

Cumbria County Council

**Cumbria LGPS**

**Separating Pension  
Funds and their hosts?  
2nd July 2014**

# Agenda

- What are the major conflict issues that are being raised?
- What's driving the debate, what if anything has changed - why consider separation now?
- How we govern Cumbria – does & will size matter?

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**What are the major  
conflict issues that  
are commonly  
raised?**

# Common Areas of Conflict

- Local investment.
- Wider Admin Authority responsibilities
- Reducing Budgets / Increasing cost LGPS
- Decision maker / scrutiniser
- Lack of information &/or comparative data
- Dual role S151 Officer
- Representation of larger employer's only
- Lack of representation member interests

# Other Considerations

- PSPA 2013 – representation / new governance structures
- Separation of statutory accounts
- Knowledge Requirements (S151; Officers & Members)
- Member Trustee churn
- Role of the Pensions Regulator
- Mergers; collaboration; CIV's

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**What's driving the debate,  
what if anything has  
changed - why consider  
separation  
now?**

# What makes the LGPS Different?

- Circa £180bn investment assets
- Quantity and variety of employer base
- Covenant / financial viability of employers
- Potential conflict with other duties
- LGPS has discretion to set employer contribution rates locally

# PSPA 2013 / DCLG Consultation

A key aim of the reform process is to:-

- raise the standard of management and administration of public service pension schemes and to
- achieve more effective representation of employer and employee interests.



# PSPA 2013 / DCLG Consultation

Required to help do this:-

- National Board to advise Government on Scheme changes (SSAB)
- A Local Pension Board to assist admin authorities with the effective and efficient management and administration of the Scheme

# New Responsibilities / Contracting Budgets



# Press / Public Scrutiny



**“The Fol burden -  
there are no easy  
answers” Times 30<sup>th</sup> January  
2014**

# SSAB - Nigel Giffin QC Questions

- Does a LGPS admin authority owe a fiduciary duty and if so to whom it is owed?
- How should the wider functions, aims or objectives of the admin authority influence the discharge of its LGPS investment duties.

# SSAB - Nigel Giffin QC Opinion

- Duty owed to both Scheme employers & members
- Power of investment for investment purposes, and not for any wider purposes.
- Investment decisions targeted at:
  - a wide variety of suitable investments,
  - those best for the financial position of the fund (balancing risk and return)

# SSAB - Nigel Giffin QC Opinion

*FURTHER the admin authority can:-*

- Social; ethical; environmental views can be considered, if at no financial detriment to the Fund.

*BUT the admin authority cannot:*

- give preference to its own views
- impose its views on employers and members (nor vice versa).

# Changing Board Structure

- PSPA 2013 equal representation of non elected Members
- Joint Board – how to “scrutinise” your own decisions?
- Should S151
  - support the body that makes the decisions & the body that “assists”.
  - Internal structure dependent – support those that scrutinise their own decisions?

