
REVIEW OF THE STRUCTURE OF SCOTTISH LOCAL GOVERNMENT PENSION SCHEME – CONSULTATION RESPONSE

Report by Chief Financial Officer
SCOTTISH BORDERS COUNCIL

29 November 2018

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to seek approval the attached consultation response from the Council on the review of the structure of Scottish Local Government Pension Scheme. This response is in the capacity of Scottish Borders Council as an employer within the Local Government Pension Scheme. Separate responses are due to be considered by the Pension Fund and Pension Fund Board on the 30 November.**
- 1.2 Following a request from Scottish Government the Scheme Advisory Board launched a consultation process on the future structure of the Scottish Local Government Pension Scheme in June 2018. The consultation seeks to establish the views of employee and employers representatives on the future structure of the LGPS in Scotland and whether outcomes could be improved through a revised structure. Responses to the consultation must be submitted no later than 7th December 2018.
- 1.3 The review seeks opinions on 4 options:
 1. Retain the current structure with 11 funds
 2. Promote cooperation in investing and administration between the 11 funds
 3. Pool investments between the 11 funds
 4. Merge the 11 funds into one or more funds
- 1.4 A draft response from the Council is contained in Appendix 1 following agreement that separate responses would be submitted by the Pension Fund Board and the Pension Fund committee. Both these bodies have separate discrete functions from the Council acting in its capacity as a scheme employer and separate responses reflecting these different roles and responsibilities are considered appropriate.
- 1.5 The Council response concludes is that there is no reliable empirical case for change. The Council should therefore endorse the view that the uncertainty and dis-benefits associated with structural change significantly outweigh any potential benefits. If change is required Scottish Borders Council is recommended to support a voluntary collaboration model proposed under option 2, avoiding the need for pooling or expensive, time consuming and un-proven structural reform.

2 RECOMMENDATIONS

- 2.1 It is recommended that Appendix 1 should be agreed as consultation response from Scottish Borders Council.**

3 BACKGROUND

- 3.1 The Scheme Advisory Board (SAB) at the request of the Cabinet Secretary for Finance and Constitution, Derek Mackay MST, launched a consultation on the future structure of Scottish LGPS in June 2018. The SAB has commissioned the Pensions Institute to manage the consultation process.
- 3.2 The consultation seeks to establish the views of the employers and employee representative groups on whether outcomes for the members and sponsors of the Scottish Local Government Pension Scheme (SLGPS) can be improved by altering the structure of the scheme. The consultation asks these stakeholders to compare the advantages and disadvantages of the current scheme structure against three options that, by differing degrees, consolidate the functions of the scheme's 11 constituent funds through greater collaboration, pooling or merger.
- 3.3 The 4 Options identified in the consultation reports are:
 1. Retain the current structure with 11 funds, the status quo
 2. Promote cooperation in investing and administration between the 11 funds
 3. Pool investments between the 11 funds
 4. Merge the 11 funds into one or more funds
- 3.4 The criteria against which each of the options is to be assessed are:
 1. Cost of investing
 2. Governance
 3. Operating risks
 4. Infrastructure investment
- 3.5 Employer and employee representative organisations are asked to respond to the consultation questions and return it via email the Pensions Institute no later than Friday 7th December 2018.

4 SCOTTISH BORDERS COUNCIL PENSION FUND BOARD RESPONSE

- 4.1 Following the launch of the consultation process a seminar was organised by SAB on 27th June 2018. The seminar was attended by representatives of all 11 funds. Scottish Borders Council Pension Fund was represented by both members of the Pension Fund Committee and the Pension Fund Board.
- 4.2 Since the launch seminar all information available on the options has been fully shared including background documents issued with the consultation, including an initial response from Strathclyde Pension Fund and the draft Unison response.
- 4.3 At the joint meeting on 13 September 2018 the Committee and Board discussed the different options and it was agreed unanimously by the Committee and by the majority of the Board that the response from the Pension Fund should be supportive of option 2 – promotion of cooperation and collaboration. This position is consistent with the consultation response now recommended for the Council.
- 4.4 Employer organisations are also encouraged to submit responses to the consultation.
- 4.5 The recommended draft response from Council is attached as appendix 1.
- 4.6 The Council response concludes is that there is no reliable empirical case for change and much more work would have to be done to evaluate the

benefits and mitigate the significant risks associated with change before this could be supported. The Council therefore endorses the view that the uncertainty and dis-benefits of structural change significantly outweigh any potential benefits. If change is required Scottish Borders Council should support a voluntary collaboration model proposed under option 2, avoiding the need for pooling or expensive, time consuming and un-proven structural reform.

5 IMPLICATIONS

5.1 Financial

There is no immediate financial impact; however, the outcome of the review may have significant financial consequences for, Scottish Borders Council the Pension Fund and the other admitted and scheduled employer bodies.

5.2 Risk and Mitigations

The contents of this report are the subject of a national consultation. There are significant risks associated with any future changes to the structure of the LGPS in Scotland.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this reports which would affect the Council’s sustainability.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there could be no adverse impact on the rural area from the loss of key staff depending on the model of any change imposed.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted on the report and any comments will be reported to the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
David Robertson	Chief Financial Officer, 01835 825012

Background Papers:

Previous Minute Reference: Joint meeting Pension Fund Committee and Pension Fund Board, 13 September 18

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at Pensions & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA
Tel: 01835 825249
email: [t&cteam@scotborders .gov.uk](mailto:t&cteam@scotborders.gov.uk)