

Report Title:	LGPS Pooling
Contains Confidential or Exempt Information?	<i>NO - Part I</i>
Member reporting:	Cllr J Lenton
Meeting and Date:	Berkshire Pension Fund and Pension Fund Advisory Panels 15 May 2017
Responsible Officer(s):	Nick Greenwood Pension Fund Manager
Wards affected:	None

REPORT SUMMARY

1. This report includes a letter from Marcus Jones MP instructing the Berkshire Pension Fund to join the Local Pensions Partnership along with the Chairman's reply.
2. The Chairman, Vice Chairman of the Panel together with Cllr Law from West Berkshire and the Pension Fund Manager will meet representatives of the Local Pensions Partnership on 11th May and will give Panel a verbal report at this meeting.
3. This report seeks approval for the final terms and timings of the transfer of assets to the pool to be negotiated by the Pension Fund Manager in conjunction with the Chairman and Vice Chairman of the Panel.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Panel notes the report and:

- i) **Notes the instruction to join the Local Pensions Partnership issued by Marcus Jones MP.**
- ii) **Authorises Officers in conjunction with the Chairman and Vice Chairman of Panel to conclude discussions regarding terms and timings of any transfer of assets to the Local Pensions Partnership**
- iii) **Agrees that becoming a shareholder in the Local Pensions Partnership gives the Fund a role in the governance of the Local Pensions Partnership and provides resilience to the Fund across both investments and administration.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Attached at Annex 1 is a letter from Marcus Jones MP, Minister for Local Government outlining his requirement for the Berkshire Pension Fund to commit to joining the Local Pensions Partnership (“LPP”) and to confirm to him by the end of June. Members will note his desire for a meeting with both parties during June, however, the General Election has prevented such a meeting being arranged.
- 2.2 Attached at Annex 2 is the Chairman’s response to this letter.
- 2.3 The Chairman, Vice Chairman of the Panel together with Cllr Law from West Berkshire and the Pension Fund Manager will meet representatives of the Local Pensions Partnership on 11th May and will give Panel a verbal report at this meeting.
- 2.4 It is the opinion of the Chairman, Vice Chairman and Officers that pooling is inevitable and the best (but by no means optimal) solution is for Berkshire to become a shareholder in LPP to at least gain some role in the governance of LPP. Joining LPP will also offer resilience in both investments (reducing key man risk) and administration.
- 2.5 Panel are requested to note that Officers have yet to see any evidence that pooling will reduce costs for the Fund.

Table 1

Option	Comments
Do not pool	Not recommended as Berkshire has been instructed to pool
Become an investment client of LPP	Not recommended as this leaves Berkshire with no governance role in LPP
Become a shareholder in LPP	Recommended

3. KEY IMPLICATIONS

- 3.1 Success will be best measured by whether or not the Fund meets the Government’s requirement to have joined an investment pool and to have started pooling its investments by 1 April 2018.

Defined Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Pool investments	No pooling achieved	Pooling achieved	Pool some investment	n/a	1 April 2018

Defined Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
			s prior to 1 April 2018		

4. FINANCIAL DETAILS

Financial impact on the budget

4.1 There is no immediate impact on budgets.

5. LEGAL IMPLICATIONS

5.1 The Fund is required by DCLG to pool its investments with other LGPS funds.

A legal review of the documents required for the Fund (or RBWM as the administering authority of the Fund) to become a shareholder in or investment client of LPP or an investment client of the London CIV will be required.

6. VALUE FOR MONEY

6.1 By combining all the pension services managed by RBWM into LPP cost savings and efficiencies are expected ultimately to be achieved.

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

8. RISK MANAGEMENT

8.1

Risks	Uncontrolled Risk	Controls	Controlled Risk
Poor governance of pool	No clear governance structure in place leading to a lack of accountability	Agree appropriate governance structures	Clear accountability
No cost savings generated	Investment costs are not controlled	Pooling of investments should lead to better negotiating ability and lower fees	Investment costs are controlled

9. LINKS TO STRATEGIC OBJECTIVES

9.1 None

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 An Equality Impact Assessment will be required once approval to join LPP has been given by Panel.

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 Staff will be transferred to LPP or one of its subsidiaries. RBWM will need to appoint a Liaison Officer.

12. PROPERTY AND ASSETS

12.1 Assets (e.g. lease on Minster Court, computers and office equipment) may be transferred to LPP.

13. ANY OTHER IMPLICATIONS

13.1 The impact on stakeholders will be mixed. Members of the Fund will continue to deal with the Administration team in Maidenhead, however, there could well be significant implications for Employers as unless there is an improvement in investment returns to offset the higher investment management costs employers' contributions will ultimately rise.

14. CONSULTATION

14.1 Pension Fund Panel
Local Pensions Partnership

15. TIMETABLE FOR IMPLEMENTATION

15.1 DCLG require a commitment to join LPP by 30 June 2017 and investment pooling to be achieved by 1 April 2018.

16. APPENDICES

Annex 1 – Letter from Marcus Jones MP

Annex 2 - Response to DCLG

17. BACKGROUND INFORMATION

Local Government Pension Scheme: Investment Reform Criteria and Guidance
(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf)

LGPS Investment Pooling Update – Pension Fund Panel 11 April 2016

LGPS Investment Pooling – Local Pensions Partnership – Pension Fund Panel 6 June 2016

LGPS Investment Pooling – Local Pensions Partnership Update – Pension Fund Panel 11 July 2016

Local Pensions Partnership – Update – Pension Fund Panel 12 September 2016

LGPS Pooling Update – Pension Fund Panel 7 November 2016