

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JANUARY 2016

SUBJECT:	LGPS – LOCAL INVESTMENT
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of arrangements in place at MPF in respect of local investment and seeks approval for the approach proposed by officers.

2.0 BACKGROUND AND KEY ISSUES

2.1 Since MPF was constituted in 1987, the Fund has not had an explicit allocation to investments in the local area. Notwithstanding this, over this period, the Fund has invested substantial amounts in the region as commercially viable opportunities have arisen and over £50m remains at work. In addition, MPF has acted as a facilitator in identifying and introducing potential funders for projects.

2.2 In 2014, the Liverpool City Region Combined Authority was established and, more recently, the city region's proposals for devolution were agreed with government. It is felt that the opportunity to coordinate projects in the Merseyside area will provide a greater likelihood of investable opportunities. Economic growth is creating demand for housing, retail and leisure facilities and there is potential for developments to be undertaken to meet these demands. In combination with this, the Chancellor is keen for local government pension funds to develop improved capacity and capability to invest in infrastructure through pooling assets with other funds. Pooling with other LGPS funds may provide further resource and expertise in the fulness of time.

2.3 The fund is not proposing to change its criteria for the assessment of potential investments but is looking to seek suitable opportunities more actively while having regard to the management of risk. Appropriate governance will ensure that potential conflicts of interest are identified and managed. Diversification is essential to avoid undue concentration in any one sector or geographical area.

2.4 The fund believes there is scope for further investment in the region particularly if undertaken in conjunction with other partners and investors (including other LGPS funds) and has taken steps to ensure that the necessary external advice and resource is available to it. It is recognized that investments of this type are more resource-

intensive in terms of management and the knowledge requirement. Scale is required to bear the due diligence, legal, administrative and other management costs.

Fiduciary Responsibilities

Members have been informed previously of clarification their fiduciary responsibilities obtained by the LGA:

- a) In managing a LGPS fund, the administering authority has both fiduciary duties and public law duties (which are in practice likely to come to much the same thing).
- b) The administering authority's power of investment must be exercised for investment purposes, and not for any wider purposes. Investment decisions must therefore be directed towards achieving a wide variety of suitable investments, and to what is best for the financial position of the fund (balancing risk and return in the normal way).
- c) However, so long as that remains true, the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund. In taking account of any such considerations, the administering authority may not prefer its own particular interests to those of other scheme employers, and should not seek to impose its particular views where those would not be widely shared by scheme employers and members (nor may other scheme employers impose their views upon the administering authority).

3.0 RELEVANT RISKS

- 3.1 Regional investments bring greater potential for conflicts of interest which must be managed appropriately through suitable governance arrangements.
- 3.2 It is important that all the Fund's investments are subject to rigorous assessment and suitably diversified.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 There are no other options under consideration.

5.0 CONSULTATION

- 5.1 N/A

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 N/A

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 It is recognised that regional investments tend to be more resource-intensive than conventional investment practice, in terms of management and the knowledge

requirement. This will be factored in to the assessment of opportunities. Appropriate staffing resource is being put in place along with external advice.

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 intention to undertake regional investments consistent with the Fund’s investment criteria.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Devolution and the City Region are expected to enable suitable investments to be identified and coordinated.

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APPENDICES None

BACKGROUND PAPERS/REFERENCE MATERIAL

Local Government Pension Scheme: Investment Reform Criteria and Guidance

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pension Committee	November 2015
Pension Committee	September 2015