



BCPP Joint Committee

Date of Meeting: 13th March 2018

Report Title: Feedback on National Working Groups

Report Sponsor: Member of Officer Operation Group – Jo Ray

1.0 Executive Summary:

1.1 Since the last Joint Committee, Officers have attended meetings of the Cross Pool Collaboration Group and the Cross Pool Responsible Investment (RI) Group.

2.0 Recommendations:

2.1 The Joint Committee consider whether this report is removed as a standing item on the agenda and any specific feedback from any of the cross pool groups is incorporated elsewhere in the agenda where appropriate.

3.0 Background:

3.1 The summarised highlights from the national working groups attended since the last meeting of this Member group are shown below:

3.2 *Cross Pool Collaboration Group (last meeting 25th January)*

- LGA (Jeff Houston) updated the group on the following:
 - **Cross Pool Elected Member Forum** – a meeting for this Forum has been scheduled on 27 March 2018 with an invitation going to chairs of the joint committees of pools. The purpose of the meeting is to update all parties on stages reached by pools, with each pool to do a 10 minute update delivered by a fund or the pool. Cllr Phillips (Chair of SAB) will be meeting the new minister for MHCLG on 5 Feb 2018.
 - **Cost transparency** – FCA's Institutional Disclosure Working Group (IDWG) is launching for consultation its own cost transparency

templates (there will be two templates, one for accounting purposes and one for trustees) on 8th February 2018. They are very similar to SAB's templates and SAB will propose a transition to those managers (36) that have already signed up to the SAB Code of Transparency, so they can move across to the new template. CIPFA has indicated that it will not be making recommendations that LGPS funds adopt the FCA template information in funds' accounts, but will instead be making recommendations to adopt in the funds' annual reports. There will be a requirement for funds to report pool set up costs, and the ongoing costs of the pool from the 2018/19 accounts. Pools will need to supply the information to funds to complete disclosures. Timescales for getting the reporting in place are tight (see transparent reporting note at 3.5).

- **Academies** - there are two separate SAB meetings to be held on 26th January 2018 on academies' participation in the LGPS. Information will be gathered, then a consultation launched. DfE is looking for consistency across funds in the asset transfer methodology.
 - **Tier three employers** - information is being gathered and Aon Hewitt will report back to SAB in May 2018.
 - **Consultation on insolvency and colleges** - DfE issued a consultation on insolvency and colleges which closes on 12 February 2018.
 - **MiFID II** - SAB is working with IA (Investment Association) and lawyers to put together guidance for funds and pools on future relationships with fund managers, post opt up to professional client status. The draft guidance should be available in time for the Carden Park event (end of February). LGA will be looking for volunteers from the funds to set up a working group to look at this. Concern was raised that some funds may struggle to remain appropriately staffed for retaining professional client status. Separation of funds from host authorities was back on the SAB agenda which, if implemented, should result in funds' staffing needs being treated separately from the host authorities' budget process.
 - **Reporting cost savings post-pooling** – SAB has agreed a definition of what counts as investments being in a pool, and this will be issued shortly. All funds and pools have been encouraged (by members of the CPCG) to take the CEM Benchmarking service. The CPCG discussed take up and use of CEM's services. It was agreed that a Cross Pool user group with CEM should be set up to ensure we get what we require from such engagement. Teresa Clay confirmed that MHCLG would need a total savings figure (and some good examples) for ministers, probably in 2019/20. This figure may be made public. Officers commented that not all sub funds would be in place to enable assets to be transferred by then.
- Central Government updated the group on the following:

