

Report for: INFORMATION
Item Number: 06



Contains Confidential or Exempt Information	NO – Part I
Title	Pension Fund Collaboration
Responsible Officer(s)	Nick Greenwood
Contact officer, job title and phone number	Nick Greenwood Pension Fund Manager 01628 796701
Member reporting	n/a
For Consideration By	Berkshire Pension Fund and Pension Fund Advisory Panels
Date to be Considered	20 January 2014
Implementation Date if Not Called In	n/a
Affected Wards	None
Keywords/Index	LGPS, Pension Funds

Report Summary

1. This report reports to members the outcome of discussions with the Department for Communities and Local Government regarding greater collaboration between LGPS funds.
2. It recommends that Officers are authorised to build a business case for a merger with the Oxfordshire and Buckinghamshire LGPS funds
3. These recommendations are being made because Officers believe that a merged Fund would have lower operating costs, reduce key man risk and potentially better governance.
4. If adopted, the key financial implications for the Fund are the use of Officers' time in building the business case.

1. Details of Recommendations

RECOMMENDATION: That:

- i. Panel note the discussions held with the Department for Communities and Local Government
- ii. Panel authorise Officers to build a business case for a merger

2. Reason for Recommendation(s) and Options Considered

At its meeting on 24 June 2013 Panel considered a paper regarding discussions Officers had held with colleagues at Buckinghamshire and Oxfordshire County Councils regarding better collaboration between the three funds. These discussions had concluded that significant cost savings could be made should the three administering authorities agree to merge their funds. Attached at Annex 1 is the background paper that was considered at that meeting.

After debate Members resolved **“(t)hat the Pension Fund Panel recommend to Cabinet that discussions with the Department for Communities and Local Government commence regarding whether it would in principle support a potential merger of the Berkshire, Buckinghamshire and Oxfordshire Local Government Scheme pension funds.”**

On July 25th the Borough’s Cabinet authorised Officers to discuss with the Department for Communities and Local Government (“CLG”) whether it would in principle support a potential merger of the three funds. Officers have had two meetings with Officials from CLG on October 17th and December 17th.

At both of these meetings we have been made aware that Brandon Lewis M.P. is aware of our discussions but he has refrained from making any comment (other than a comment in a speech that he was aware of our discussions). His public pronouncements are that there are too many LGPS administering authorities (89 in England) and the number of authorities should be reduced. This has led to great speculation that there will be enforced mergers to possibly as few as 5 funds (or even 1 superfund).

Our meetings with CLG have confirmed that a “forced” merger would require primary legislation and that this will not be forthcoming in this Parliament neither is it likely to be on the agenda in the next Parliament. On the other hand a merger that only involved a statutory instrument could be progressed relatively quickly but this would only work with a friendly merger.

In the event of an administering authority wishing to merge its fund with another’s fund CLG suggest that a joint committee be established; this joint committee would then become the administering authority for the funds which could then be combined. At the same time the joint committee would establish a subsidiary company to manage the funds; staff would then be “TUPE’d” from their existing employer to the new company. It would be up to the administering authorities concerned to agree the constitution of the joint committee, its membership, governance and terms of reference. In the event that this is the chosen way forward a simple statutory instrument establishing the joint committee as the administering authority for the funds is all that is required.

Members are requested to authorise Officers to prepare a business case for a merger to include the rationale for a merger, trial budgets and indicative savings, joint committee structures and terms of reference. This business case would be prepared on a “no-obligation” basis and would be presented to Panel for discussion.

3. Key Implications

4. Financial Details

5. Legal Implications

Any merger would require the tacit approval of the Department for Communities and Local Government as the sponsor of the requisite legislation.

6. Value For Money

As previously discussed Officers believe that a combined fund could operate more efficiently than three stand alone funds and generate savings.

7. Sustainability Impact Appraisal

Not applicable

8. Risk Management

Not applicable

9. Links to Strategic Objectives

Value for Money

- Deliver Economic Services

10. Equalities, Human Rights and Community Cohesion

Not applicable

11. Staffing/Workforce and Accommodation implications:

Not applicable

12. Property and Assets

Not applicable

13. Any other implications:

14. Consultation

15. Timetable for Implementation

Not applicable

16. Appendices

Annex 1 – report circulated June 2013

17. Background Information

Attached as Annex 1