

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with details of the Fund's initial submission to Government in relation to the ongoing consultation in relation to the requirement for the Local Government Pension Scheme to pool investments to deliver significantly reduced costs while maintaining overall investment performance.
- 1.2 This report also seeks Members' approval for officers to continue to develop proposals for pooling in consultation with the Chair and for the draft final response to be brought to Committee in June 2016.
- 1.3 The Fund's response to the consultation on the LGPS Investment Regulations is appended.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Report to November 2015 and January 2016 Pensions Committees set out the background to the Government's proposals for pooling of LGPS investments to create up to six British Wealth Funds, each with at least £25bn of assets and the criteria by which those proposals will be assessed by Government.
- 2.2 Funds were required to submit initial proposals to Government by 19 February 2016. Submissions should include a commitment to pooling and a description of progress towards formalising their arrangements with other authorities. Authorities could choose whether to make individual or joint submissions at the first stage.
- 2.3 Refined and completed submissions are required by Government by 15 July 2016 which fully address the criteria set out by Government (and set out in the report of 24 January 2016 to this Committee) and provide any further information that would be helpful in evaluating the proposals.
- 2.4 **Merseyside Pension Fund**

The Fund has had a number of meetings with 'Northern Funds' to discuss options

for pooling. Members were briefed on developments at the Governance & Risk Working Party on 28 January 2016. At the time of writing, MPF has agreed in principle to work with two other funds to develop a proposal to pool investment management and a copy of our joint submission is attached (Appendices 1-5). The pool remains open for other funds to join.

- 2.5 The next step is that Government will evaluate submissions against pooling criteria, with feedback provided to highlight areas that may fall outside of the criteria, or where additional evidence will be required. In the interim, the Fund is continuing to work with its pooling partners in developing final proposals and to engage with Government.
- 2.6 Final proposals are due by 15 July 2016 and officers intend to bring a draft final proposal to this Committee at the June meeting.

3.0 RELEVANT RISKS

- 3.1 It is important that appropriate governance arrangements are put in place to ensure that the pooling arrangements work well both now and in the future.
- 3.2 As set out in the Project POOL report, the costs and resource required to deliver this change programme should not be under-estimated, particularly in the context of continuing budgetary pressures and severe internal resource constraints within local authorities. Also, the risks of a transition of assets on the scale required are considerable. Strong project management and the use of the most skilled and experienced transition managers will be critical to managing these risks.
- 3.3 The tight timescales for responding to the consultation are not giving much time for data to be collected and assessed appropriately and there is a risk that decisions are ill-considered or that projected cost savings are unrealistic.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 All appropriate options remain under consideration.

5.0 CONSULTATION

- 5.1 The Chair of the Pensions Committee has been consulted and has been involved in several meetings including with DCLG and other LGPS funds. Key stakeholders including the other Merseyside authorities have been kept informed of developments.

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 The government's proposals are intended to deliver substantial savings from the investment manager fee base within the 89 funds of the LGPS. However, as set out in the Project POOL report, the costs and resource required to deliver this change programme should not be under-estimated. As one of the funds participating in the

Project POOL report, a further contribution of £7,000 has been made towards the cost of producing the report.

8.2 Costs are also being incurred in relation to legal and technical advice, exemplified in the exempt appendices (appendix 4&5).

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 authorise officers to continue developing pooling options. Future papers for the Committee will provide further information on likely costs/benefits and any material costs incurred in working up proposals. Any final decision will be subject to Committee approval.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 In view of the tight timescales and requirement for detailed proposals to be developed, it is important that work continues in parallel with reports to this Committee.

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APPENDICES

Appendix 1 – Covering letter

Appendix 2 – Joint submission

Appendix 3 – Memorandum of Understanding

Appendix 4 – Cost analysis

Appendix 5 – Legal advice

Appendix 6 – Response to consultation on Investment Regulations

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
Pensions Committe	January 2016
Pension Committee	November 2015
Pension Committee	September 2015