

NORTH YORKSHIRE COUNCIL

PENSION FUND COMMITTEE

15 SEPTEMBER 2023

LGPS POOLING CONSULTATION

Report of the Treasurer

1. PURPOSE OF REPORT

- 1.1. To present the draft response to the consultation *Local Government Pension scheme (England and Wales): next steps on investments* and ask Members for their comments.

2. INTRODUCTION

- 2.1. In 2015 the Ministry of Housing, Communities & Local Government (MHCLG, now the Department for Levelling Up Housing and Communities, DLUHC) published the criteria the Local Government Pension Scheme (LGPS) should meet when developing proposals for pooling assets in the *Local Government Pension Scheme: investment reform criteria and guidance*.
- 2.2. Over the next few years investment pooling arrangements got underway across eight organisations, including Border to Coast.
- 2.3. In 2019 MHCLG decided it was time for new guidance to support further progress, given the experience until then. A consultation *Local Government Pension Scheme: statutory guidance on asset pooling* was published. However, the new guidance never emerged and the reasons for this are unknown.
- 2.4. Over the last few years, it has been clear that there would be another consultation, and on 11 July 2023 *Local Government Pension Scheme (England and Wales): next steps on investments* was published. The deadline for responses is 2 October 2023. The document, which has been circulated to Committee members, is available in [the consultations section on DLUHC's website](#).
- 2.5. The first part of the consultation document suggests that DLUHC is frustrated with the extent of investment pooling progress, describing the wide range in the size of pooled assets (paragraph 10). Border to Coast is the top of this range. This frustration would therefore appear to be aimed elsewhere. Although the Secretary of State has powers to intervene, as described in the in the LGPS (Management and Investment of Funds) Regulations 2016, the decision has been made to address this issue through regulatory changes rather than take a more targeted approach.

3. INVESTMENT POOLING CONSULTATION

- 3.1. The consultation document seeks views on proposals in five areas.
- 3.2. The first talks about the next phase of pooling assets, through consolidation of pooling arrangements, acceleration of asset transfers to pool organisations and other related areas such as governance, training and reporting. For some LGPS funds this will have significant implications, given that they have not pooled any assets at all. However, Border to Coast is the largest of the 8 pools, with all partner funds including East Riding having transferred most of their assets, and there are plans to transfer more over the coming years.
- 3.3. The second and third relate to the Government's policy objectives on levelling up and investing in the UK economy. Border to Coast has well developed plans to launch their UK Opportunities fund in April 2024 which will address these objectives. This fund was discussed when the members of the Committee visited Border to Coast's offices on 30 June 2023.
- 3.4. The fourth relates to the use of consultants by LGPS funds. In 2019 the Competition and Markets Authority made the Investment Consultancy and Fiduciary Management Market Investigation Order. This was intended to ensure consultants are reprocured sufficiently frequently to ensure value for money, and that they have appropriate objectives. A change to the guidance is required to make the Order applicable to LGPS funds. North Yorkshire has been complying with the Order since it came into effect.
- 3.5. The fifth is a minor definition change to facilitate the second and third proposals in the consultation.

4. DRAFT RESPONSE TO THE CONSULTATION

- 4.1. The eleven partner funds in Border to Coast have been working on a Border to Coast response that can be used as a template for each individual partner fund. It has been clear from the discussions that there is broad consensus on how to respond, but that there will be some differences between partner funds. For example, the consultation talks about the treatment of passively managed assets, and North Yorkshire does not have any.
- 4.2. The Border to Coast response has been tailored for North Yorkshire's circumstances. The Fund's draft response is attached as **Appendix 1**.
- 4.3. The draft response has been circulated to Pension Board members for comments.

5. RECOMMENDATIONS

- 5.1. Members to comment on the draft response to the consultation *Local Government Pension scheme (England and Wales): next steps on investments*.

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