Other options considered**

- 4.1 None.

## **5. Background information**

- 5.1 The Government launched a call for Evidence on the structure of LGPS in summer 2013 starting a debate on the structure of the LGPS



and in particular whether merger into a smaller number of funds was appropriate.

- 5.2 This consultation document follows on from the call for evidence and proposes that the current LGPS structure is maintained, with individual local authorities remaining responsible for their own pension fund and directing the investment strategy for their fund. This is in line with Haringey's response to the call for evidence.
- 5.3 The changes proposed within the consultation document cover two main areas:
- a) That local authorities share investment management through the establishment of collective investment vehicles ("CIV's"), and
  - b) Greater use is made of passive management to reduce costs and avoid underperformance relative to benchmarks.
- 5.4 Haringey has demonstrated its support for the first initiative by contributing to the establishment costs of the London CIV, expected to be operational in Q1, 2015.
- 5.5 Most of the pension fund's assets are managed passively, which is in line with (b) above. However, we do point out in our response that:
- Saving fees will not by itself materially reduce deficits and contribution levels,
  - The use of CIV's should be voluntary and there should be choice and competition between a small number of CIV's
  - Some asset classes can or should not be managed passively,
  - Investors who can demonstrate skills in active management should not be prevented from investing actively.
- 5.6 A draft response is attached, which has been discussed with the independent advisor. Overall, the response is supportive of the Government's proposals, although suggesting that they do not tackle the main issues of deficits and high contribution rates. Of the four options relating to the use of passive and active investment techniques we propose "comply or explain" on a rigorous partly independently verified basis so as to ensure active management is only undertaken when its use and likely success can be justified.
- 5.7 The deadline for responding is 11 July 2014.

## **6. Comments of the Chief Financial Officer and financial Implications**



**Haringey** Council

- 6.1 The proposals are part of a process of tightening up oversight and governance standards in LGPS and examining opportunities to reduce the burden of costs to support the scheme. The proposals will not alter the fundamental role of the Council in administering the Haringey fund or setting an investment strategy. They will offer additional investment implementation opportunities if offered on a voluntary basis that could save costs.

## **7. Assistant Director of Corporate Governance comments and Legal Implications**

- 7.1 The Assistant Director of Corporate Governance has been consulted on the contents of this report. The response is part of a consultation process being undertaken by the DCLG.

## **8. Equalities and Community Cohesion Comments**

- 8.1 There are no equalities issues arising from this report.

## **9. Head of Procurement Comments**

- 9.1 Not applicable

## **10. Policy Implications**

- 10.1 None.

## **11. Use of Appendices**

- 11.1 Appendix 1: Consultation document.  
Appendix 2: draft response to the consultation.

## **12. Local Government (Access to Information) Act 1985**

- 12.1 Not applicable.