- **MHCLG (DCLG)** (Teresa Clay) – the new minister, Rishi Sunak, was still information gathering as he builds up his understanding, but he was very engaged and experienced given his investment banking background. He is committed to pooling, and wants it to be completed successfully. He will want to take up the previous offer to meet with the pool chairs and chairs of the Joint Committees. MHCLG will be represented on the academy working groups and is well aware of the problems for funds.
- **Treasury** (Ciara Chivers) – there would be a Spring Statement on 13 March, which was not a fiscal event and would have no impact on pooling.
- **Cabinet Office** (Ross Gray) – the new minister, David Lidington, has not yet had any discussion on pooling, given his other priorities.
- Other matters discussed:
 - **Brewster Case (co-habiting partners)**: Essex had had a similar case to the Brewster Case and the court had found in favour of the member, which confirmed that the LGPS cannot rely on the regulatory requirement to have a nomination form in place. He asked for LGPC guidance to be provided, ASAP.
 - **Fol and pools**: It was asked whether pools would be subject to FOI requests. LGA said that wholly owned pools would be, but for non-wholly owned pools it was less clear. Cabinet Office confirmed that even where operators are not publicly-owned, information held "by, or on behalf of, a public authority" is in scope for FOI; it is not necessarily clear-cut what fits within this definition so authorities should seek advice to make sure that they (and their pool operators) are aware of what information is potentially in scope.
 - **CIPFA Pensions Panel**: Nicola Mark said that CIPFA is looking for pool representation on the Panel.
- National Frameworks (Nicola Mark) attended and updated on the following:
 - The transition manager framework is now available; the investment consultancy framework went live in November 2017; and the legal services framework expires in January 2018 and will be re-let soon.
 - GDPR legislation from May 2018 has implications for frameworks (i.e. those contracts being let and previously let). Norfolk has, therefore, instructed a QC to look at framework arrangements and expects to have the outcome of that by end of February.
 - A new framework is being worked on for member data services (covering mortality screening and data tracing), first meeting 6 February.

- Pension scheme administration system framework will be done soon, and hope to include Heywood.

3.3 *Cross Pool Infrastructure Group (last meeting 22nd February)*

No officers from Border to Coast funds attended this meeting, however the key points from the minutes are set out below.

- Representatives from GLIL gave a presentation on their fund, including a review of recent transactions.
- Louise Minford (HMT) and Ciara Chivers (Cabinet Office) provided an update from Government which covered the following:
 1. Discussion around the Infrastructure and Projects Office (IPA) which reports to Treasury and Cabinet Office on a regular basis and is happy to liaise with the LGPS pools
 2. Discussion around the relative risk-return of, and LGPS appetite for, greenfield (new assets) v. brownfield (operational assets)
 3. Benefits of pooling for infrastructure investment
- Pool updates - each LGPS pool provided an update on their continuing development

3.3 *Cross Pool Responsible Investment Group (last meeting 24th January)*

- A presentation was given by Nigel Keogh on the National Stewardship Advisory Services Framework with feedback given on questions raised around charges and the timescales for appointing providers.
- A catch up from each pool on recent developments. Areas covered included: recent staff appointments, discretionary manager appointments, transition arrangements, proxy voting, RI strategies and policies, custodial arrangements and manager selection processes.
- Previously discussions had been had about the RI Group continuing post pooling. The consensus was that the group had been a great support to colleagues across the different Pools. Going forward the group would need to be organised in a more formal way. Terms of reference, membership, a forward plan and communications were all discussed. A call will be held in the coming weeks to review. It was acknowledged that formal endorsement and authorisation would be needed.
- A call was to be set up to discuss responses to the FRC Corporate Governance Code response. This was held on 19th February.

- The next meeting will be held on 2nd May with the FRC invited to present to the group.

3.4 *Cross Pool Tax Group (last meeting 29th November)*

No meetings have been held.

3.5 *Working Group on Transparent Reporting Post Pooling (last meeting 13th December)*

No meetings have been held, however CIPFA have released their draft document titled "Proposals for LGPS Fund reporting in a 'pooled world'".

This paper aimed to meet the objectives set out below:

To meet government requirements for:

- measuring progress by funds in transitioning assets into pools
- transparent reporting of costs and performance by the LGPS funds and pools
- demonstrating that active management provides added value to the Scheme
- measuring progress in investing assets in 'infrastructure'

To further enhance reporting of costs reflecting:

- the introduction of the SAB Code of Transparency for asset managers
- initiatives underway by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP) which aim to create more transparent and granular reporting standards for both providers and trustees

To develop the current asset allocation reporting in order to avoid the majority of assets being consolidated into the Pooled Investment Vehicles (PIV) line within the pension fund accounts.

The draft paper has been shared with all partner funds for comments. The next meeting is on 13th March 2018.

3.6 As the pools are now going live, and the focus moves to steady state rather than development, members are asked to consider whether they wish to continue receiving these updates as a standing agenda item, or whether it is more useful for any relevant information to be brought as and when appropriate.

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. Now that most asset pools are entering the go-live state, consideration should be given as to whether members still wish to receive this regular report, or whether they would rather have any relevant information to be brought as and when appropriate.

4.2 Dates of the next meetings are as follows:

Cross-pool Collaboration Group – 28th February 2018

Infrastructure sub-group – date to be confirmed

Responsible Investments sub-group – 2nd May 2018

Tax sub-group – date to be confirmed

Transparent Reporting Working Group – 13th March 2018

5.0 Report Author:

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