



Local Pensions Board

Date:	Wednesday, 27 March 2019
Time:	1.00 p.m.
Venue:	Rm G40 Merseytravel, Mann Island

Contact Officer: Pat Phillips
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SUPPLEMENTAL AGENDA

10. **POOLING UPDATE (Pages 1 - 4)**

12. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

RECOMMENDATION: That under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14. **POOLING UPDATE (Pages 5 - 26)**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

25 MARCH 2019

SUBJECT:	POOLING UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with a copy of the draft response from the Northern LGPS to the consultation issued by the Ministry of Housing, Communities and Local Government (MHCLG) on new statutory guidance on LGPS asset pooling.
- 1.2 Approval is sought for a draft response by the Fund. An outline of key considerations is attached and a more detailed response will be provided at Committee.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 In January, Committee was informed that MHCLG had issued draft statutory guidance on LGPS asset pooling. The guidance set out the requirements on administering authorities, replacing previous guidance, and built on previous Ministerial communications and guidance on investment strategies. It was an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS. The consultation was to remain open for 12 weeks, closing on 28 March 2019.
- 2.2 As advised in January's report, the Northern LGPS has since been working with its advisors to draft an initial response to the guidance. The response reiterates that Northern LGPS remains supportive of the objectives set out in the November 2015 Investment Reform Criteria and Guidance (the '2015 Guidance') and sets out the Pool's progress in meeting the criteria. Key achievements include:

- GLIL, the Pool's direct infrastructure vehicle, having around £1bn invested in eight UK infrastructure projects
- Procurement of an FCA regulated Pool custodian
- Establishment of the Northern Private Equity Pool last summer with five commitments amounting to £325m already made
- Performance and cost benchmarking against global comparators using CEM Benchmarking

2.3 The response also outlines concerns with the guidance including:

- The removal of the Value For Money criterion from the latest draft guidance
- The assertion that individual funds should be prepared to suffer an increase in their costs in order to benefit other funds in the pool or the wider LGPS. This is clearly at odds with authorities' fiduciary duty in managing their fund
- In the same vein, the assertion that elected members owe duties to parties other than their own funds and relevant stakeholders (employers and members) is also contrary to their fiduciary duties
- The requirement for all pools to have a FCA regulated company. This is seen as unnecessarily prescriptive
- More generally there is no evidence given in the consultation as to why the prescriptive requirements of the new guidance are beneficial to stakeholders

2.4 The full Northern LGPS draft response is attached as an appendix to this report.

2.5 A draft response by the Fund is also attached for approval.

3.0 RELEVANT RISKS

3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report. The anticipated financial costs of establishing pooling arrangements as proposed in the new guidance will be substantially more than the existing intended arrangements.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report and approve the draft response by the Fund.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to the oversight and management of LGPS assets.

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APPENDICES

Draft response to the consultation by Northern LGPS

Draft response from MPF

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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