



Government consultation: Opportunities for collaboration, cost savings and efficiencies within the Local Government Pension Scheme

The Department for Communities and Local Government (DCLG) launched a consultation on structural reforms to the Local Government Pension Scheme (LGPS), which closed on July 11th 2014.

Background

In 2012 the government launched a call for evidence on structural change. UNISON's submission called for the merger of LGPS funds and for asset management to be bought in-house, to eliminate fees, increase income by £1bn a year and create public sector jobs.

At the end of 2013 the DCLG set up a further review. Hymans Robertson, who are investment advisors to a significant number of LGPS funds, has found that as much as £660m a year could be saved through better use of common investment vehicles.

Consultation details

The Government is proposing:

1. Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently.
2. Reducing investment fees by using passive management for listed assets.
3. Keeping asset allocation with the local pension fund authorities, and making available more data to help identify the cost of investment and drive further efficiencies.

UNISON Response

- Merged funds would provide for greater savings, more accountability and transparency.
- UNISON has a legal opinion that the governance structure of the current funds is unlawful. The governance of pooled funds would add further complexity and costs.
- The proposals require scale, compulsion and legislative change. This approach introduces additional risks and delays.
- Total passive management of funds could make them inflexible. Active management carried out in-house would not carry the high costs charged by profit making external managers.
- Governance of any pooled arrangement must have equal numbers of employee and employer representatives.
- Pooled vehicles should be run by in-house investment teams so avoiding hidden transaction costs.
- Any cost reductions should be shared by both employers and scheme members. The Treasury should not be allowed to siphon more money away from the LGPS.