

Appendix 4: Budget announcement re future consultation

In the Summer Budget on 8th July 2015, the Chancellor made the following announcement regarding Local Government Pension Schemes:

“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.”*

This announcement follows the Department for Communities and Local Government consultation in 2014 titled “Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies.”, details of which were reported to the Audit, Pensions & Standards Committee on 30th June 2014, along with the response submitted. This previous consultation sought views on the use of collective investment vehicles and passive management of investments to reduce the cost of running the LGPS.

It is anticipated that the consultation referred to in the Budget announcement will be published in October or November and will seek proposals from LGPS funds to significantly reduce costs, without impacting on investment returns. This appears to be more open to Funds bringing forward their own ideas rather than imposing solutions, such as passive management, which was the case with the 2014 consultation.

Westminster’s engagement with the London Collective Investment Vehicle (CIV) – see agenda item regarding the CIV elsewhere on this agenda - as well as participation in national frameworks for procurement are positive steps in the direction the government is seeking. However until the consultation is published, it will not be clear what criteria the Fund will be judged against.