

## **Government LGPS “fit for the future” consultation**

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### **1. Summary**

- 1.1 To update the Committee on the current Government consultation regarding the Local Government Pension Scheme (LGPS).

### **2. Recommendation**

- 2.1 To approve the draft response on behalf of Somerset Council Pension Fund included as appendix B amendments, with or without amendment by the Committee.

### **3. Background**

- 3.1 In July 2024 the government launched a Pensions Review of workplace defined contribution (DC) pensions schemes and the LGPS in England and Wales. The previous Government consulted on proposals to accelerate and expand the pooling of LGPS assets, to increase investment in local projects, and ambitions to grow investment in unlisted equity. The responses to that consultation, along with responses to the recent Pensions Review Call for Evidence and engagement undertaken with LGPS stakeholders have informed the proposals in a new consultation that was launched on 14th November. The deadline for responses to the consultation is Thursday 16<sup>th</sup> January 2025.
- 3.2 A copy of the consultation document is attached as appendix A.
- 3.3 This report briefly sets out the key recommendations of the consultation and provides a draft response on behalf of Somerset Council Pension Fund as appendix B.

## 4. Key proposals of the consultation

### Investments

- 4.1 All listed investments of LGPS funds to be pooled by March 2025. Somerset achieved this with the transition of our fixed income investments to Brunel in June 2021.
- 4.2 All assets to be pooled by March 2026 including legacy private market portfolios. Somerset would have to pass the management of the legacy Neuberger Berman assets over to Brunel. These only account for approximately 2% of investment assets. The Fund would be allowed to continue to manage cash for the payment of benefits.
- 4.3 Administering Authority role in investment strategy much reduced. A template is included in the consultation document with the setting of strategy limited to completion of the template. All decisions regarding the implementation of the strategy would then be taken by pools.
- 4.4 Investment advice on completing the template as part of setting the investment strategy must be taken from the pool. The majority of LGPS funds retain the advice of an investment consultancy company that provides advice on the setting of investment strategy. The Somerset fund has relied on its officers and the independent investment advisor to the committee rather than an external consultancy in the past and as such not using a consultancy going forward shouldn't represent a significant issue for us.
- 4.5 All pools must be based around a Financial Conduct Authority (FCA) registered company. Brunel Pension Partnership Ltd. is already regulated by the FCA.
- 4.6 Pools will need to set out an approach to local investment. In doing this they will be required to work with the Local Government sector (Mayors, combined authorities etc.)

### Fund governance

- 4.7 The majority of the recommendation in this section are taking forward the recommendations of the "Good Governance" review undertaken by the LGPS scheme advisory board in 2019.
- 4.8 Appoint a statutory Senior LGPS Officer who has overall delegated responsibility for the management and administration of the fund. The role should be carried out by a Director, Assistant Director or Head of Service, i.e. at a level that is either already part of the senior leadership team or is comfortable operating in that environment. The expectation would be that the LGPS role would be the main priority for the Senior LGPS Officer.
- 4.9 Each LGPS fund would be required to participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified (the equivalent of OFSTED for the LGPS).

- 4.10 Each fund will need to prepare and publish a governance and training strategy (replacing the current governance compliance statement), including a conflicts of interest policy. This is similar to current requirements, but there will be more onerous training requirements for both officers and Committee/Board members. This will match the knowledge and skills requirements for Committee members to the current statutory requirement for Pension Board members. Somerset already has separate Committee and Board Training policies and it is expected that these would be amalgamated into this new strategy.
- 4.11 Each fund will be required to prepare and publish an administration strategy. Currently administration strategies are optional, they will be compulsory and there will be new statutory guidance on their preparation. The Somerset Fund has an administration strategy, so this will just be a question of assessing whether it meets the new guidance.
- 4.12 There will be a requirement for an independent advisor to be appointed to Pensions Committees. The Somerset Fund already has an appointed independent investment advisor.

#### Pool governance

- 4.13 Pools will have to have a representative of their constituent LGPS Funds on their Company Board, presumably as a non-executive director.
- 4.14 Pools will have to meet new governance and reporting standards.

### **5. Consultations undertaken**

- 5.1 None

### **6. Financial implications**

- 6.1 There are no specific financial implications associated with this report. It is likely that the resulting legislation will have financial implications for the fund.

### **7. Legal implications**

- 7.1 There are no specific legal implications associated with this report. We expect the Government to produce updated primary and secondary legislation accompanied by statutory guidance to enact the recommendations the Government are putting forward in the consultation.

### **8. Background papers**

- 8.1 None

**Note:** For sight of individual background papers please contact the report author.