



Ministry of Housing,  
Communities &  
Local Government

# Local Government Pension Scheme: Northumberland and Tyne and Wear Pension Fund Merger

Policy consultation



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# Scope of the consultation

Topic of this consultation:	This consultation seeks views on merging the Northumberland Pension Fund into the Tyne and Wear Pension Fund.
Scope of this consultation:	Section 21 of the Public Service Pensions Act 2013 requires consultation with parties that may be affected by changes to the scheme regulations. This consultation seeks responses from interested parties on amendments to the Local Government Pension Scheme Regulations 2013.
Geographical scope:	These proposals affect the area covered by Northumberland County Council and the areas covered by the Tyne and Wear Pension Fund (namely: South Tyneside Council, Gateshead Council, Newcastle City Council, North Tyneside Council and Sunderland City Council).
Impact Assessment:	The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not discriminate against anyone, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. No impact assessment has been undertaken as we do not believe there are equality impacts on protected groups from the proposals in this consultation.

## Basic Information

To:	This consultation is likely to be of interest to employers that participate in the Local Government Pension Scheme in the Northumberland and Tyne and Wear areas.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 6 weeks from 20 March 2020 to 1 May 2020
Enquiries:	For any enquiries about the consultation please contact:  <a href="mailto:LGPensions@communities.gov.uk">LGPensions@communities.gov.uk</a>
How to respond:	Please respond by email to:  <a href="mailto:LGPensions@communities.gov.uk">LGPensions@communities.gov.uk</a>  Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF

When you reply it would be very useful if you could make it clear which questions you are responding to.

Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name,
- your position (if applicable),
- the name of organisation (if applicable),
- an address (including post-code),
- an email address, and
- a contact telephone number.

# Chapter 1 - Introduction

Section 21 of the Public Service Pensions Act 2013 (the 2013 Act) requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations to change the terms of the Local Government Pension Scheme. Consultation under section 21 of the 2013 Act means that the Secretary of State must consult such persons (or representatives of such persons) who are likely to be affected by the changes.

This consultation contains a proposal of interest to those employers participating in the Northumberland and Tyne and Wear Pension Funds.

## 1.2 Rationale for Merger

This consultation derives from a formal proposal for merger that was provided to the Secretary of State for Housing, Communities and Local Government on 24 December 2019. The proposal was made on behalf of South Tyneside Council as the administering authority of the Tyne and Wear Pension Fund and Northumberland County Council as the administering authority of the Northumberland County Council Pension Fund. It had the support of the Pensions Committees for Northumberland and Tyne and Wear Pension Funds, both Local Pension Boards and the six principal local authorities that make up most of the membership of both Funds, i.e. Newcastle City Council, Gateshead Council, North Tyneside Council, Sunderland City Council, South Tyneside Council and Northumberland County Council.

The Northumberland Fund is one of the smallest LGPS funds in England and Wales. Costs per LGPS member generally reduce as fund size increases because a significant proportion of the costs incurred in administration and governance are on a “per fund” basis. Following merger, the resultant, larger LGPS fund should, therefore, result in lower administration costs per member and participating employers paying lower employer contribution rates in the long term.

Changes affecting the LGPS in the last decade (including introduction of the career average scheme in April 2014, oversight by the Pensions Regulator, the application of the Markets in Financial Instruments Directive II and the Data Protection Act 2018) have significantly increased the complexity of the LGPS, and therefore the specialisation, skills and volume of work required to administer it and provide a good service. It is a major challenge for LGPS funds, especially smaller ones, to provide a value for money service for their participating employers.

While in recent years, the two funds have worked together to provide joint access to specialist in-house support and expertise, this merger should further improve service delivery and provide for efficiencies and economies of scale.

## 1.2 Cost savings

The merger provides opportunities for savings arising from reduced governance costs, procurement of external advice (including undertaking a single actuarial

valuation) and some minor savings in “per fund” subscriptions and levies to sector bodies.

It is estimated that the newly merged Fund could generate savings of around 10% to 12% per annum compared to the administrative and governance costs of operating two separate funds. There are costs associated with implementation and transition, but these should be offset within 1-3 years.

