

North Yorkshire County Council

Pension Board

14 July 2016

LGPS Pooling - Update

1.0 Purpose of the Report

To provide the Pension Board with an update on LGPS pooling arrangements.

2.0 Background

On 15 January 2016 PFC Members agreed in principle that NYPF would join BCPP, and that the Council would be a signatory to the "Initial Proposal to Pool LGPS Assets" sent to Government by the BCPP on 19 February 2016. In response, each BCPP Fund received a letter from Marcus Jones MP which described broad support for this initial proposal and the expectation that a more detailed proposal would follow. The deadline for this second proposal is 15 July 2016.

3.0 Development of the Pool

To remind the Pension Board, the 13 Funds in the BCPP are:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- Northumberland Pension Fund
- South Yorkshire Pension Fund
- South Yorkshire Passenger Transport Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

Although there are 13 BCPP Funds, the Member Steering Group will comprise 12 Funds, the South Yorkshire Passenger Transport Fund having decided to be represented through the South Yorkshire Pension Fund. This arrangement will be replicated in the Supervisory Body, once the pooling entity has been established. Since 19 February 2016 officers have been working on a more detailed proposal. This has included the commissioning and consideration of legal advice from Squire Patton Boggs on the options for creating a pooling entity, and financial advice from Deloitte on the costs associated with these options.

Government has set out its expectations of the content of the detailed proposals, which are to include information on:

1. The size of the pool; assets to be held outside the pool; the legal structure of the pool; how the pool will operate; the timetable for establishing the pool.
2. Governance structure of the pool and arrangements between it and the administering authorities; how the administering authorities will hold the pool to account; the decision making process for investments; shared objectives and policies; resources required to operate the pool; benchmarking and performance reporting.

3. Historic and forecast investment cost comparisons, assessment of implementation and transition costs, an assessment of net of fees performance.
4. Current capacity to invest in infrastructure, plans to increase this capacity, ambition to increase this further.

4.0 Recent Activity

There have been three meetings of BCPP pensions committee Chairs where an update was provided by officers. In addition:

1. on 15 April 2016 representatives from HM Treasury, DCLG and the LGA were in attendance, to advise and answer questions
2. on 6 June 2016 the update included a review of the main points included in the draft proposal and the key messages officers intended to relay to Government in advance of the deadline
3. on 24 June 2016 the Chairs went through the draft detailed proposal and recommended it for approval by the individual pensions committees of the BCPP

Cllr John Weighell attended the meeting on 15 April 2016, Cllr Roger Harrison-Topham attended the meetings on 6 June and 24 June 2016.

On 7 June 2016 officers met with representatives of HM Treasury, DCLG, GAD and the Cabinet Office to discuss the main issues described in the detailed proposal. The meeting comprised a presentation by officers, the aim being to gauge the attendees' reaction to it, to assess whether a change in approach may be required. Although there were a few questions and comments, there were no aspects of the proposal that appeared to raise concerns.

Although DCLG initially stated that proposals were required from the Pool and also from each individual Fund within it, on 8 June 2016 they wrote to the Chair of each pensions committee stating that proposals were only required from each Pool. Government issued a template for each Pool to complete, rather than allow freeform responses as was permitted when responding to the 19 February 2016 deadline. This is to facilitate comparisons between the responses from each of the Pools.

The draft proposal was circulated to the Pension Fund Committee and the Pension Board on 22 June 2016 once it had been finalised; the latest version is attached as **Appendix 1**. The submission includes the Memorandum of Understanding (MoU), which was approved by the PFC at the meeting on 19 May 2016. The MoU described the roles the officers of each Fund will play in developing pooling arrangements, and the role Members will play in directing officers and making decisions at key points.

Members were asked to approve this proposal in the PFC meeting on 7 July 2016. Following approval of from the 13 Funds of the BCPP pool, the final document will be submitted to the Government on 15 July 2016.

5.0 Recommendation

That the content of the July submission be noted.

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Background Documents: None