



## **BCPP Joint Committee**

**Date of Meeting:** 6<sup>th</sup> June 2017

**Report Title:** Feedback on National Working Groups

**Report Sponsor:** Chair Officer Operation Group – Fiona Miller

### **1.0 Executive Summary:**

1.1 Since the 24<sup>th</sup> March 2017 Member Steering Group meeting, Officers have attended meetings of the Cross Pool Collaboration Group, Cross Pool Infrastructure Group and the Responsible Investment (RI) sub-group.

### **2.0 Recommendation:**

2.1 The Joint Committee is asked to note this update report.

2.2 Members are asked to consider the suggestion from Cllr Quinn that a Member Cross Pool Information and Collaboration Group be created. If they are supportive of this, members are asked to provide officers with their views on how they would wish this to be taken forward.

### **3.0 Background:**

3.1 The highlights from each of the national working groups attended since the 24<sup>th</sup> March 2017 Member Steering Group meeting are shown below:

#### **3.2 *Cross Pool Collaboration Group – 27<sup>th</sup> April 2017***

- Teresa Clay Department for Communities and Local Government (DCLG)
  - confirmed receipt of spring updates from all pools.
  - The question was raised about what support is available on the regulatory side (both investment and administrative) from DCLG. Teresa responded that they are aware that the level of service has not been as expected due to 100% turnover of staff, and they were still playing catch up. Teresa asked that any issues should be raised with her directly.
- HM Treasury (HMT) / Cabinet Office no updates.
- Local Government Association (LGA) (Jeff Houston) attended and updated the group on the following:

- MiFID II – confirmed Financial Conduct Authority (FCA) board meeting is 25<sup>th</sup> May. Nothing has changed, FCA is attending Pension and Lifetime Savings Association (PLSA) conference as a break out session. Once decisions approved at board meeting, can send out update to everyone.
- Working with managers and the regulator towards a standard template for the opt-up process. Expecting to receive something in June about the opt-up process, working with investment managers and the Investment Association to develop standardised forms.
- Expect Chair of Scheme Advisory Board (SAB) to announce formal launch of Code of Transparency at PLSA conference. Board will check the templates are being filled in properly but don't expect it to be used for benchmarking.
- Pooling of Passive – DCLG reviewing life funds and passive. Noted the pools' view that the benefits already been delivered via life funds and that there was no need to review this further.
- National Frameworks (Nigel Keogh) attended and updated on the following:
  - The framework for Investment Performance and Cost Monitoring was announced
  - Transition management framework – lot structure now agreed, and tender process due to run during May/June. Timetable allows for framework to be in use from end of August 2017.
  - Performance reporting frameworks – all contracts should be in place by the end of next week.
  - Passive management framework – final round of discussions on terms and conditions.
  - Investment consultancy framework – renewal aimed to be delivered by end of the autumn complete, and available for use.
  - The 3<sup>rd</sup> Party administration framework was launched.
- Updates were provided by each Pool.

### 3.3 ***Cross Pool Infrastructure Group – 27<sup>th</sup> April 2017***

- Discussions centred on how to establish what types of infrastructure offering the individual Funds would want from any national platform. A template questionnaire was agreed that will be used by the pools to seek the views of their individual Funds. This is to be circulated and the results collated prior to the next meeting.
- Louise Minford from the Infrastructure Agency attended to seek views on what Funds would want to see as investment opportunities if the Government decides to expand / develop the government debt guarantee scheme

### **3.4 Cross Pool RI Group – 27<sup>th</sup> March 2017**

- Purpose of the meeting was to update on Pool progress on RI, Environmental, Social and Governance (ESG) and Stewardship related issues and receive presentation on United Nations Principles of Responsible Investment and the resources it can offer the pools.
- Additional Matters – The Pensions Regulator (TPR) referral – ShareAction. SAB to engage to restate TPR boundaries of control which do not extent to investments.
- Stewardship Code – meetings had been had with the Financial Reporting Council (FRC) which confirmed they are not looking to change the Stewardship Code but it is likely that the asset manager tier 1 assessment will be tightened. It was noted that guidance states that funds have to declare a position and ‘should’ sign up to the Code. All agreed it would be prudent to have an audit trail that demonstrates compliance with the code (e.g. recording when a check of managers is made).

### **3.3 Cross Pool Collaboration Group – 25<sup>th</sup> May 2017**

- DCLG were not represented:
- HMT / Cabinet Office reiterated that they are keen to support where ever may be appropriate.
- Kiran Quin (SAB) attended to discuss the issue previously raised of establishing a Member group to run alongside this Officer Group “to help wider education and engagement across the LGPS on pooling”. Officers discussed with Cllr Quinn what worked well in this group and its remit. After further discussion Officers decided they needed to refer the matter back to their individual Pools to seek their Members’ views on the establishment of such a group and what would be its purpose etc. before expressing any opinion on such a matter.
- LGA (Jeff Houston) attended and updated the group on the following:
  - Scheme Advisory Board's (SAB)
  - Letter sent to TPR to clarify the SAB’s understanding of their remit with regards to investment matters for the LGPS per the regulations (Shareholder Client Earth complaint).
  - Code of Transparency published last week and as managers sign up their names will be added to the website. It is expected that all pools will sign up as asset managers.
  - Academies – SAB are seeking a solution with the Department for Education (DfE) that is within the Scheme, and confirmed that they are aware of the implications to both Funds and pools if this involved large transfers of assets even within the LGPS. As such there is no intention to destabilise Funds in such a manner.
  - Passive Management – if negotiations and fee savings have been secured before the go live of the pool there will be no requirement to revisit these arrangements post creation of the pool.

- Progress with the FCA regarding MiFID II – update in agenda item 8 on today’s agenda. Further to that the FCA will meet on the 26<sup>th</sup> to review the proposed opt up criteria. Due to amendments to the handbook requiring a statutory instrument to be lodged, their release will be delayed until after the election. The new Cross Pool Collaboration Tax Group agreed at the last meeting is in the process of arranging a meeting with HMT and several property managers to review the specific tax issues associated with this asset class. Officers from BCPP will be attending this meeting.
- Legal opinion has been received by the LGA regarding the issue of regulated / unregulated structures & their application to LGPS Funds. Confirmed that the HMT override for unregulated structures applies and that when investing in these structures LGPS Funds are deemed professional clients. This will be published shortly on the website and will be available for all Funds / Pools to use.
- National Frameworks (Nigel Keogh) attended and updated on the following:
  - the framework for Investment Performance and Cost Monitoring was complete, and available for use.
  - The 3<sup>rd</sup> Party Administration Framework was launched.
  - Framework for passive management and transition management have been launched.
- Updates were provided by each Pool.

#### **4.0 Conclusion:**

4.1 Substantive work and engagement with different agencies continues to be progressed on a range of matters to ensure the LGPS can secure best value and exercise its collaborative influence wherever appropriate.

4.2 Dates of the next meetings are as follows:

- Cross Pool Collaboration Group 29<sup>th</sup> June
- Cross Pool Infrastructure Sub Group 29<sup>th</sup> June
- Cross Pool RI Sub Group TBC
- Cross Pool Tax Sub Group TBC
- MiFID II Manager Opt-Up Group TBC

#### **5.0 Report Author:**

Fiona Miller

[Fiona.miller@cumbria.gov.uk](mailto:Fiona.miller@cumbria.gov.uk)

01228 226280