

Press Release

Wednesday, 22 January 2014

LOCAL GOVERNMENT PENSION SCHEME SHADOW SCHEME ADVISORY BOARD RELEASES ANALYSIS AND RECOMMENDATIONS

The Local Government Pension Scheme (LGPS) Shadow Scheme Advisory Board (SSAB) today 22 January 2014 released its report on the responses to the Government's Call for Evidence along with a set of recommendations for next steps.

The SSAB's report views the Call for Evidence as an important step in the evolution of the LGPS in England and Wales; highlighting that structural reform to the Scheme will have far-reaching and long-lasting consequences. As a result, any reform must meet the original objectives of delivering benefits to employers, local taxpayers and scheme members. In particular, any consultation on reform options should consider alternative methods for managing deficits and analyse the costs, benefits and barriers to greater passive management, collective investment vehicles and in-house investment strategies.

With this in mind, the SSAB makes seven recommendations in its response:

1. The Government should consult on options for reform as soon as possible.
2. The Government and the Board should, by the end of Summer 2014, agree a realistic timetable for implementing reform.
3. The Board should complete the work on setting an agreed baseline of data and measurements via the Scheme Annual report process by the end of 2014.
4. The Government should introduce proportionate and appropriate legislation to provide a statutory underpin for both the objectives of reform and the timetable for implementation.
5. In formulating its consultation on high level options for reform the Government should consider (a) alternative methods for managing deficits and (b) analyse the cost / benefits and barriers to greater passive management, collective investment vehicles and in-house strategies.
6. The Board will support the Government by (a) developing a shortlist of feasible options for managing deficits and (b) conducting further research on the costs and benefits of the key options for reform.

7. That Government should ensure that any work being undertaken as part of the Call for Evidence is consistent with other strands of LGPS policy work, for example the LGPS 2014 governance regulations and any reform of the investment regulations.

Joanne Segars, Chair, SSAB, said:

“We acknowledge this is a challenging time for all stakeholders in Local Government. The SSAB is uniquely placed to advise on the direction and smooth implementation of reform. We look forward to working closely with the Minister and playing an active role in developing the outcomes to the Call for Evidence, and any subsequent consultation exercise on structural reform to the LGPS in England and Wales.”

A copy of ‘The LGPS Shadow Scheme Advisory Board analysis and recommendations’ is available on <http://www.lgpsboard.org/index.php/structure-reform/board-analysis-menu>.

ENDS

Notes to editors:

The Shadow Scheme Advisory Board (SSAB) for the Local Government Pension Scheme (LGPS) in England and Wales was established in July 2013. It is the forerunner to the Local Government Pension Scheme Advisory Board, which is established under Section 7 of the Public Service Pensions Act 2013. The Shadow Board has been set up prior to the formalisation of the regulations setting out the formal remit of the Scheme Advisory Board, which are expected to come into force in late 2014 or early 2015.

The SSAB’s primary functions are to:

1. Provide advice (on request or otherwise) to LGPS scheme managers and pension boards in relation to the effective management and administration of the LGPS and its connected schemes;
and
2. Provide advice to the Secretary of State for Communities and Local Government on the desirability of changes to the LGPS.

It is in relation to this second function that the Minister of State, Brandon Lewis MP, asked the SSAB to provide advice on options for structural reform of the LGPS following the Call for Evidence, published by the Department for Communities and Local Government (DCLG) and the Local Government Association (LGA) in June 2013.¹

¹ [Call for Evidence on the future structure of the LGPS, DCLG & LGA, June 2013.](#)

It is important to note that it has not been possible within the given timeframe to validate or independently verify the analysis presented in responses to the Call for Evidence.

The views and evidence in this report are a summary of the responses to the Call for Evidence and are not necessarily those of the SSAB.

At present, the SSAB has not had sight of the Department for Communities and Local Government's (DCLG) analysis, nor the report commissioned by DCLG and the Cabinet Office (CO) to analyse the practicality of certain reform options.

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