



BCPP Joint Committee

Date of Meeting: 10th July 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 is asked to note this update report.

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 May)*

- LGA (Bob Holloway) updated the group on the following:
 - **Scheme Advisory Board** – the 2017 Scheme Advisory Board's (SAB) annual report was published and is available on their website.
 - **Training** - LGPS training for pool company boards is available from LGA, based on the recent Brunel Pool training day.
 - **TUPE transfers** - A verbal opinion had been received from James Gowdy QC in relation to responsibilities for staff transferred under TUPE from the Local Authority. It confirmed that staff transferring to a pool would be covered by the Direction or Fair Deal, with existing rights to access the LGPS protected. A written opinion was awaited and would be published on the SAB website.

- **CIPFA reporting guidance** - CIPFA's proposal for LGPS fund reporting in a 'pooled world' is available. It was noted that if members choose to they could use the guidance document to prepare the 2017/18 annual report and provide feedback to CIPFA on any practical issues encountered. This would enable the proposal to be reviewed and revised before being finalised. The 2018/19 guidance is expected to be complete in the next couple of months.
 - **Cost Transparency Code** – SAB has organised a group to look at levels of compliance.
 - **Data quality** - Roadshows have been arranged to take place in June covering data quality and the Sector 13 report for Pensions Managers.
 - **MiFiD guidance** - A Q&A is available on the SAB website to advise funds.
 - **Trade Union recognition in pools** - SAB had considered revisions to the trade union recognition rules. The final version is expected to be available on the SAB website shortly.
- Central Government updated the group on the following:
 - **MHCLG** – feedback was provided that the government speech at the May PLSA Conference had been well received. There had been a strong emphasis on the link between LGPS and paying members benefits, as well as infrastructure and housing. However, greater emphasis is needed to ensure that the Pools are able to secure attractive investment opportunities that meet their needs including risk appetite.
 - **Treasury** - An ongoing dialogue around housing is needed to address current issues including stamp duty. There was an outstanding action for HMRC to produce an action note and respond on this issue.
- National Frameworks (Nigel Keogh) attended and updated on the following:
 - The group was briefed on the progress being made with regards to GDPR, the Member Data Services Framework, the pensions scheme administration systems framework and the AVC provider review. The Group discussed the lack of interest in the AVC provision and the short-term risk if current custodians not in the pool pulled out. It was noted that a joint tender for the AVC service on behalf of all pools might be possible before next April.
 - Other updates covered the Global Custody Services Framework and the Stewardship Advisory Services Framework, particularly the ongoing due diligence of Minerva Analytics Ltd following its purchase of the business of Manifest and The Manifest voting Agency Ltd. The Group will be kept up to date with developments.

3.3 *Cross Pool Infrastructure Group (last meeting 26th April)*

- MHCLG gave a strong steer that reporting updates on infrastructure investments would be focussed on and that it was important to demonstrate progress.
- A representative from housing presented to the group.

3.3 *Cross Pool Responsible Investment Group (last meeting 2nd May)*

- A presentation was given by the Financial Reporting Council (FRC) covering:
 - What the FRC does and the expectation gap around its actual powers.

The Kingman Review - this is a positive as far as the FRC are concerned. They will be conducting an outreach programme and holding a public consultation.
 - Areas of focus for the future which includes the UK Stewardship Code, RI and ESG. They are expecting to have a new Stewardship Code by Spring 2019.
 - Corporate Governance Code - final code and guidance due to be published in July 2018.
- Each pool updated on recent developments.
- X-Pool RI Group Terms of Reference - After the brain storming at the last meeting a draft terms of reference had been put together. After comments and discussion they will undergo further consolidation. Nominations were put forward for the Chair of the group and Dawn Turner was appointed for the coming year.
- A presentation was made on infrastructure investing focusing on RI due diligence, asking the question as to whether investors would benefit from an industry standard template. There is a lack of consistency and no common method for considering RI when assessing new projects and managers. RI is as relevant to infrastructure as to other asset classes; RI issues can be financially material and could present reputational risk and challenges. It is underserved by both infrastructure fund managers and tool kits currently available. Direct infrastructure investment by the Pools is likely to increase but the current standard of RI due diligence is below par.

- A number of Funds had received FOI's on tobacco. Lothian had also had an FOI on an Israeli Bank.

3.4 *Cross Pool Tax Group*

No meetings have been held.

3.5 *Cross Pool Client Oversight Group (last meeting 24th May)*

- Neil Sellstrom (CIPFA) provided a briefing on CIPFA reporting Guidance.
- Discussion was had on the role of shareholder vs investor in pool companies.
- There was a reminder of the need to ensure constitution and any relevant policies are up to date for administering authorities to reflect pooling.
- Discussion was had on the Transparency Code as it applies to pools.

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.

5.0 Report Author:

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