

## **REPORT FOR: Pension Fund Committee**

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**Date of Meeting:** 12 March 2019

**Subject:** Statutory Guidance on Asset Pooling

**Responsible Officer:** Dawn Calvert , Director of Finance

**Exempt:** No

**Wards affected:** All

**Enclosures:** Appendix 1: MHCLG guidance on asset pooling in the Local Government Pension Scheme.

### **Section 1 – Summary and Recommendations**

This report presents the recently published MHCLG draft statutory guidance on asset pooling and outlines key points raised by the guidance for consideration by the Committee.

#### **Recommendations**

The Committee is recommended to note the report: In regards to the MHCLG guidance document to provide any feedback on the draft guidance to officers before the 28 March consultation deadline and to delegate to officers to provide a response to the consultation.

## Section 2 – Report

### MHCLG CONSULTATION

1. In January 2019 the Ministry for Housing Communities and Local Government (MHCLG) published its draft statutory guidance on LGPS asset pooling, inviting views through an informal consultation with interested parties until 28 March 2019.
2. The draft guidance is attached at Appendix 1 for Members' consideration.
3. The main points to highlight from the guidance are as follows
  - Pool members should transition assets into the pool as quickly and cost effectively as possible (5.1);
  - Inter-authority payments may be desirable to share transition costs equitably between pool members (5.2);
  - In exceptional cases, some existing investments may be retained by pool members on a temporary basis to maturity if the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so (5.4);
  - Pool members should normally make all new investments through the pool company to maximise benefits of scale. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances (6.1);
  - A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member. These assets should not normally exceed an aggregate 5% of the pool member's assets at the point of investment (6.2);
  - Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation can deliver improved net returns. (6.3);
  - There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area (7.2);
  - All residential property is included in the official CIPFA definition of infrastructure assets (7.5);
  - New extensive reporting requirements for pool members come into force with effect from the 2018/19 annual report, with a requirement to report on the costs and performance of pooled assets, the progress of any transition plans and a rationale for all assets that continue to be held outside the pool, including a planned transition

date and a comparison of costs to any comparable pool vehicle (8.1 onwards);

- The definition of pooled assets excludes passive investment in life policies held directly by pool members, or any asset where a pool member retains the day to day management or responsibility for selecting or reappointing an external manager (8.4).

#### Consultation Response

- 4 Members are recommended to consider the guidance attached and provide any feedback to officers ahead of the 28 March deadline; officers will coordinate responses and respond to MHCLG on behalf of the Committee.

#### Financial Implications

5. There are no direct financial implications arising from this report. The statutory guidance requires the revision of investment strategies to ensure that new investments are made in the pool from 2020. To date Harrow has over 37% of fund assets managed through the London CIV and its preferred providers.

#### Risk Management Implications

6. Pension Fund investment risks are set out in the Pension Fund Risk Register.

#### Equalities implications

9. Was an Equality Impact Assessment carried out? - No

There are no direct equality implications arising from this report

#### Council Priorities

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

### **Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert



Director of Finance

Date: 27 February 2019

Name: David Hodge



on behalf of the  
Monitoring Officer

Date: 26 February 2019

**Ward Councillors notified:**

**NO**

### **Section 4 - Contact Details and Background Papers**

#### **Section 4 - Contact Details**

**Contact:** Iain Millar, Treasury and Pensions Manager  
0208 424 1432

**Background Papers - None**