

Report for: ACTION



<b>Contains Confidential or Exempt Information</b>	NO - Part I
<b>Title</b>	LGPS Investment Pooling – Local Pensions Partnership Update
<b>Responsible Officer(s)</b>	Nick Greenwood, Pension Fund Manager
<b>Contact officer, job title and phone number</b>	Nick Greenwood Pension Fund Manager 01628 796701
<b>Member reporting</b>	Cllr John Lenton
<b>For Consideration By</b>	Berkshire Pension Fund and Pension Fund Advisory Panels
<b>Date to be Considered</b>	11 July 2016
<b>Implementation Date if Not Called In</b>	N/A
<b>Affected Wards</b>	All

### REPORT SUMMARY

1. This report updates Members on the progress the Pension Fund has made on Pooling.

### If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Pooling of investments by LGPS funds is a government requirement.	1 April 2018
2. Becoming a shareholder in Local Pensions Partnership will provide other benefits including resilience for both the administration and finance teams, enhanced risk management and potential for cost savings across the whole pensions function.	31 March 2018

## 1. DETAILS OF RECOMMENDATIONS

### RECOMMENDATION: That Panel:

- i. notes the Stakeholder briefing note at Annex 2
- ii. considers whether it agrees that the Berkshire Pension Fund should pool its assets with Local Pensions Partnership Limited
- iii. considers whether if Panel agrees to pool the pension fund's assets with the Local Pensions Partnership Limited it requests the Royal Borough as the administering authority for the Berkshire Pension Fund to become a shareholder in Local Pensions Partnership Limited
- iv. agrees that if it agrees to pool assets with Local Pensions Partnership Limited that Berkshire should be become a party to the Local Pensions Partnership submission to the Department for Communities and Local Government at Annex 3.
- v. notes that a formal legal review of legal documentation in respect of any relationship with Local Pensions Partnership has not yet started.

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

At its meeting on June 6<sup>th</sup> Panel considered whether the Pension Fund should pool its assets with the Local Pensions Partnership Limited. Members requested that a more detailed briefing note be prepared which they could share with colleagues. This briefing note is attached at Annex 2 to this paper.

Panel agreed that the Letter of Intent at Annex 1 should be signed and this was forwarded to Local Pensions Partnership on June 7<sup>th</sup>. Panel authorised Officers to begin a formal legal review of the documents required for the Fund to participate in pooling with LPP and for The Royal Borough to become a shareholder in LPP. Members are requested to note that this review has not commenced as Officers are waiting for LPP to deliver "signing ready" documents prior to commencing a review in an attempt to keep legal costs to the lowest amount possible.

Option	Comments
Become a shareholder in Local Pensions Partnership	This appears to be the best option available for pooling albeit it appears that immediate cost savings will be negligible.
Become an investment client of Local Pensions Partnership	Not recommended even though this meets the Government's investment pooling directive a better outcome for stakeholders will be achieved by becoming a shareholder in LPP.
Join another investment pool	Not recommended – Cost savings would be limited; implementation of Berkshire's Investment Strategy difficult and Berkshire would have limited influence within a pool being a "latecomer to the party"
Do not join any investment pool	At the very least the Borough would incur the wrath of DCLG and adverse publicity

### 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.

<b>Defined Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date they should be delivered by</b>
Become a shareholder in LPP	No agreement reached	Agreement reached	Become a shareholder prior to 1 April 2018	n/a	1 April 2018

### 4. FINANCIAL DETAILS

#### **Financial impact on the budget**

4.1 There is no immediate impact on budgets, in the medium term (2018 onwards) cost savings will be generated.

### 5. LEGAL IMPLICATIONS

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

A legal review of the document required to become a shareholder in or investment client of LPP 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 to be achieved.

### 7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

### 8. RISK MANAGEMENT

8.1

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
Poor governance of pool	No clear governance structure in place leading to a lack of accountability	Agree appropriate governance structures	Clear accountability

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
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 is expected to be minimal

## **14. CONSULTATION**

14.1 Pension Fund Panel  
Local Pensions Partnership

## **15. TIMETABLE FOR IMPLEMENTATION**

15.1 To show the stages and deadlines for implementing the recommendations

<b>Date</b>	<b>Details</b>
7 June 2016	Issue Letter of Intent (if approved)
7 June 2016	Commence Legal Review (if approved)

## **16. APPENDICES**

**Annex 1 – Letter of Intent**  
**Annex 2 – Stakeholder Briefing**

**Annex 3 – LPP response to the Department for Communities and Local Government.**

**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](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

## **Annex 1**

### **Letter of Intent**

Dear Susan,

In light of ongoing discussions between Local Pensions Partnership Ltd (LPP) and The Royal Borough of Windsor & Maidenhead (“RBWM”) acting as the administering authority of The Royal County of Berkshire Pension Fund (Berkshire Pension Fund), this letter of intent establishes the foundations of these discussions. A Mutual Non-Disclosure Agreement is already in place.

RBWM is considering how it should meet the Government’s directive that Local Government Pension Scheme Funds in England & Wales should pool their investment assets. As such as the administering authority for the Berkshire Pension Fund it is considering the various routes available in which to participate in the LPP Group. This could be as a shareholder in LPP Ltd, which brings with it the benefits of ownership and participation in the full range of pension fund services provided by LPP, or alternatively as an investor/customer of LPP Investments Ltd. The investor/customer route would involve a delegation of investment management services only. Both of the options above require RBWM to remain responsible for the strategic direction of the Berkshire Pension Fund, with the implementation of the strategies being carried by the LPP Group under suitably agreed legal documentation.

By signing this letter of intent both LPP and RBWM agree to collaborate to achieve a successful pooling outcome. This will include the further sharing of information, negotiation of legal agreements and working in a manner which is constructive to the development of the partnership. It also confirms that RBWM’s pooling activities on behalf of the Berkshire Pension Fund will be solely focused on an interaction with the LPP Group.

In line with the agreed Mutual Non-Disclosure Agreement it should be highlighted that any intellectual property of either LPP or RBWM, that is shared, should only be used for the purposes of working collaboratively and with an aim to further the pooling initiatives discussed in this letter of intent. Should the pooling arrangement not come to fruition then both LPP and RBWM will be required to return shared documents and information to their respective partners, including any intellectual property.

Once RBWM have agreed to proceed at a political level, following the Berkshire Pension Fund Panel meeting on 6th June 2016, the following actions will be carried out:

- Appointment of legal advisors by LPP and RBWM to review and amend the relevant partnership legal documentation.
- Agreement of the Sovereignty Guarantee by RBWM
- Development of an implementation plan for the relevant partnering method selected
- Development of a transition plan for pension fund assets

The above activities may involve joint expenditure. A specific implementation budget and division of implementation costs will be agreed between the parties on a fair basis. However, for clarity, neither RBWM nor the Berkshire Pension Fund will be liable for any costs incurred to date in the establishment of LPP, nor will additional regulatory capital be required.

Signed On behalf of RBWM

Nick Greenwood

Pension Fund Manager

Signed on behalf of LPP

Susan Martin

Chief Executive Officer