

REPORT FOR: Pension Fund Committee

Date of Meeting:

9 March 2016

Subject:

Information Report – Pooling Criteria and Guidance and London Pensions Collective Investment Vehicle

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Wards affected:

All

Enclosures:

Appendix 1 – Local Government Pension Scheme: Investment Reform Criteria and Guidance

Appendix 2 – London CIV response to criteria and guidance

Appendix 3 – LB Harrow response to criteria and guidance

Appendix 4 – CIV Chief Executive Progress Report

Section 1 – Summary

The report sets out the current position as regards the development of Local Government Pension Scheme pooling arrangements and asks Members to consider setting up a small group to assist officers in the development of proposals over the next three months.

FOR INFORMATION

Section 2 – Report

1. At their meeting on 25 November 2015 the Committee received a report which summarised the progress made in setting up the London Local Government Pension Scheme Collective Investment Vehicle (CIV) and the Harrow Fund's involvement therein. In attendance at the meeting was Mr Hugh Grover, Chief Executive of the CIV who answered Members questions in relation to the progress to date and the future plans for the CIV.
2. In late November 2015 the Council, along with all other administering authorities of the Local Government Pension Scheme, received a document from the Department for Communities and Local Government (DCLG) entitled "Local Government Pension Scheme: Investment Reform Criteria and Guidance." A copy of the document is attached as Appendix 1 and the requirements summarised below. DCLG required a response to this document by 19 February 2016.

Local Government Pension Scheme: Investment Reform Criteria and Guidance

Each administering authority was required to address the following issues:

Paragraph 1.1 – *Authorities are now invited to submit proposals for pooling which the Government will assess against the criteria in this document*
Paragraph 2.1 - *Submissions should include a commitment to pooling and a description of their progress towards formalising their arrangements with other authorities"*

The Guidance stated that the criteria against which compliance would be measured were as follows:

- A. Asset pool(s) that achieve the benefits of scale
- B. Strong governance and decision making
- C. Reduced costs and excellent value for money
- D. An improved capacity to invest in infrastructure

Paragraph 2.1 stated that *Authorities can choose whether to make individual or joint submissions or both.*

Members, advisers and officers have considered the options and have chosen, along with all the other members of the CIV, to be associated with the CIV response (Appendix 2) but to provide a covering note making the pooling commitment as required in the Guidance (Appendix 3).

In addition to these requirements, in Paragraph 2.2 DCLG state as follows:

Refined and completed submissions are expected by 15 July 2016, which fully address the criteria in this document, and provide any further information that would be helpful in evaluating the proposals. At this second stage, the submissions should comprise:

- *for each pool, a joint proposal from participating authorities setting out the pooling arrangement in detail. For example, this may cover the governance structures, decision-making processes and implementation timetable; and*
- *for each authority, an individual return detailing the authority's commitment to, and expectations of, the pool(s). This should include their profile of costs and savings, the transition profile for their assets, and the rationale for any assets they intend to hold outside of the pools in the long term.*

These requirements are discussed further in paragraphs 4, 5 and 6 below.

3. Since the Committee last met, the Pensions CIV Sectoral Joint Committee, on which all the 31 London borough participants sit, has met once, on 10 February 2016. Appendix 4 is the Progress Update Report presented by the Chief Executive to that meeting. The CIV was formally launched in the House of Lords on 12 February and, on 25 February the first seminar for officers was held.
4. Each administering authority and its “pool” provider must now address various issues in time for a submission by 15 July. Specifically, the submission must include:
 - A fully transparent assessment of investment costs and fees as at 31 March 2013.
 - A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison.
 - A detailed estimate of savings over the next 15 years.
 - A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool(s), and an explanation of how these costs will be met.
 - A proposal for reporting transparently against their forecast transition costs and savings, as well as how they will report fees and net performance.
5. Over the next few months many other issues also need to be taken into account, largely relating to the speed and efficiency of transition including:
 - Ministers apparently wish to see progress leading to all listed assets being within pools by 2020
 - Assets to remain outside pooling arrangements to be identified
 - Whilst administering authorities are some way from being instructed to terminate their mandates with existing managers Ministers may have little sympathy with Fund's trying to avoid pooling by unreasonably seeking to retain arrangements with existing managers.

- Managers, including “boutique” managers who had previously shown little interest in joining pooling arrangements are now showing more interest.
 - There are currently no immediate proposals within the CIV work programme to include any of the Harrow managers/mandates
6. A report covering all relevant issues will be presented to the Committee at its next meeting. However, officers would appreciate some earlier input from Members and advisers and the Committee is asked to consider whether a small working group could be set up to assist.

Financial Implications

7. Whilst the pooling initiatives will have a significant impact on the performance of the Fund there are no financial implications arising from this report.

Risk Management Implications

8. The risks arising from the management and investment of funds are included in the Pension Fund risk register.

Equalities implications

9. There are no direct equalities implications arising from this report.

Council Priorities

9. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	25 February 2016		

Ward Councillors notified:	NO
-----------------------------------	-----------

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None