# Why Should We Consider This Now?

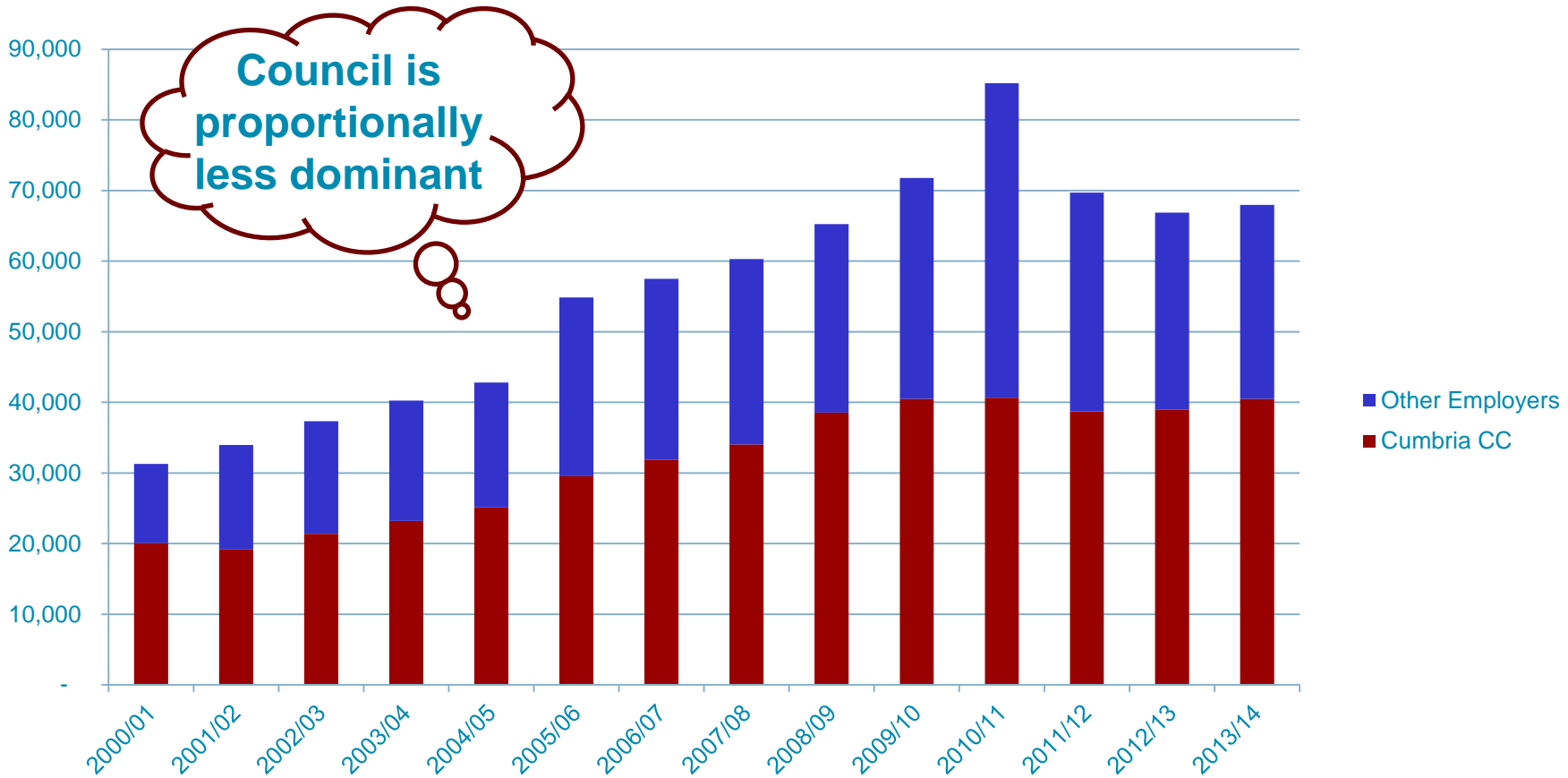
- Pensions increasing cost (both in £ & %)
- Changing employer / member structure.
- Inherent and new areas of conflict of interest
  - reducing Council Budgets,
  - wider Council responsibilities
  - new Board Structures