The savings generated will predominantly benefit the employers in the Northumberland Fund, and could lead to a 0.3% reduction in the expense loading element of the contribution rate, as determined at each actuarial valuation. In aggregate, the saving for these employers is estimated to be around £0.5 million per annum. Accordingly it has been agreed between the funds that the implementation and transitional costs will be borne by the Northumberland Fund.

The employers who currently participate in the Tyne and Wear Pension Fund will not immediately obtain a lower expense loading and a saving following the merger. However, the merger will provide for a greater potential for a reduced expense loading at future valuations, or at the very least provide protection against the risk of it increasing.

### 1.3 Effect on asset pooling

Border to Coast Pensions Partnership Ltd (BCPP) is an investment management company created to manage the assets of twelve Partner LGPS Funds, including the Northumberland and Tyne and Wear Funds. Each Partner Fund has an equal ownership share of the company and the consequences of this merger were provided for in the legal instruments establishing the pool company.

The Tyne and Wear Fund is in the process of transitioning its assets to BCPP, but to date the Northumberland Fund has not made any investments with BCPP due to imminent merger. The largest single cost arising from merger will relate to the transition of assets to align the investment strategies of both Funds. Mercer, the investment adviser to Northumberland, has estimated that these merger related costs could be in the region of £1.0 million.

The movement of Northumberland’s assets into BCPP will be taken at the same time as aligning those assets with the Tyne and Wear Fund’s new target investment strategy, to minimise the transition costs that will be incurred in any event when moving assets into the pool company.

The aim of moving assets into the pool company is to reduce investment costs and to give funds access to a wider range of investment opportunities. Following merger, a greater proportion of the former Northumberland Fund’s assets will transfer to BCPP than would have been the case without merger. The funds project that 50% of the newly merged Fund will be under BCPP’s management by 31 March 2023, and 60% by 31 March 2025.

## 1.4 Timescale for implementation

The proposed date from which the merger will have effect is from 1 April 2020. This date has been chosen to tie in with the scheme year end, the actuarial valuation cycle and to avoid potential disruption which could be caused by local elections and changes to decision making bodies. It also creates no disadvantage to any interested parties.

**Question 1 – Do you agree to the proposed merger of Northumberland Pension Fund into Tyne and Wear Pension Fund based on these principles?**

# Chapter 2 – Detailed terms of the Merger

Outlined below are the proposed terms of the merger.

## **Upon merger:**

- a) All LGPS assets and liabilities of the Northumberland Fund will become assets and liabilities of the Tyne and Wear Fund;
- b) All contracts and agreements made by Northumberland in its capacity as an administering authority will novate from Northumberland to South Tyneside; and
- c) The AVC arrangements established by the Northumberland Fund will continue to have effect as if they had been entered into as AVC arrangements established by the Tyne and Wear Fund.

## **After the merger date:**

- a) Any payment received by Northumberland relating to its function as an administering authority before that date, will be paid into the pension fund maintained by South Tyneside;
- b) Any payment due to be made by Northumberland relating to its function as an administering authority which had not been made before the merger date, will be paid from the pension fund maintained by South Tyneside; and
- c) Any question concerning the rights or liabilities of any person under the Regulations (or earlier regulations) which was decided by or was due to be decided by Northumberland before the merger date, will be or deemed to be a decision of or decided by South Tyneside.

**No later than three months after the date of merger**, the Tyne and Wear Fund and the Northumberland Fund will each publish a statement setting out the assets and liabilities of their respective pensions' funds immediately before the merger date.

Draft regulations to give effect to this merger are at Annex B.

**Question 2 - Do you agree with the proposed terms of the merger?**

# About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant, who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by FOIA and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in many circumstances, this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

# Annex A

## Personal data

The following is to explain your rights and give you the information you are entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

### 1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk)

### 2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

### 3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

### 3. With whom we will be sharing your personal data

We do not anticipate sharing personal data with any third party.

### 4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation.

### 5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data, we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

- 6. Your personal data will not be sent overseas**
- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system.**

# Annex B

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## STATUTORY INSTRUMENTS

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2020 No.

### **PUBLIC SERVICE PENSIONS, ENGLAND AND WALES**

#### **The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020**

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	***

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 1, 2(1) and 3 of, and paragraph 3(a) of Schedule 2 and paragraph 11 of Schedule 3 to, the Public Service Pensions Act 2013<sup>(1)</sup>.

