**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](mailto: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 organisation participating in this response. | **Organisation type** Is your organisation an administering authority, employer, or employee group? Please record for each responding organisation. |
| Perth & Kinross Society for the Blind (operating as VisionPK) | Participating Employer of Tayside Pension Fund |
| **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. |
| Sandy Pearson, Chairman  Bob Ironside, Chief Executive | Confirmed  Confirmed |
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| **Date** Please date the response. | 5 December 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. |
| VisionPK is a participating employer of Tayside Pension Fund.  Key information about VisionPK as an employer as at 31st March 2018 is as follows:   * We are a registered charity providing support to people with sensory impairment * We have an operating budget of just under £500K and employ 10 staff (approx. 7.0 WTE) * VisionPK has a contract with Perth & Kinross health & Social Care Partnership to provide statutory services on its behalf to people with sensory impairment. |

The consultation questions follow.

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| **CONSULTATION QUESTIONS**  **Question 1: Retain the current structure with 11 funds**  The 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?*   * Perhaps an easy measure for any employer to assess the costs being incurred within the fund is that of the level of contribution they are being asked to pay as if this is low, then they can be reassured that both returns are adequate and costs are controlled. In this regard, VisionPK is comfortable with having the 2nd lowest contribution rate within the Scottish LGPS at 17%. * Whilst annual investment reviews are undertaken independently and are not within the public realm, the fund officers provide presentations at regular employers’ forums on fund performance and costs per accounts and against peer group (see below extract from independent auditor assessments). VisionPK therefore feels well informed.   *How well does the current system manage investment costs?*   * The Scheme Advisory Board (SAB) structural review report refers to The Financial Conduct Authority’s (FCA) recent Asset Management Market Study, which highlights a number of weaknesses in the current asset management system in the UK. VisionPK believes that these issues apply particularly to small, retail investors, and not to Local Government Pension Scheme (LGPS) funds which are all large investors able to negotiate very effectively and get good value for money. We are reassured by this. * Whilst there is always room for improvement, it seems that LGPS are subject to greater levels of scrutiny and transparency than their corporate counterparts. * All LGPS investment services are subject to tender, and in addition to the requirements to meet public sector procurement guidance, there is additional scrutiny through the governance framework and public accountability from members and employers through the closeness to the funds that they are stakeholders in.   *How would you improve the measurement and management of investment costs in the current system?*   * The introduction of the Transparency Code, MiFID II (the Markets in financial Instruments Directive) and other market initiatives have improved measurement and management, * As a participating employer within TPF, VisionPK would support mandatory compliance with all relevant codes of practice and initiatives where applicable to the relevant asset classes in order to ensure consistency and transparency.  1. **Governance:**   *How well informed do you feel about the governance of your fund? What information do you rely on to measure this?*   * VisionPK feels well informed about the governance arrangements of its fund. * TPF is administered by Dundee City Council as the administering authority, with responsibility for the management of the fund delegated to the Tayside Pension Sub-Committee. This Sub-Committee meets quarterly and oversees the supervision and administration of the fund’s investments, sets the investment strategy and also oversees pension administration. The day to day operational matters are further delegated in the main to the Executive Director of Corporate Services. This governance structure includes all the mandatory elements introduced by the Public Service Pensions Act 2013. * As a result of further legislative changes to the governance arrangements in relation to pension schemes within the public sector, The Pension Board was established on 1st April 2015 and is separate from the Pension Sub-Committee. The Pension Board are responsible for assisting in securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme and also the requirements of the Pensions Regulator. * The role of the Pension Board is to assist TPF in complying with all of the legislative requirements and making sure that the scheme is being efficiently & effectively governed and managed. The Pension Board members work in conjunction with the officers of TPF to ensure all employers and members that the pension scheme is well managed and administered, and that scheme members get the best service. The local Pension Board must have an equal number of scheme member and scheme employer representatives and board members are appointed for a term of 5 years (in line with local government election cycle). * In light of the above, VisionPK is comfortable that TPF has appropriate governance statements and policies in place which are available within a defined area of the TPF website as well as within the annual report of the fund. * VisionPK is comfortable with the level of effectiveness of TPF’s governance as this is measured annually by external auditors. Audit Scotland has reported within their own annual audit report that TPF has effective governance arrangements in place that support scrutiny of decisions made by the Pension Sub-committee. Furthermore, VisionPK is reassured that decisions are transparent, with committee papers and detailed minutes of meetings of the Pension Sub-committee being available on the Dundee City Council's website and all policies and strategies available on the TPF website.   *How well is the current system governed?*   * VisionPK is aware that the current system of governance in the Scottish LGPS was only recently introduced - in 2015. It was the result of extensive review by a UK government commission leading to primary legislation and new scheme regulations. * All boards are now in place, and although VisionPK would not wish to comment on other funds governance arrangements, we believe that TPF has a strong governance structure which is not overly complex. This governance not only applies to investment, but to the overall management of the scheme and ensures accountability for all aspects of pension fund management. * VisionPK is confident that TPF are adequately resourced, and the broad representation of skills and knowledge across the Officers, Committee and the Board ensures appropriate challenge and accountability for decision making and performance monitoring and management. Specialist independent advisors ensure effectiveness and efficiency. * VisionPK is aware that some believe the governance of the SLGPS to be inefficient, due to the numbers of people across the country involved in the Pensions Committee and Pension Boards. We believe however that this structure was designed by the UK Government to support close ties with stakeholders, and although admittedly some of the people involved at the beginning had limited knowledge and experience of pension matters, the officers, advisors and experienced members of Committees have provided support and guidance. VisionPK therefore believes that the introduction of pensions boards in addition to pension committees has improved the scrutiny and communication of the fund with its stakeholders. * VisionPK is aware that statements have been made regarding Councils acting as Administering Authorities bring governance issues including limited involvement of stakeholders and conflicts of interest for both officer and elected members. VisionPK has not seen any evidence of this and we believe that TPF (and probably all other Scottish funds) have appropriate policies and controls in place to prevent this.   *How would you improve governance of the current system?*  VisionPK understands that whilst each fund is subject to scrutiny through its own governance and audit, some believe that there is a lack of consistency of information which makes it difficult for stakeholders to judge the effectiveness of their fund and of the Scheme as a whole. We understand that such concerns have been addressed by the recent initiatives such as the LGPS Transparency Code, introduction of Pensions Boards and increased collaboration and co-investment between funds which is helping to further improve governance and manage costs. VisionPK therefore recommends that these measures should be allowed time to be incorporated into standard operating practice prior to making further assessment or recommendations in this area.  *How important is it to maintain a local connection with respect to oversight and strategy?*   * VisionPK believes that the LGPS represents significant benefit for scheme members, but at considerable cost for employers. Local connection is essential to ensure that both employers and members can exercise meaningful oversight, and that investment and funding strategies are fully aligned and tailored to their own membership requirements. * VisionPK believes that TPF’s closeness to its stakeholders has had positive impact on the performance of the fund overall because its closeness to the employers and membership enables face to face communication and better understanding of local circumstances.   *How would you determine if the benefits of a local connection in governance outweigh the benefits of scale?*   * VisionPK is not aware of evidence to suggest that the current model is fundamentally flawed. Indeed, the LGPS in Scotland is a considerable success story. * VisionPK believes that TPF already enjoys considerable benefits of scale in terms of cost at a value of almost £4bn. This is demonstrated by the independent annual reviews undertaken by Audit Scotland with the lowest investment management expenses regardless of size. * Furthermore, TPF have the second lowest administration and oversight costs as a proportion of net assets. VisionPK believes that the local scrutiny and accountability are crucial in maintaining this excellent value for money. * Whilst there are various figures being quoted by way of potential savings in investment management costs that would be achieved by merging into one large fund, these figures are assuming internal investment management, but do not provide insight as to impact on investment returns. * In terms of administration and oversight, we are not aware of huge correlation between economies of scale that would have such an impact on fund performance in terms of return on investment as to warrant fund merger.  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?*   * As an employer, VisionPK is aware that TPF have a detailed risk register which is subject to continual appraisal and quarterly review by the TPF Sub-Committee and Board. The risk register is publicly available both on the TPF website and within the minutes of the meetings on Dundee City Council website. The full risk register is also published within the Annual Report. * Whilst it is suggested that there are key person risks within smaller funds, VisionPK believes TPF to have sound and solid governance in place to ensure that there is adequate specialist resource available to assist if required, whether it be by senior officer, investment advisor or from support and guidance in the short term from other funds.   *How well are operating risks managed in the current system?