

Committee: Pension Fund Advisory Committee

Date: 8 March 2016

Agenda item: 8

Wards: All

Subject: LGPS: INVESTMENT REFORM CRITERIA AND GUIDANCE (DCLG, NOVEMBER 2015) CONSULTATION

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

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Recommendations:

- a) Note the content of this report and, in particular, the LB Merton's initial response to the LGPS: Investment Reform Criteria and Guidance (DCLG, November 2015) Consultation on 18 February appended to this report and to read this report in conjunction with the related separate report to this meeting titled "Update on London CIV".
- b) Note that officers will provide draft LB Merton's refined and completed response to be submitted by 15 July 2016, to the next meeting of this Committee to be held on 29 June 2016 for comments and approval.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Committee on the on-going Government reform of the Local Government Pension Scheme (LGPS) and LB Merton's initial response to the LGPS: Investment Reform Criteria and Guidance (DCLG, November 2015) Consultation and officers' arrangement to submit the Council's refined response to the DCLG by the 15 July 2016 deadline.
- 1.2 The Government's on-going reform of the LGPS will have fundamental impact on the way administering authorities manage and invest their pension fund assets.

2. CURRENT CONSULTATIONS

- 2.1 The Local Government Pension Scheme: Investment Reform criteria and Guidance (DCLG, November 2015) Consultation was launched in December 2015, following the Government's response to the Local Government Pension Scheme: Opportunities for Collaboration, Cost Savings and Efficiencies

Consultation on 25 November 2015. A parallel consultation “Revoking and Replacing the LGPS Management and Investment of Funds Regulations 2009” was launched as part of the Government’s response. Together, the consultations are aimed at introducing fundamental changes to the way LGPS funds are managed and their assets invested.

- 2.2 LB Merton is a founder member of the London CIV and the Council is in dialogue with the CIV about a range of issues including its approach to managing assets and response to Government consultations.

3. LONDON BOROUGH OF MERTON’S RESPONSE

- 3.1 LB Merton submitted its initial response to LGPS: Investment Reform Criteria and Guidance (DCLG, November 2015) Consultation on 18 February 2016 giving regard to the initial response submitted by the London CIV on behalf of London CIV Limited and its 31 London borough members.
- 3.2 The Council’s initial response stressed its commitment to work collaboratively with other boroughs via the CIV to pool its assets taking into account the CIV’s offering and the Council’s own investment strategy and risk appetite.
- 3.3 A refined and completed response is required to be submitted by the Council by 15 July 2016. Officers will provide draft response to the next meeting of this Committee on 29 June 2016 for comment and approval.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 Officers will liaise with other boroughs via the London CIV when drafting the Council’s refined response to be submitted by 15 July 2016.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the Council.

6. REGULATORY AND SPECIFIC LEGAL MATTERS

- 6.1 The Government published its response to the consultation on Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies on 25 November 2015.
- 6.2 The Government supports the view of the majority of the respondents that asset allocation decision should remain with local administering authorities and that savings can be delivered through asset pooling, and in particular collective investment vehicles.

6.3 The Government is minded to pursue a localised approach to reform. Administering authorities are asked to determine the most efficient way to pool their assets and with whom to partner.

6.4 A consultation “ Revoking and replacing the LGPS Management and Investment of Funds Regulations 2009” has been launched on draft regulations aimed at reforming the investment regulations and introduce a power of intervention to allow the Secretary of State to intervene in an administering authority’s investment function if it failed to bring forward credible proposals for pooling. The consultation closed on 19 February 2016.

7. COMPLIANCE WITH COUNCIL POLICIES EXTRAENOUS TO PENSION PROVISION

7.1 Please see 6 above.

8. CRIME AND DISORDER IMPLICATIONS

8.1 N/A

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1 The use of the London CIV would enable the Council to demonstrate its commitment to a quicker and simpler process of pooling its Pension Fund assets with other boroughs’, but any delays in the CIV’s ability to take investments could impinge on our ability to have the new allocations and fund managers in place by the end of the financial year.

10. APPENDICES

1. LGPS: Investment Reform Criteria and Guidance (DCLG, November 2015) - LB Merton’s Initial Response dated 18 February 2016.

2. LGPS: Investment Reform Criteria and Guidance (DCLG, November 2015) - London CIV’s Initial Response dated 18 February 2016.

11. BACKGROUND PAPERS

1. Update on London CIV – Report to the Pension Fund Advisory Committee on 8 March 2016

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