## Review of the Structure of the Scottish Local Government Pension Scheme

**CONSULTATION RESPONSE FORM**

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| **Instructions**Responses in this form should be drafted in conjunction with the accompanying consultation report. To respond, please complete the **respondent details** and as many of the **consultation questions** your organisation wishes to complete and return the form via email to the Pensions Institute at consultation@pensions-intitute.org no later than **Friday, 7 December 2018**.This consultation is being conducted in electronic form only, so **responses must be emailed**; hard copy posted or delivered responses cannot be received. Any queries about the consultation should be addressed to Matthew Roy, Fellow, Pensions Institute at matthew.roy@pensions-institute.org.  |

**RESPONDENT DETAILS**

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| **Name of responding organisation(s)**Please list the full name of each organisationparticipating in this response. | **Organisation type**Is your organisation an administering authority, employer, or employee We? Please record for each responding organisation. |
| West Dunbartonshire Council  | Local Authority |
| **Authors**Please list any people that wish to be recorded as authors of this response, including name, job title and organisation. | **Consent**Please confirm each author consents to their information being retained for analysing the consultation responses by writing ‘confirm’ by their name. |
| Victoria Rogers – Strategic Lead People & TechnologyStephen West – Strategic Lead Resources | ConfirmConfirm |
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| **Date**Please date the response. | 11th October 2018 |

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| **Covering information**If you wish to include covering information with your response, please include the text here. The text can wrap onto additional pages if needed. |
| This response is made by West Dunbartonshire Council and is reflective of the views of the relevant professional officers.  |

The consultation questions follow.

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| **CONSULTATION QUESTIONS**Question 1: Retain the current structure with 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* How well informed do you feel about the investment costs in your fund? What information do you rely on to specify and measure these?
* How well does the current system manage investment costs?
* How would you improve the measurement and management of investment costs in the current system?

We agreed that we are reasonably well informed as relevant information is reported through Annual Report; AGM and other foraWe agree it’s a transparent process.Funds generally 85-90% funded so prudently managed.Investment costs do not appear inconsistent with benefits gained. Robust review process is in place and elected members perform the role.1. Governance:
* How well informed do you feel about the governance of your fund? What information do you rely on to measure this?
* How well is the current system governed?
* How would you improve governance of the current system?
* How important is it to maintain a local connection with respect to oversight and strategy?

We agreed that we are reasonably well informed as relevant information is reported through Annual Report; AGM and other foraWe agreed that retention of local connection is essential for oversight.How would you determine if the benefits of a local connection in governance outweigh the benefits of scale?Benefits of scale are unclear and variable. The We don’t agree that one can’t be achieved without the other. Large funds like SPFO retain an element of local connection and smaller funds perform similarly.1. Operating risks:
* How well informed do feel about the operating risks of your fund? What information do you rely on to specify and measure these?
* How well are operating risks managed in the current system?
* How would you improve the measurement and management of operating risks in the current system?

We agreed that we are reasonably well informed as relevant information is reported through Annual Report; AGM and other foraOperating Risks are well managed.1. Infrastructure:
* How well informed do you feel about your fund’s investments in infrastructure? What information do you rely on?
* How do you rate the current system’s ability to invest in infrastructure?
* How would you increase investment in infrastructure in the current system?

We agreed that we are reasonably well informed as relevant information is reported through Annual Report; AGM and other fora1. Do you have any additional comments about this option?
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| Question 2: Promote cooperation in investing and administration between the 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think promoting agreements between funds would have on investment costs?
* What would be the positive impacts?
* What would be the negative impacts?

Unclear and potentially very little. The % would add up to same value.Benefits in printing; consistency of practice and interpretation of Regs.Potential for local elected members and/or trades unions to oppose shared service/promotion of co-operation so this would be detrimental.1. Governance:
* What impact do you think promoting agreements between funds would have on governance?
* What would be the positive impacts?
* What would be the negative impacts?

As above – Unclear as governance would remain as is Local investment capacity retained but potential for removal of local decision making.1. Operating risks:
* What impact do you think promoting agreements between funds would have on operating risks?
* What would be the positive impacts?
* What would be the negative impacts?