*   * As noted above, VisionPK believes TPF to have a strong focus on the identification, analysis and management of risk. Employers are aware of the Investment and funding strategies that are designed to manage specific risks, and that there are controls built into processes to ensure that risks are managed appropriately and proportionately. * VisionPK as a participating employer, is aware that risk monitoring with investment managers is undertaken quarterly, and external analysis is also undertaken by investment consultants and auditors. * VisionPK believes that having 11 funds in operation with differing investment strategies provides suitable diversification and risk management for the Scottish LGPS and the employers within it. We believe that the greater the fund size, the harder the task of diversification and thus the increase of risk to the membership of the fund. We understand that his is a key point that managers of larger, successful funds point out as once too big, the risk of diseconomies of scale grows as the bigger the fund, the more inflexible it is to manage.   *How would you improve the measurement and management of operating risks in the current system?*   * VisionPK believes that scheme benefits and the application of these are a key area which could benefit from improvement. The regulations associated with scheme benefits have over the years become more and more complex. At present there are in effect 3 benefit schemes in operation (1/80th, 1/60th, 1/49th) as well as numerous administering body and employer discretions available through the differing regulations. This complexity significantly increases operating risks associated with administering benefits. * The introduction of the cost cap which may result in further change to benefit regime will only complicate this further. VisionPK would support any means of simplification of LGPS benefits and discretions to enable greater standardisation in administration and thus better management of risk.  1. **Infrastructure:**   *How well informed do you feel about your fund’s investments in infrastructure? What information do you rely on?*   * VisionPK is aware that TPF have ability within investment strategy to allocate 10% of funds to local and alternative opportunities, of which infrastructure forms part. * VisionPK is also aware that TPF have engaged KPMG (TPF investment advisors) to assess market conditions in line with the risk and return profile and requirements of the fund to develop a bespoke strategy to progress investment within this broader asset class.     *How do you rate the current system’s ability to invest in infrastructure?*   * VisionPK believes that infrastructure investment requires a sound understanding of risk, return and governance characteristics. * VisionPK is aware that TPF is not big enough to support large scale investment, but are aware that infrastructure is relatively illiquid, supply-constrained and expensive, so believe that care and caution must be exercised.   *How would you increase investment in infrastructure in the current system?*   * VisionPK believes that investment in infrastructure could increase if the supply of attractive opportunities increased, or the risk/return characteristics were improved. More simple investment structures would also assist.  1. **Do you have any additional comments about this option?**  * It seems to VisionPK that the LGPS in Scotland is a success story. Funds have solid and stable management and their closeness to their own stakeholders has enabled investment strategies to be tailored to the needs of individual funds in meeting their liabilities. * From VisionPK’s perspective, we see no real evidence that the Scottish local government pension scheme is not currently well managed, or not providing value for money. * VisionPK believes that Funds will need to adapt to address the challenges identified within the Scheme Advisory Board report, but these challenges do not appear to stem from the current structure, and revising the structure is unlikely to be a panacea for them. |

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| **Question 2: Promote cooperation in investing and administration between the 11 funds**  The text can wrap onto additional pages. |
| 1. **Cost of investing:**   *What impact do you think promoting agreements between funds would have on investment costs?*  VisionPK thinks that this is potentially an area that could deliver improvements both in terms of costs and in quality of performance.  *What would be the positive impacts?*   * Financial savings (fees and services) * Better information to facilitate more informed decision making * Reduced resource requirements across all funds   *What would be the negative impacts?*   * None identified  1. **Governance:**   *What impact do you think promoting agreements between funds would have on governance?*   * No significant impact on individual governance structures, but may lead to better outcomes.   *What would be the positive impacts?*   * Reduced duplication of governance effort. Improved collective governance of the scheme, creating a more collaborative culture across funds.   *What would be the negative impacts?*   * No negative impacts, but the need to co-ordinate activity and decision-making could be a complication until such arrangements bed down.  1. **Operating risks:**   *What impact do you think promoting agreements between funds would have on operating risks?*   * None identified   *What would be the positive impacts?*   * Could have positive impact in relation to managing risks across the funds.   *What would be the negative impacts?*   * None identified   Infrastructure:  *What impact do you think promoting agreements between funds would have on funds’ ability to invest in infrastructure?*   * + Ability for funds without experience in alternative asset classes to benefit from the experience and expertise of others.   + Reduced costs of legal, consultancy and due diligence required.   + Standardised and potentially better-quality information to facilitate more informed, and better decision making   *What would be the positive impacts?*   * Potential financial savings, and facilitating wider diversification across asset classes   *What would be the negative impacts?*   * None identified.  1. **Do you have any additional comments about this option?**  * VisionPK understands that there is already significant co-operation between the Scottish funds and that a wider LGPS network already exists. * VisionPK understands that the LGPS (UK) National Frameworks in place are widely used for a range of services including actuarial, investment consultancy, stewardship, global custody, performance and cost monitoring, legal, transition management and third party administration services. * VisionPK is aware of Scottish LGPS framework agreements that have been put in place for portfolio management, member tracing, and scheme administration, and that the introduction of LGPS 2015, and the associated member and employer communications, was a large-scale collaborative exercise between all the Scottish funds. * VisionPK understands that there is scope and willingness to build further on these initiatives. |