In accordance with section 21 of that Act, the Secretary of State has consulted such persons, and the representatives of such persons, as appeared to the Secretary of State to be likely to be affected by these Regulations<sup>(2)</sup>.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

#### **Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020.

(2) These Regulations come into force on [TBC] but have effect from 1st April 2020.

(3) In these Regulations—

“the 2013 Regulations” means the Local Government Pension Scheme Regulations 2013<sup>(3)</sup>;

“the Earlier Regulations” has the meaning given by regulation 1(6) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014<sup>(4)</sup>;

“the merger date” means 1st April 2020;

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(1) 2013 c.25. See section 28 of the Act which provides for regulations made under section 7 of the Superannuation Act 1972 (c. 11) to have effect as scheme regulations under section 3 of the Act.

(2) A statement of the persons whom the Secretary of State would normally expect to consult has been published and can be found at [TBC].

(3) S.I. 2013/2356.

(4) S.I. 2014/525.

“Northumberland” means Northumberland County Council;  
“South Tyneside” means the Council of the Borough of South Tyneside; and  
other expressions have the same meaning as in the 2013 Regulations.

### **Modification of the 2013 Regulations**

2. From the merger date, the 2013 Regulations apply in relation to Northumberland and to South Tyneside with the following modifications—

- (a) in paragraph 1(a) of Part 1 of Schedule 3 (pension funds), the reference to a county council does not include a reference to Northumberland;
- (b) regulation 103 (changes of administering authority) does not apply in relation to the transfer of assets and liabilities described in regulation 3(1) of these Regulations; and
- (c) the table in Part 2 of Schedule 3 (pension funds) applies as if for any person for whom the appropriate administering authority has been or would be Northumberland, the appropriate administering authority is South Tyneside.

### **Transfer of assets, liabilities and responsibilities**

3.—(1) On the merger date all assets and liabilities of the pension fund maintained by Northumberland become the assets and liabilities of the pension fund maintained by South Tyneside.

(2) No later than 3 months after the date these Regulations come into force, Northumberland and South Tyneside must publish a statement setting out the assets and liabilities of their respective pension funds immediately before the merger date.

(3) On and after the merger date—

- (a) any payment received by Northumberland relating to its function as an administering authority for the Northumberland local government pension fund before that date, must be paid into the pension fund maintained by South Tyneside; and
- (b) any payment due to be made by Northumberland relating to its function as an administering authority for the Northumberland local government pension fund which had not been made before that date, must be paid from the pension fund maintained by South Tyneside.

(4) Any question concerning the rights or liabilities of any person under the 2013 Regulations or the Earlier Regulations which was decided by Northumberland before the merger date is deemed to be a decision of South Tyneside for the purposes of any challenge to a decision.

(5) Any question concerning the rights or liabilities of any person under the 2013 Regulations or the Earlier Regulations which was due to be decided by Northumberland but which was not decided before the merger date, must be decided by South Tyneside.

(6) South Tyneside must be substituted for Northumberland in any instruments, contracts or legal proceedings which relate to any of Northumberland’s functions as an administering authority for the Northumberland local government pension fund which were made or commenced before the merger date.

(7) Any arrangements under regulation 17 of the 2013 Regulations (additional voluntary contributions) under a scheme established by Northumberland continue to have effect as if they had been entered into under a scheme established by South Tyneside.

We consent to the making of these Regulations.

*Names*

Date Two of the Lords Commissioners of Her Majesty’s Treasury

Signed by authority of the Secretary of State for Housing, Communities and Local Government

*Name*

Date

Minister of State  
Ministry of Housing, Communities and Local Government

### **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations provide for the merger of the local government pension funds held by Northumberland County Council (“Northumberland”) and South Tyneside Borough Council (“South Tyneside”). Regulation 2 modifies the Local Government Pension Scheme Regulations 2013 with the effect that from 1st April 2020 Northumberland is no longer required to maintain a fund for the purposes of the Local Government Pension Scheme.

Regulation 3 provides that all assets and liabilities relating to the fund held by Northumberland up to that date are transferred to South Tyneside which becomes the appropriate administering authority for all members of the Scheme for whom the appropriate administering authority was previously Northumberland.

No impact assessment has been produced for these Regulations because no impact on the private or voluntary sectors is foreseen.