

NORTH YORKSHIRE COUNCIL

PENSION BOARD

26 OCTOBER 2023

INVESTMENT POOLING CONSULTATION

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To update Pension Board members on the response of the North Yorkshire Pension Fund to the Government's consultation, *Local Government Pension Scheme (England and Wales): next steps on investments*.

2.0 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 commenced 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 the consultation *Local Government Pension Scheme (England and Wales): next steps on investments* was published. The deadline for responses was 2 October 2023. The document is available in [the consultations section on DLUHC's website](#). It was circulated to Pension Board members shortly after its publication date.
- 2.5 The first part of the consultation document suggested that DLUHC was 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 may 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.

3.0 INVESTMENT POOLING CONSULTATION

- 3.1 The consultation document sought views on proposals in five areas.
- 3.2 The first talked 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 could 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 North Yorkshire having transferred most of their assets, and there are plans to transfer more over the coming years.
- 3.3 The second and third related 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 Pension Fund Committee visited Border to Coast's offices on 30 June 2023.
- 3.4 The fourth related 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 was a minor definition change to facilitate the second and third proposals in the consultation.
- 3.6 The eleven partner funds in Border to Coast worked on a Border to Coast Joint Committee response. This was used as a template for each individual partner fund. It has been clear from the discussions that there was broad consensus on how to respond, but that there are some differences in partner fund circumstances. For example, the consultation talks about the treatment of passively managed assets, which some partner funds have, but North Yorkshire does not.
- 3.7 The Border to Coast Joint Committee response was tailored for North Yorkshire's circumstances. The Fund's response is attached as **Appendix 1**. It incorporates comments from the Pension Board and Pension Fund Committee and was returned to DLUHC on 2 October 2023.

4.0 RECOMMENDATION

- 4.1 Pension Board members to note the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
18 October 2023