

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

PENSION FUND COMMITTEE REPORT

25 SEPTEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

GOVERNMENT CALL FOR EVIDENCE

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of a recent 'Call for Evidence' issued by the government which asks for views on the Local Government Pension Scheme (LGPS), including on asset pooling and investments in the UK.

2. RECOMMENDATION

- 2.1 That Members note the report and that a response is being drafted on behalf of the Fund working with Border to Coast.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications resulting from this report.

4. BACKGROUND

- 4.1 The previous government carried out a 12-week consultation ending on 2 October 2023 entitled "Local Government Pension Scheme (England and Wales): Next steps on investments". This consultation looked to build on and accelerate progress towards greater LGPS pooling. The stated objective of the consultation was to achieve pools in the £50-75 billion and possible £100 billion range and to do this by initially encouraging / requiring all LGPS funds to complete the pooling process with their current pool and then reducing the number of pools from eight to an unspecified lower number.

- 4.2 The outcome of this consultation was reported to the 13 December 2023 Pension Fund Committee. The key part of that document was as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their Investment Strategy

Statements (ISS) assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.

- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

4.3 Of this list only the revised annual report guidance was produced before the general election led to a change in government.

5. GOVERNMENT CALL FOR EVIDENCE

5.1 The new government confirmed on 4 September 2024 that it is carrying out a pensions review which it describes as follows:

"The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

5.2 The government issued a 'call for evidence' (shown in full at Appendix A). The following three topics are covered in the call for evidence, some questions under these topics relate to defined contribution schemes others purely relate to the LGPS and some potentially cover both:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

In addition, the document refers to the consultation carried out last year and states:

"Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023[. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions."

5.3 The deadline for response, 25 September 2024, is 3 weeks after the document was published. The Head of Pensions Governance and Investments is working with colleagues in

Border to Coast and its Partner Funds to produce a coherent and consistent response designed to emphasise:

- The benefits of scale provided by the Fund's participation in Border to Coast
- The extent to which the Fund already invests in the UK

And to consider whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seems to imply.

6. NEXT STEPS

- 6.1 Given the tight timescale, a draft response is not available to circulate in advance of this meeting. More detail will be shared on the date of the meeting and the draft response will be shared with the Chair and Vice Chair before submission.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040