Unclear on what would changeCollaboration would potentially increase resilience and allows flexibility depending on demands on each fund.Funds may shrink administration teams to the point of unsustainability – they are already lean. 1. Infrastructure:
* What impact do you think promoting agreements between funds would have on funds’ ability to invest in infrastructure?
* What would be the positive impacts?
* What would be the negative impacts?

Need to ensure that investment strategy compliments the local investments that exist across the 11 funds Proper guidance / regulation to protect funds are needed.Impact on local community and economy may be detrimental.1. Do you have any additional comments about this option?

Heywood’s System is used by all funds in Scotland yet there is no national framework in place.Each fund has its’ own individual contract based on Heywood charging model meaning that smaller funds pay more per head.Potential to have a more consistent costing model and offering from system. |

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| Question 3: Pool investments between the 11 fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think pooling investments between funds would have on the cost of investing?
* What would be the positive impacts?
* What would be the negative impacts?
* If asset pooling were possible, under what circumstances should a fund consider joining an asset pool?
* Under which circumstances should the SLGPS consider directing funds to pool?

There is potential reduction in cost through ability to negotiate better rate if funds have more money to invest.Potential cost of pooling in setting up investment funds; large initial set up costs- absence of any longer term data to base any decision upon.Funds in Scotland are healthy, well-managed so there seems little motivation to change so dramatically.Joining an asset pool may benefit the smaller funds through economies of scaleSLGPS isn’t one fund – directing funds would be done via legislation but why legislate without evidence (e & w experience) of benefits. A strong Business case is required for each proposal. 1. Governance:
* What impact do you think pooling investments between funds would have on governance?
* What would be the positive impacts?
* What would be the negative impacts?

Creation would incur cost on start-up, would require re-consideration of local pooling/ underwriting of small, affiliated bodies.1. Operating risks:
* What impact do you think pooling investments between funds would have on operating risks?
* What would be the positive impacts?
* What would be the negative impacts?

Creation would incur cost on start-up, would require re-consideration of local pooling/ underwriting of small, affiliated bodies.1. Infrastructure:
* What impact do you think pooling investments between funds would have on funds’ ability to invest in infrastructure?
* What would be the positive impacts?
* What would be the negative impacts?

Local investment may be detrimentally impacted.If more investment in Scotland’s infrastructure is sought, then a robust business case for each demonstrating the benefit of investment should be developed and presented to the funds for consideration.Do you have any additional comments about this option? |

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| Question 4: Merge the funds into one or more new fundsThe text can wrap onto additional pages. |
| 1. Cost of investing:
* What impact do you think mergers between funds would have on the cost of investing?
* What would be the positive impacts?
* What would be the negative impacts?
* If merging were possible, under what circumstances should a fund consider a merger?
* Under what circumstances should the SLGPS consider directing funds to merge?
1. Governance:
* What impact do you think mergers between funds would have on governance?
* What would be the positive impacts?
* What would be the negative impacts?
1. Operating risks:
* What impact do you think mergers between funds would have on operating risks?
* What would be the positive impacts?
* What would be the negative impacts?
1. Infrastructure:
* What impact do you think mergers between funds would have on funds’ ability to invest in infrastructure?
* What would be the positive impacts?
* What would be the negative impacts?
1. Do you have any additional comments about this option?

We felt that this option was unsound for the following reasons:* Untested model
* Scotland only has 11 funds
* Administration would suffer as evidenced by transfer to SPPA of police/fire
* Local involvement would cease
* Potential risk of single point of failure
* Significant job losses would be inevitable with a consequential impact on Scotland’s economy
* SLGPS isn’t a fund – Question suggests it is.
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| Question 5: Preferred and additional optionsThe text can wrap onto additional pages. |
| 1. Which option does your organisation prefer? Please explain your preference.

Option 2* Collaboration already exists and the We agree that extending this is valuable.
* Promotion of co-operation should be done through a framework as opposed to rigid legislation
* Exploration of an incentive scheme to encourage the cooperation
1. What other options should be considered for the future structure of the LGPS?

We agree that options presented reflect those available1. What would be the advantages and disadvantages of these other option for funds’ investment costs, governance, operating risks and ability to invest in infrastructure?

N/A1. Are there any other comments you would like to make?

No |

The consultation questions end.