

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 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 details of a consultation issued by the Ministry of Housing, Communities and Local Government (MHCLG) on new statutory guidance on LGPS asset pooling.

2.0 BACKGROUND AND KEY ISSUES

2.1 On 3 January 2019, MHCLG issued draft statutory guidance on LGPS asset pooling. It sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies. This will be 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 will remain open for 12 weeks and will close on 28 March 2019.

2.2 The guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

The guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2.3 It is recognised that the existing guidance is not always clear in defining the criteria and guidance for pooling arrangements and the new guidance seeks to address this as well as supporting further progress.

2.4 The guidance covers eight principal areas:

- Definitions
- Structure and scale
- Governance
- Transition of assets
- Investments outside the pool
- Infrastructure investments
- Reporting

2.5 A report providing further analysis of the proposals and a draft response will be brought to Committee in March. If adopted as drafted, the most significant implication for the Northern Pool would be the requirement, as set out in section 3, to establish a pool company for the majority of assets which 'must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities'.

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.

13.2 That Members give approval for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that may be required.

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 guidance on pooling - consultation

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	