# Changing Representation of LGPS

- Employers – numbers & types
- Membership structure
- Costs

# Contributions By Employer



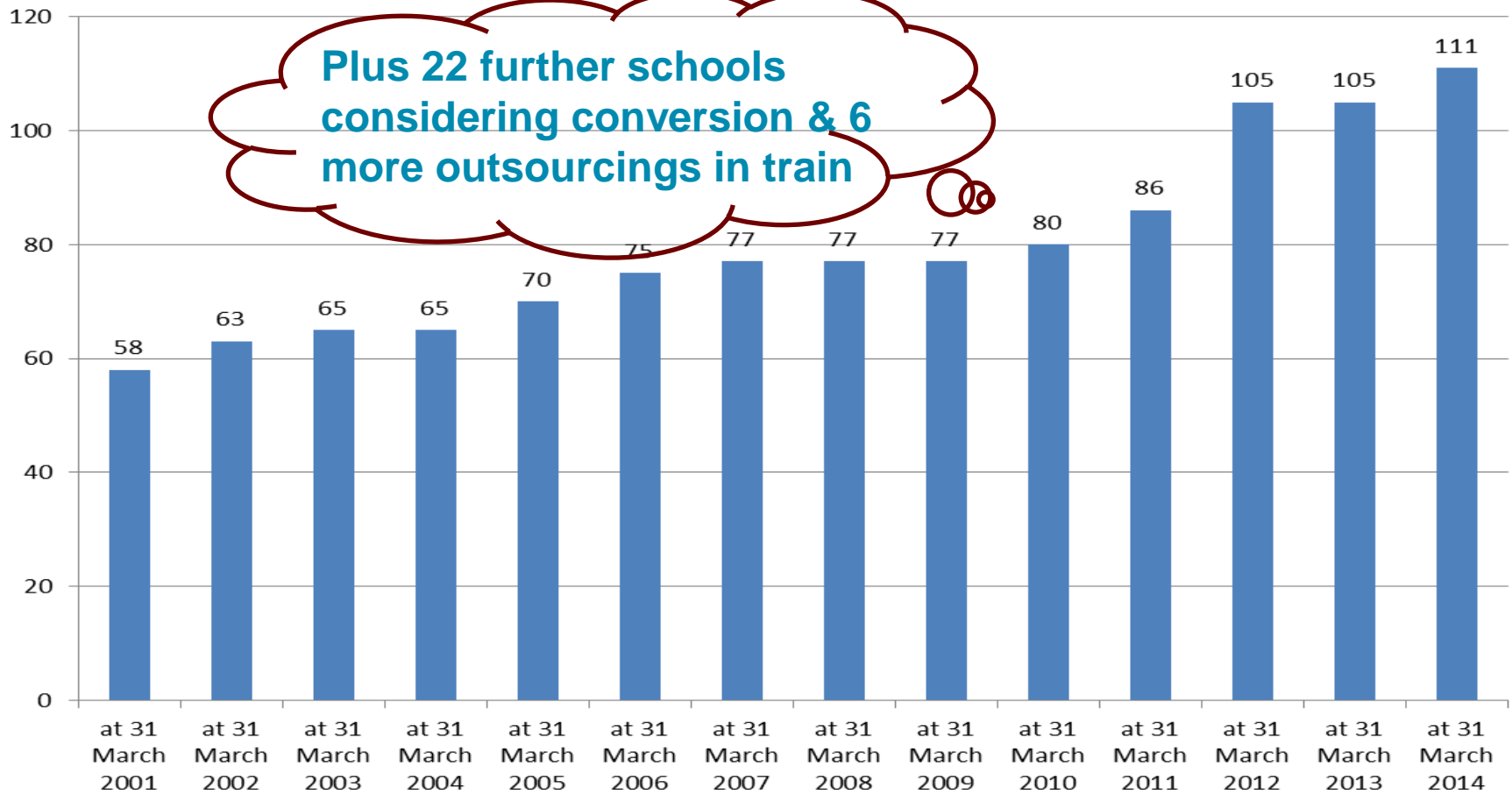
# LGPS versus Rest of Public Sector

		Members (million)	Employers	Net Liabilities (2012: £bn)
L	Local government	4.7	7,800	78
	NHS	2.9	1,300 + GPs	283
	Teachers	1.9	5,300	233
	Civil service	1.7	300	155
	Armed forces	0.8	10	106
L	Police	0.3	45	102
L	Fire	0.1	50	21
	<b>Total</b>	<b>12.4</b>	<b>14,805 +</b>	<b>978</b>

