



BCPP Joint Committee

Date of Meeting: 21st November 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, the Cross Pool Client Working 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 26th September)*

- LGA (Jeff Houston) updated the group on the following:
 - **CIPFA Pensions Panel** – the annual accounts guidance has been signed off, and will be released in October. There is an opportunity for a volunteer from the pools to sit on the Pensions Panel. Fiona Miller volunteered in the absence of any other offers.
 - **Transparency Code** – a successor to the IDWG is to be created, effective from October. New templates in various asset classes will be published in October and testing will commence. Testing will also take place on the user manual for listed assets template. 82 managers have now signed up to code. Compliance system to check information submitted will be coming into force.

- **Academies** – DfE is considering the proposals made by the SAB working group on funding arrangements for academies. Proposal is for single academies pool in each LGPS fund.
 - **GAD Section 13** – report will be released in the next couple of weeks. Funds that will be receiving a red or amber flag should know about it by now.
 - **Cost Sharing** – announcement of the outcome of the cost control mechanism – employer contributions across unfunded public sector schemes will increase in a range of 6-13%, and there will be a requirement for benefit improvements. Although LGPS rates set by Fund actuaries - cost sharing/cost cap does apply to LGPS, therefore would be seeing similar requirement for improved benefits. SAB cost sharing calculation results will be taken into account in the Treasury cost cap process. SAB Board meeting on 10th October.
 - **Scheme Valuations** – discussions underway to moving to 4-year valuations, as per GAD's recommendation. 2019 valuation will still be going ahead.
- Central Government updated the group on the following:
 - **MHCLG**
 - **Valuation change** – thinking about how to implement and there will be a consultation. MHCLG/LGA met with the actuarial advisers – useful session on the technical aspects. Hope to get out to consultation this financial year.
 - **Progress Report** – template updated to reflect CIPFA guidance, will be last of the 6 monthly updates will then move to annual updates from Pool annual reports. Pools and Funds confirmed that the financial information required in the template will be difficult to complete at this time.
 - **ISS** – updating for pooling - new guidance to be issued. Will be a consultation, but informal.
 - **FOI request** – for last progress reports – question comes from a journalist. All pools to feedback on what needs to be redacted, but if already publicly available versions they can be used. Fee savings will not be released.
 - **Cabinet Office**
 - **Fund Annual Reports** – keen to get some consistency on narrative in Fund annual reports – particularly around the narrative on costs which appear to be going up with pooling whilst supposed to be saving money.
 - **Contract management** – colleagues at Cabinet Office are leading at best practice in contract management, can arrange for contact. Agreed to include on the next Client working group and include pool companies in the invitation for the first section.

- National Frameworks (Nigel Keogh) attended and updated on the following:
 - Work is continuing with GDPR and contractors to ensure consistency.
 - Member Data Services Framework in process of getting contracts sorted and will launch shortly
 - Pensions Admin Software – initial meeting with Funds held, and will launch a survey to inform the next piece of work to do an engagement session with suppliers. Trying to ensure that key providers do engage. They will make sure that there are exit clauses in the contract provisions to assist in the transition when changing provider. Following conversations will make a decision later this year on whether to proceed.
 - Legal Services – 42 expressions of interest so far, including a couple of major city firms. Current framework expires 12th January 2019. Broadened range of investment areas. Will include corporate M&A. All lots will have direct award option.
 - Global Custody – won't be proceeding with a re-let at this time.
 - Founder AGM – 12th November.

3.3 *Cross Pool Infrastructure Group (last meeting 18th September)*

- MHCLG circulated the Autumn progress report, with the infrastructure question largely unchanged.
- Pools updated on latest progress.
- A discussion was had on the appetite for local infrastructure.
- Chairs of Pension Committees are to be invited to a MHCLG and SAB Infrastructure event on 15th November, to be held at the LGA's offices. This will include an introduction by, and the opportunity to ask questions of, the Local Government Minister Rishi Sunak.

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

- The LGA requested that representatives from this group assist the Fundamentals training being held in October, November and December.
- It was noted that the boycott on disinvestment contrary to UK foreign policy was overturned as DCLG won their appeal to put it back into the Investment Strategy Statement. Parties are considering appealing.

- The DWP consultation on Trustee ESG considerations and statements was discussed and thoughts shared. Views shared included that it was a missed opportunity to align to the LGPS regulations.
- A presentation was received on Auditors and accounting standards and the Kingman review discussed.
- Due diligence and stewardship considerations on infrastructure investments were discussed, following presentations as below:
 - A presentation was given by the GRESB, who are an investor driven organisation assessing the sustainability performance of real asset sector portfolios and assets, covering infrastructure due diligence and stewardship.
 - A presentation was given by Columbia Threadneedle, an asset manager, covering the benefits of an open-ended infrastructure vehicle and how to incorporate sustainability from a managers perspective.
- Each pool updated on recent developments.
- The draft Cross Pool RI Group Terms of Reference were discussed and approved, alongside a proposed forward plan.

3.4 *Cross Pool Tax Group*

No meetings have been held.

3.5 *Cross Pool Client Working Group (last meeting 26th September)*

- Terms for pooling were sent to central Government to assist with definitions.
- The MHCLG progress report was discussed, covering:
 - Who compiled the information and any approval routes.
 - Governance structures – further guidance expected.
 - Reporting – most won't be in a position to report on savings at this time.
 - Benchmarking – how funds and pools want to be benchmarked going forwards.
- Discussion was had on the product development pipelines across pools.

- Transition management was discussed, covering:
 - Whether it is done inside or outside the ACS.
 - Costs sharing - statutory guidance will be amended to clarify the ability to share all transition costs, some limited consultation should be expected.
 - Oversight of transitions and transition advisors.

- Pools provided updates, specifically covering client engagement resourcing.

- Fund resourcing – discussion was had around the time being spent on pooling within the Funds, and the potential impact on governance where not enough time was being committed at the right level.

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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