| **Question 3: Pool investments between the 11 funds**  The 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?*   * VisionPK understands that TPF already enjoys significant benefits of scale and is very effective in ensuring lowest cost investment fees as demonstrated in independent assessments by Audit Scotland. We therefore believe that further efficiencies in existing mandates are unlikely to be achieved through adding further scale. * VisionPK is of the opinion that pooling would be detrimental to the TPF investment strategy as it would result in limiting the ability to meet investment objectives. Investment mandates are specifically selected in order to complement each other with the aims of achieving the required investment objectives to provide adequate returns (at an acceptable level of risk) to meet the overall TPF pension liabilities. * VisionPK believes that there would be an additional layer of bureaucracy and cost, as well as a loss in ability to make the optimal investment decisions for the benefit of the funds’ members and employers. This could have significant impact on the level of contributions that are currently paid, thereby increasing the cost to employer. The lower the contribution, the more reassurance that employers have both returns are adequate and costs are controlled. * VisionPK is comfortable with TPF currently having the 2nd lowest contribution rate within the Scottish LGPS at 17%. * VisionPK has seen a diagram of the complex pool structures in England and Wales which appears to demonstrate significant additional bureaucracy and therefore costs.   *What would be the positive impacts?*   * VisionPK cannot identify any likely positive impacts.   *What would be the negative impacts?*   * VisionPK believes that cost was to be reduced, this is only a positive impact if it improves net returns. We understand that there is no evidence that costs have actually been reduced in England and Wales. Cost reduction through pooling would be a negative if it led to a restricted choice of investment options, and reduced returns or increased risk. * VisionPK believes the ultimate negative impact would be when restricted choice led to reduced returns and failure to best meet the investment objectives of the funds members and employers, and there was a detrimental impact on the funding level and subsequently on employer contribution rates.   *If asset pooling were possible, under what circumstances should a fund consider joining an asset pool?*   * VisionPK believes that a fund should only be embarking upon this arrangement if stakeholders unanimously believed that the decision to pool is in the best interests of their members to whom they have fiduciary duty to act in their best interest. * VisionPK does not believe that pooling would be in the best interest of their members.   *Under which circumstances should the SLGPS consider directing funds to pool?*   * VisionPK believes that central direction to funds to pool should only be considered if there was clear evidence that funds were unable to manage and failed to meet their investment objectives, and there was likely potential for detrimental impact to members and employers.  1. **Governance:**   *What impact do you think pooling investments between funds would have on governance?*   * Where pools oversee external investment managers, this represents an additional layer of governance between the fund and the manager. VisionPK believes that this is likely to reduce transparency and complicate governance. * Also, where pools manage investments internally, we would be concerned that the funds may become captive – i.e. it would be difficult to replace the internal management team if they underperformed.   *What would be the positive impacts?*   * VisionPK cannot identify any potential positive impacts.   *What would be the negative impacts?*   * Cost of set up and maintenance * Resource to establish and maintain * Loss of flexibility which could have negative impact in meeting objectives and ultimately in costing more to employers / and member benefits  1. **Operating risks:**   *What impact do you think pooling investments between funds would have on operating risks?*   * Pools with external managed funds - Potentially increased operating risks as in addition to the existing operating risks of the managers, there would be a new layer of risks associated with management of the pool. * Pools with internally managed funds – Increased risk management and compliance resources would be required to enable comparative effectiveness with external management (who are managing considerably more funds than LGPS, and have global resources and expertise to do so).   *What would be the positive impacts?*   * VisionPK is unable to identify any potential positive impacts.   *What would be the negative impacts?*   * Financial cost * Detrimental impact on resources * Concentration of risk  1. **Infrastructure:**   *What impact do you think pooling investments between funds would have on funds’ ability to invest in infrastructure?*   * VisionPK believes there to be very little impact, if any. Varying sized funds invest in infrastructure, it largely depends on the fund’s choice of investment. * VisionPK believes that pooling investments might facilitate infrastructure investment by funds who currently don’t, but across the Scottish funds, the potential increase in allocation to this asset class would not materially change the total investment in infrastructure.   *What would be the positive impacts?*   * VisionPK believes that a combined initiative by the Scottish funds to invest in infrastructure could have some merit. The recent report by the Scottish Futures Trust (SFT) on Scottish Real Asset Investments and the Local Government Pension Scheme identifies an area of investment that “enables LGPS to meet their fiduciary duties with good risk adjusted returns that are not highly sought after or competed for by other investors: as those investments are not highly competed for by other investors, investment in them will provide a level of additionality to the Scottish real asset stock, and where they relate to new developments, they will provide additional Scottish capital stock.” * We would stress however that: * the positive impacts identified by SFT are not related to the objectives of the LGPS and its funds; and * it would not be necessary to pool funds in their entirety to facilitate investment in infrastructure. The creation of a pooled investment vehicle in which funds could invest would achieve this if the vehicle was sufficiently attractive on a risk/return assessment.   *What would be the negative impacts?*   * Likely significant set up costs * Potential FCA authorization requirement   **Do you have any additional comments about this option?**   * VisionPK understands that many think that it is much too early to judge whether the pooling initiatives of England and Wales have been successful in meeting their objectives, We understand however that this has been a costly and time consuming exercise with no standardised approach or clearly planned strategy. We also understand that the payback period for costs incurred is likely to span many years and it is also likely to be some time until the pools settle fully into their new structures as all pools differ in set up, structure and objectives. * VisionPK understands that the pooling in England and Wales has also had detrimental impact on stripping resources from administering authorities who still require skills and resources, therefore potentially increasing risk of detrimental impact in the management of the funds. * VisionPK believes that infrastructure investment is not the primary objective of the LGPS, and thus fiduciary duty must be considered if considering pooling the funds simply to achieve more infrastructure investment in infrastructure. * VisionPK does not support the approach used in England and Wales but believes that there might be some merit in more selective pooling, on a voluntary basis either of individual asset classes or by specific groups of funds, dependant on wishes of those individual funds in order to meet their requirements. |

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| **Question 4: Merge the funds into one or more new funds**  The text can wrap onto additional pages. |
| **Cost of investing:**  *What impact do you think mergers between funds would have on the cost of investing?*   * Answer as for pooling at 3.a, above.   *What would be the positive impacts?*   * Answer as for pooling at 3.a, above.   *What would be the negative impacts?*   * Answer as for pooling at 3.a, above, but VisionPK believes the transitional costs would be much greater. * VisionPK is conscious that changes to the structure could, however, affect employers directly – their contribution rates are impacted by investment returns and funding. Given the difference in employer contributions across the funds in Scotland, and the fact that Tayside has the second lowest contribution rate currently (at 17%), VisionPK could not support any option which could result in an increase in contribution rates which would be unaffordable.   *If merging were possible, under what circumstances should a fund consider a merger?*   * VisionPK believes that any fund merger should only be considered if two or more individual funds (and their stakeholders) believe this option to be in the best interests of their members and employers.   *Under what circumstances should the SLGPS consider directing funds to merge?*   * Answer as for pooling at 3.a, above.   **Governance:**  *What impact do you think mergers between funds would have on governance?*   * VisionPK believes that a merger would inevitably reduce local involvement in pension fund governance which is believed to be intrinsic to the successful performance of TPF. The degree of this would depend on the model and extent of the merger.   *What would be the positive impacts?*   * VisionPK believes that whilst a merged model could require less governance resource than individual governance models, this is only truly a positive if the merged model is proven to be more effective.   *What would be the negative impacts?*   * VisionPK understands that a merged model would probably increase the reliance on a smaller number of individuals. This would therefore potentially significantly increase risk.   **Operating risks:**  *What impact do you think mergers between funds would have on operating risks?*   * VisionPK believes that a fund merger would probably result in concentration of risk, and reduced diversification. However, if two or more funds did believe merger to be beneficial for their individual circumstances, this should still be a key consideration for them, but only them in isolation. * VisionPK believes that whilst there are opinions of the potential savings a full merger of Scottish funds might may have, it may be worth noting that there has been no balance in assessing the impact of potential failure on the collective membership and employers due to the decisions of a reduced number of individuals. We do not consider size as a guarantee of success, and the impact of failure would be catastrophic for the country.   *What would be the positive impacts?*   * VisionPK does not consider there to be any potential positive impacts.   *What would be the negative impacts?*   * Concentration of risk. * Potential impact of failures * Loss of flexibility * Reliance on a reduced number of people   **Infrastructure:**  *What impact do you think mergers between funds would have on funds’ ability to invest in infrastructure?