



BCPP Joint Committee

Date of Meeting: 11th March 2019

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. There have been no meetings of the Infrastructure Group or the Tax Group.
- 1.2 In general the number of meetings of national working groups, established when pooling was first being progressed, and the value from these meetings appears to be diminishing. Any significant items discussed at these meetings would generally be brought to the Joint Committee, as evidenced by the current MHCLG Consultation paper.

2.0 Recommendations:

- 2.1 The Joint Committee is asked to
- note this update report, and
 - consider whether to continue with this report going forward.

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 28th November)*

- LGA (Bob Holloway) updated the group on the following:
 - **Pooling Guidance**– second draft of guidance is with MHCLG. SAB have not seen the guidance. Statutory consultation will include SAB. Secretariat has written the guidance.
 - **Cost cap** – Board agreed a package that has gone to Minister
 - **Infrastructure Day** – feedback was positive
 - **Responsible Investor** – half the pools have not got a policy on RI
 - **Quadrennial valuation** – still being worked on, MHCLG working on a process to get the valuations aligned with other public sector. Transitional or interim valuation – guidance being worked up and but expect 2019 to go ahead.

- Central Government updated the group on the following:
 - **MHCLG** – Guidance for Funds has been drafted, discussing with lawyers and FCA to make sure all in line, hoping to get out by Christmas for consultation to finalise before end March: Consultation period – likely to be short, will need to ensure that it is a proper consultation.

Key headings:

 - Introduction/definitions i.e. pool company, pool governance.
 - structure- setting out requirement of pool assets, requirement to have an FCA regulated operator.
 - Guidance on regular review of services active vs passive. Over the long term, funds should be looking at what they are paying for active is the return being achieved over and above the cost of passive.
 - Governance – needs to be effective in holding the pool company to account, roles of Pension Fund Committees and Boards.
 - RI policy more details – funds need to take into account RI has costs if all have different policies.
 - Holding Pool to account – having proper guidance.
 - Transition and making new investments outside pool – guidance to Funds about how they participate. New investments outside the pool should only be made in limited circumstances.
 - Infrastructure Investments.
 - Reporting.

What's new – definitions, clarity on reporting requirement – focus on Fund's reporting and SAB reporting.

 - Passive Agenda – not mandated, but expected to justify the approach.

- Investments outside of pool – need to implement strategic decisions, default position should be through the pool, can make investments outside the pool where not available in the pool. Also different strategies for different employers.
 - If we want to have 1-2-1 conversation with MHCLG, then would be sensible to do so in the next 2 weeks.
 - Feedback on infrastructure event – nothing new, good to hear Minister; option to run housing event.
 - No more half-yearly updates, wants more data, some areas not giving enough information, possibly more bilateral information requests in the future but could be everyone.
- **HMT** – not in attendance, follow up on illiquid asset structures, e.g. property.
 - **Cabinet Office** – working group around reporting to meet again – guidance on annual CIPFA consultation, feedback to Neil Sellstrom at CIPFA; narrative piece – broad consensus on what might need to be covered, CIPFA were taking on board the need for examples. Contract management of pools.
 - National Frameworks (Nigel Keogh) attended and updated on the following:
 - AGM of founders' group 12/11/18 – headlines: 6 funds in first framework now 92 have used the frameworks, 32 funds have been founders on one or other.
 - 10 frameworks in operation, 65 service providers, 247 contracts awarded, estimated savings 103 years, cost savings £95m estimated. All frameworks are now GDPR compliant.
 - Transition Management – do we need to re-consider? To be discussed in the client group.
 - 3 frameworks due to expire in 2020: actuarial, TPA – monopoly provider, sold one part of the business (Aquila), not a good governance structure, essential to get Heyward's on framework, potential for additional costs as a result of TPR, key is getting Heyward's to play, need to sign up to common Ts&Cs.
 - Stewardship Advisory Services expires in 2020 – need to start work in May 2019.
 - Nigel Keogh leaving frameworks team, Nicola Mark expressed thanks, will be looking at ways to replace.

3.3 *Cross Pool Infrastructure Group*

No meetings have been held.

3.4 *Cross Pool Responsible Investment Group (last meeting 9th January)*

- The group voted a Chair for the group for the next 12 months. Dawn Turner from Brunel Pension Partnership Ltd was elected (a Vice-Chair will be selected at the next meeting of the group).
- Each pool updated the group on recent developments.
- A presentation was received from Pantheon, an asset manager, on Environmental, Social and Corporate Governance (ESG) issues and Impact Investing in Private Markets.
- The group discussed a number of other matters, including: LAPFF membership, class actions and litigation and Scheme Advisory Board RI guidance next steps.
- The LGA are going to overhaul their training this year to ensure that it meets MIFiDII requirements to allow funds to opt up.
- The forward plan for the group was discussed (including a full day training session on the Task Force on Climate-related Financial Disclosures (TCFD) and Reporting requirements).

3.5 *Cross Pool Tax Group*

No meetings have been held.

3.6 *Cross Pool Client Working Group (last meeting 28th November)*

- A presentation was received from the Cabinet Office on procurement and contract monitoring.
- Discussion was had on the contract management of pools.
- The MGCLG Consultation on update guidance was discussed.
- Pools provided updates, specifically covering client engagement resourcing.

4.0 **Conclusion:**

- 4.1 Work and engagement with different agencies continues on a range of matters to ensure the LGPS can secure best value and exercise its collaborative influence wherever appropriate. However, it is becoming apparent that the value from these national working groups is diminishing and

they are meeting less frequently. This is probably to be expected given that the pools become established and identify their own way forward.

4.2 The most significant issue discussed is the consultation and an updated position is covered elsewhere on the agenda.

4.3 Consequently, members of the Joint Committee are asked consider the need to continue with this report.

5.0 Report Author:

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