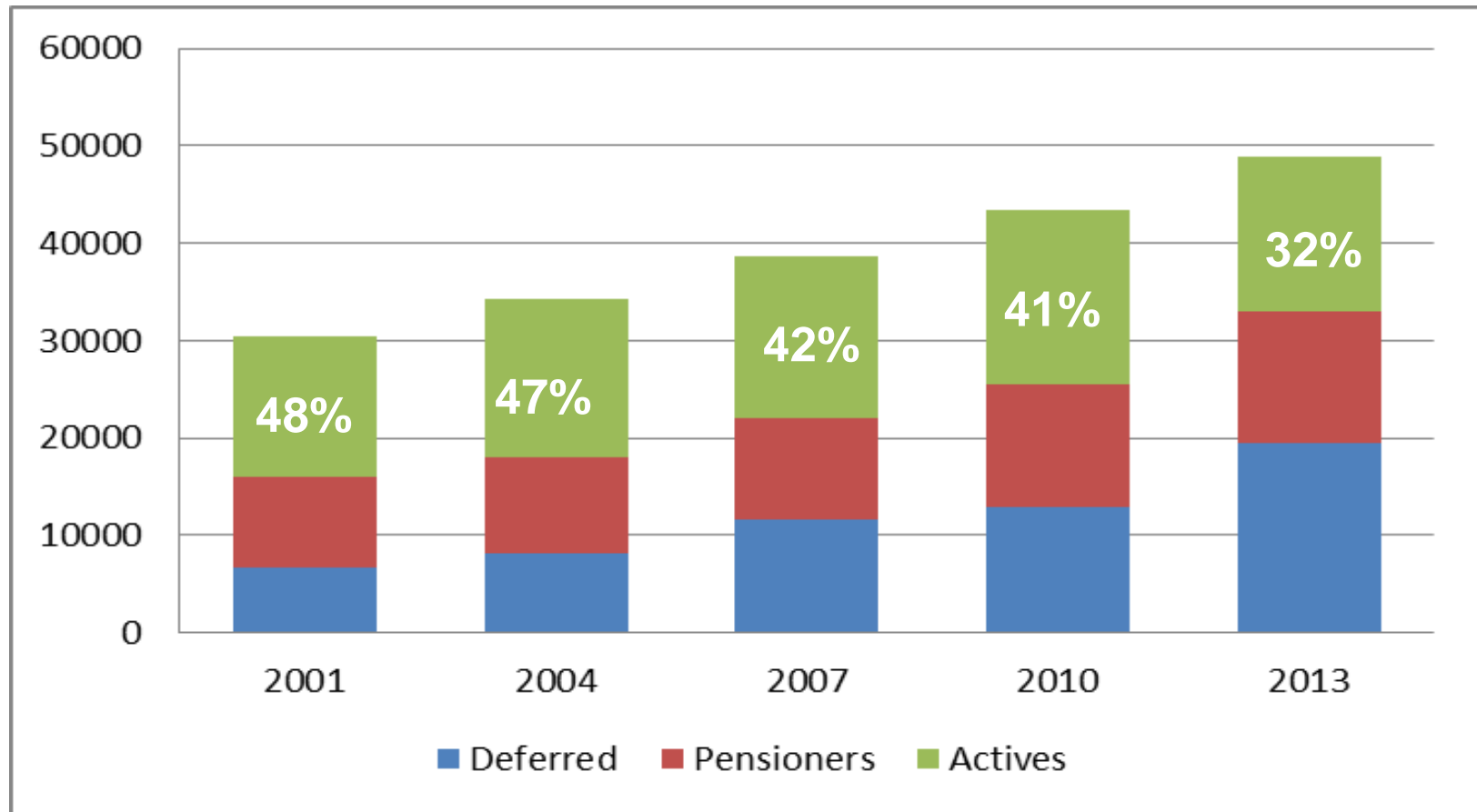
Source: The Pensions Regulator

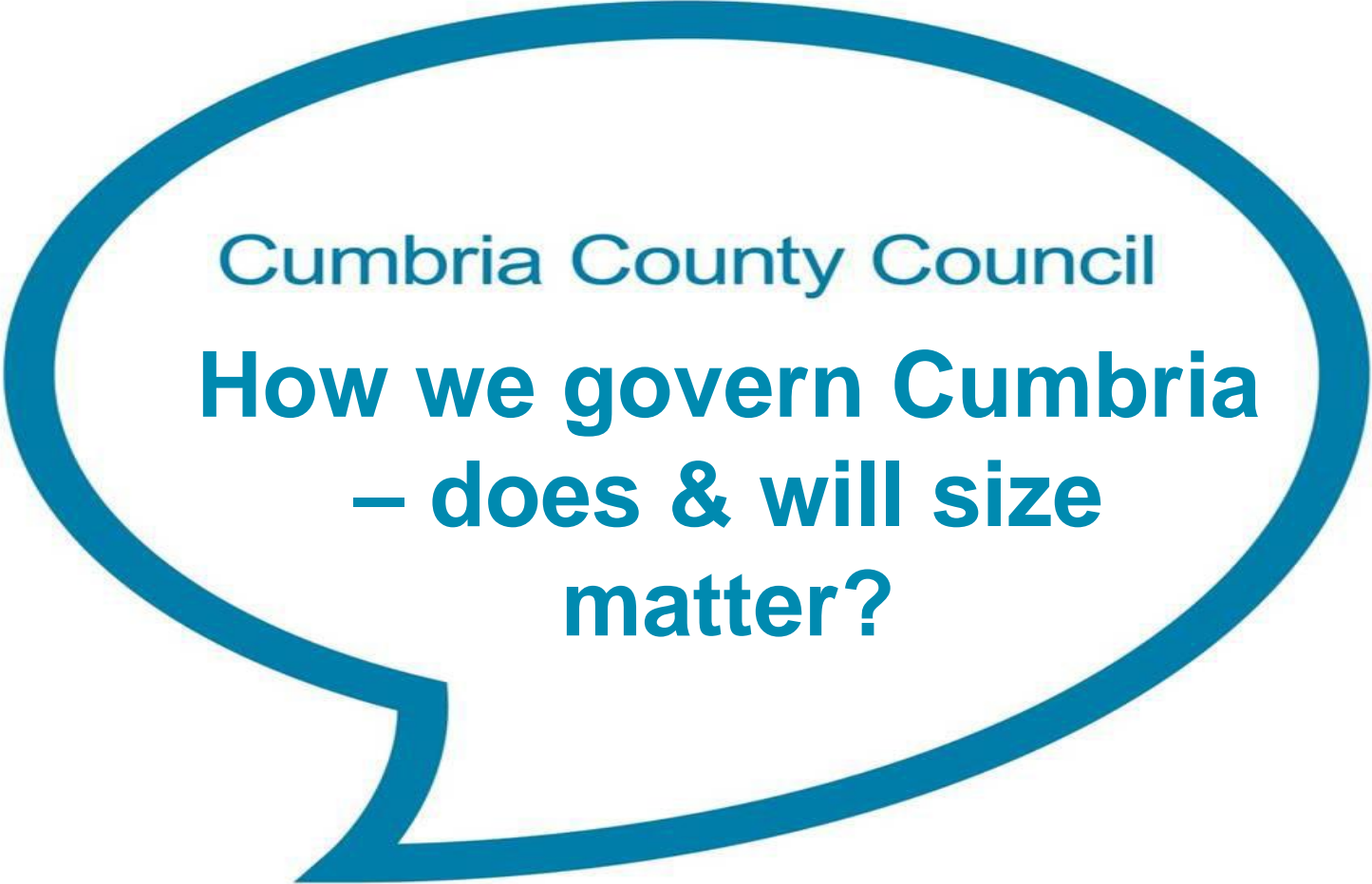
L = local administration

## Number of Employers in Fund



# Membership at Triennial Valuations





Cumbria County Council  
**How we govern Cumbria  
– does & will size  
matter?**

