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

**Report by Chief Financial Officer**

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### **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

**30 November 2018**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **The purpose of the report is to approve the consultation response from the Pension Fund on the review of the structure of Scottish Local Government Pension Scheme.**
- 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. The process was launched in June 2018 and seeks to establish the views of employee and employers representatives. Responses must be submitted no later than 7<sup>th</sup> 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 The Committee and Board have received all information available to the Fund and at the joint meeting on 13 September had a full discussion of the options.
- 1.5 A draft response is contained in Appendix 1 reflecting the agreed position of the Committee and the Board. It was agreed a separate response would be submitted by the Board and employers would be encouraged to also submit responses.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommend that the Pension Fund Committee and Pension Board:-**
  - (a) **Agree Appendix 1 should be submitted as the agreed response from Scottish Borders Council Pension Fund.**
  - (b) **Notes a separate response will be submitted by the Pension Board**

### **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 four 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 to the Pensions Institute no later than Friday 7<sup>th</sup> December 2018.

### **4 SCOTTISH BORDERS COUNCIL PENSION FUND RESPONSE**

- 4.1 Following the launch of the consultation process a seminar was organised by SAB on 27<sup>th</sup> 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 fully 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.
- 4.4 Contained in Appendix 1 is the recommended draft response from the Pension Fund. A separate response will be submitted by the Pension Fund Board.
- 4.5 Employer organisations are encouraged to submit responses to the consultation.

### **5 IMPLICATIONS**

#### **5.1 Financial**

There is no immediate financial impact; however the outcome of the review

may have significant financial consequences for the pension fund, Scottish Borders Council 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 future changes to the structure of the LGPS in Scotland and these are highlighted in the draft response.

## 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 will be no adverse impact on the rural area from the proposals contained in this report.

## 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 Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted on the report and their comments have been incorporated.

### Approved by

**DAVID ROBERTSON**  
**CHIEF FINANCIAL OFFICER**

Signature .....

### Author(s)

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### 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.

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