



Q&A for LGPS members

Investment reform

At the Summer Budget 2015 it was announced that the Government will work with Local Government Pension Scheme (LGPS) administering authorities to reform how LGPS investments are managed.

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the scheme. In England and Wales the LGPS is currently organised as 91 funds, each with an administering authority responsible for the management of its assets and liabilities and the administration and payment of pensions to its local members.

The Government want the 91 LGPS pension funds to pool their assets into around six investment pools in an effort to drive down investment costs and enable funds to develop the capacity and capability to become world leaders in infrastructure investment and help drive growth in the UK economy.

LGPS pension funds in Scotland and Northern Ireland are not affected by the proposals, and their investments will continue to be managed in the same way that they are now.

The expectation is that the new investment pools will begin to be used for collective investment from April 2018 onwards.

The following questions and answers aim to help you understand the changes:

Q1: Why is this happening?

Q2: Will the changes affect the amount of pension I receive?

Q3: Will the amount of pension contributions I pay change?

Q4: Does this change who administers my pension benefits?

Q5: Who is responsible for deciding how a fund invests its assets and will this change?

Q6: Where can I find out more information?

Q1: Why is this happening?

A1: Across the LGPS in England and Wales the scheme holds £217bn of assets (2014/15 figure). These assets are currently held in 91 local pension funds and are used to pay the pensions of former members of the scheme and their dependants. The LGPS is one of the largest funded pension schemes in Europe.

The Government commissioned research which indicates that significant savings can be delivered by the creation of around six investment pools, each with assets of at least £25bn. Each LGPS administering authority will be obliged to join, or help create, an investment pool with other LGPS administering authorities. Savings will be achieved through economies of scale and increased bargaining power; investment costs will be reduced along with other costs for all types of investment used in the pool.

The Government is also keen for the LGPS to have the capacity and capability to be able to invest in infrastructure e.g. railway, road or other transport facilities or housing supply. Currently only a very small proportion of LGPS assets are invested in infrastructure and it is hoped that the creation of investment pools will make it easier for LGPS funds to invest in infrastructure due to increased scale.

Q2: Will the changes affect the amount of pension I receive?

A2: No, the LGPS is a defined benefit scheme which means that your pension benefits are based on your salary and how long you have been a member of the LGPS. The pension benefits you receive are not linked to investment returns.

To find out how your pension is calculated please visit the [LGPS website](#).

Q3: Will the amount of pension contributions I pay change?

A3: No, as a member of the LGPS the rate of contributions you pay is based on how much you are paid.

To find out how much the LGPS costs you, please visit the [LGPS website](#).

Q4: Does this change who administers my pension benefits?

A4: No, the Government is only requiring LGPS administering authorities to pool the investment of their assets. There is no requirement for any change to the administration of the LGPS i.e. who calculates and pays your pension.

Your LGPS administering authority is determined by where you work or, if you have an LGPS pension or deferred LGPS pension, where you used to work. You can find the contact details for your LGPS administering authority at the [LGPS website](#).

Q5: Who is responsible for deciding how a fund invests its assets and will this change?

A5: Each LGPS administering authority has a Pensions Committee which is made up of elected Councillors. The Pensions Committee decides how the assets for that fund are to be invested in line with the administering authority's agreed investment strategy.

This will not change when assets are invested via the new investment pools from April 2018. Each administering authority will continue to determine how its assets are invested meaning that democratic accountability will still be maintained.

Q6: Where can I find out more information?

A6: For information about how your administering authority plans to comply with the investment reform you should contact your LGPS administering authority. You can find their contact details at [the LGPS website](#).

Further information about investment reform is also available on the [LGPS Scheme Advisory Board website](#).