# Cumbria LGPS – How is it Governed



# Cumbria LGPS Governance Framework

**MEMBERS**  
(de facto Trustees)



## PENSIONS COMMITTEE

8 CCC Cllr's (**Strategic Decision Makers**)  
1 District Cllr  
1 Trade Union  
2 Independent Advisors

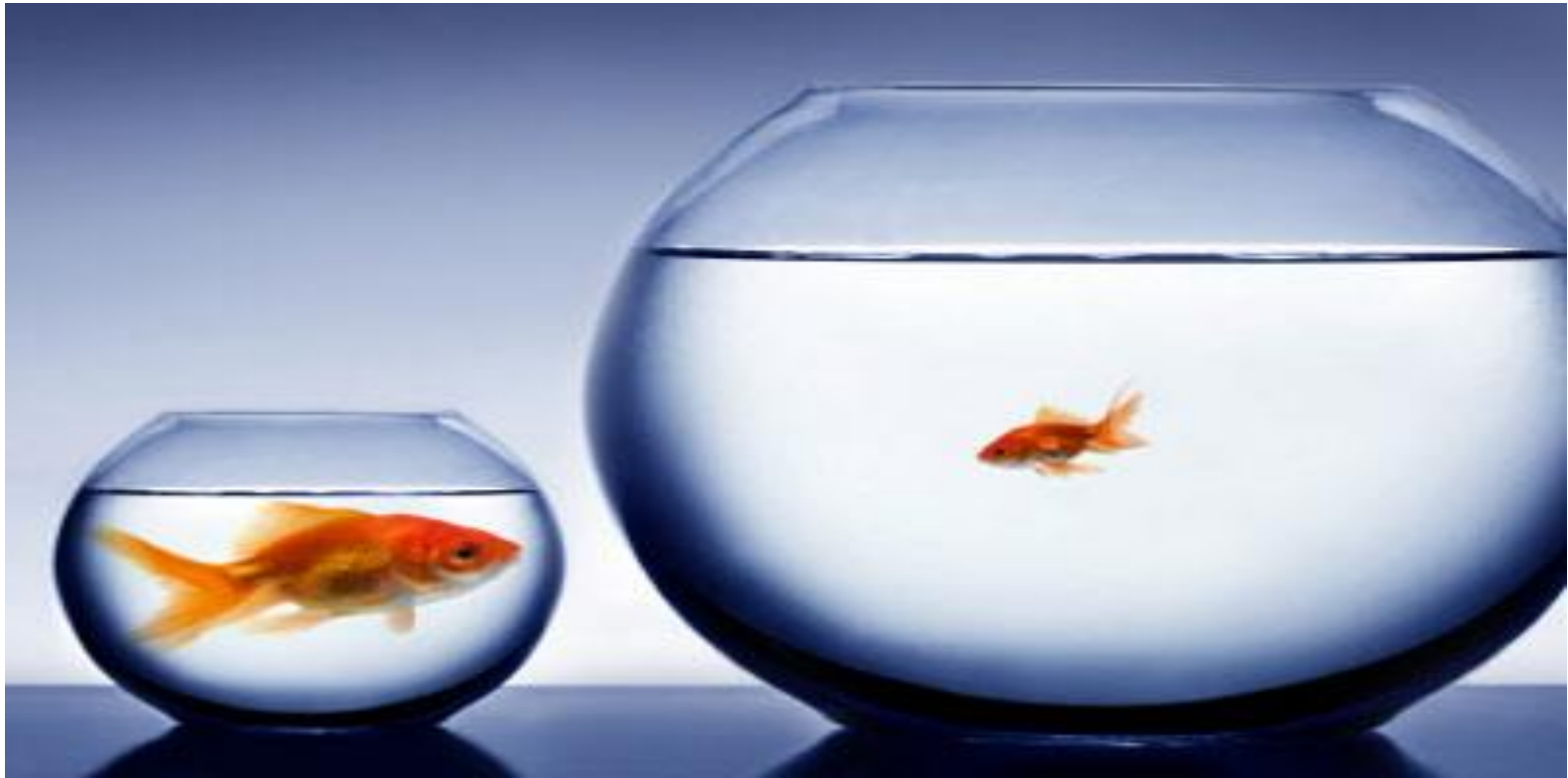


## INVESTMENT SUB GROUP

S151 (**Tactical Decision Maker**)  
3 Cllr's  
1 CIO  
2 External Advisors



# Are Larger Schemes better Governed?



# Cumbria - Governance Best Practice

- Training policy & implementation
- Investment management & monitoring

 Grant Thornton

Coming of age:  
development of the LGPS

Improving governance in local government pension schemes  
November 2013



# Cumbria - Governance Best Practice

- Statutory Accounts – “finished early and to a high standard” 2012/3 & 2011/2
- Performance (Internal & External measure)
- Administration shared service (LGC Awards)
- Joint procurement major contract
- Contract review & fee management
- LGPS asset sleeves



[www.lgps.org](http://www.lgps.org)

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**Thanks for Listening**

**Any Questions?**