*   * VisionPK accepts that a full merger of Scottish funds could increase investment in infrastructure, but only if the investment strategy required this. Investment strategies are set to meet risk and return objectives, not to facilitate an investment in a favoured asset class.   What would be the positive impacts?   * VisionPK accepts that a merged fund or funds could potentially make larger individual infrastructure investments.   *What would be the negative impacts?*   * VisionPK believes that larger individual investments would represent a greater concentration of risk.   **Do you have any additional comments about this option?**   * VisionPK is of the opinion that a merger into one fund would be likely to break the direct link between the scheme and local government by taking the fund out of local government control; and whilst a fund of this size would undoubtedly enjoy some benefits of scale (in certain asset classes), size is not a guarantor, nor necessarily a determinant of success. * We understand that the UK’s two largest pension funds are the Universities Superannuation Scheme (USS) and the British Telecom Pension Scheme (BTPS). Both have assets of around £50 billion (a little more than the combined value of the Scottish LGPS funds). Both are very well managed in many respects. Yet both have significant funding deficits – in excess of £10 billion in each case – and are contemplating or have effected closure of their schemes to new defined benefit accrual. |

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| **Question 5: Preferred and additional options**  The text can wrap onto additional pages. |
| 1. **Which option does your organisation prefer? Please explain your preference.**  * VisionPK is of the opinion that TPF already enjoys considerable benefits of scale in terms of cost which is demonstrated by the independent annual reviews undertaken by Audit Scotland. * VisionPK is comfortable that TPF has in place an appropriate and effective governance structure and risk management processes. * VisionPK feels that it is not clear what would be gained for members or employers from the proposed alternative models of pooled or merged funds. It seems obvious however that there would be significant costs and risks associated with any change, and any pooling or merger of funds should only occur where individual funds are in agreement that this would be to the benefit of their members and employers. * VisionPK is patently aware that TPF has a low contribution rate which is based upon the localised asset and liability profile of the fund, its underlying funding position and bespoke investment strategy, and whilst we understand that protection would be sought to retain this should the pooling or merger option be chosen as the optimal structure, there is no guarantee that any future investment strategy determined at larger scale would sustain this. * The risks that a change of structure that could result in a rise in employer contribution rates, and in turn a potential change in benefits would not be supported by VisionPK as we do not believe that this would not be in the best interest of the scheme membership. * VisionPK believes pension provision to be a very long-term undertaking, and that any structural development should be clearly focused on the long-term sustainability. * VisionPK as an employer therefore support TPF’s preferred option to develop a more collaborative structure (option 2) which could generate advantages across all funds without disruption, transitional cost and likely unintended consequences that merging or pooling would produce. * VisionPK is aware the Scottish LGPS has established communications networks between funds (both investment and administration), but that the current focus is largely on information sharing and problem-solving rather than structural development. We would support TPF in welcoming the opportunity to collaborate in areas such as investment opportunities; procurement; ESG & governance issues; administration.  1. **What other options should be considered for the future structure of the LGPS?**  * VisionPK supports TPF in the collaborative initiatives it has suggested: * development of a forward-looking programme to consider potential initiatives such as:   + joint investment, including in infrastructure   + joint or framework procurement   + joint or shared diligence * joint engagement on environmental, social or governance issues * shared communications and administration (e.g. GMP) where applicable. * a regular, formalised meeting of fund conveners  1. **What would be the advantages and disadvantages of these other option for funds’ investment costs, governance, operating risks and ability to invest in infrastructure?**  * VisionPK believes that the development of collaborative initiatives as suggested above could generate many of the advantages of the individual options identified without the disruption, transitional cost and likely unintended consequences that selecting and mandating one option would produce.  1. **Are there any other comments you would like to make?**  * VisionPK believes that pension provision is a very long-term undertaking, and the prime objective is to act in the best interest of the members in order to meet their requirements, therefore any structural change should be clearly strategically focused on the long-term benefits of the members rather than any external objectives. * VisionPK believes that any pension fund should only embark upon an arrangement to pool or merge if stakeholders unanimously believe that the decision is in the best interests of their members to whom they have fiduciary duty to act in their best interest. * VisionPK does not believe that pooling or merging would be in the best interest of our employees as TPF scheme members. * VisionPK is very aware that changes to the structure could affect employers directly – their contribution rates are impacted by investment returns and funding. In light of the above risks, VisionPK could not support any option which could result in an increase in contribution rates which would be unaffordable. |

The consultation questions end.