

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	
MEETING DATE:	<b>30 JUNE 2016</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>LGPS Pooling of Investments - Update</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report:  Exempt Appendix 1 – Draft Brunel Pension Partnership Proposal Exempt Appendix 2 - Annexes 1 - 12 to Proposal		

## **1 THE ISSUE**

- 1.1 In 2015 the government announced that the assets of the LGPS funds would be pooled to reduce costs and increase the capacity across the LGPS to invest in infrastructure.
- 1.2 The initial proposals from each pool were submitted to DCLG/HMT for 19 February 2016. The deadline for submitting the next proposal to government is 15 July 2016
- 1.3 Avon Pension Fund is participating in Project Brunel, renamed as the Brunel Pension Partnership (BPP). Since the February proposal, BPP has been developing the proposal for submission in July.
- 1.4 The draft July proposal is attached in Exempt Appendix 1. It will be explained in detail at the meeting.
- 1.5 At the time of publishing these papers the Shadow Oversight Board had not met to approve the draft proposal for recommendation to Committees. The proposal to be approved by committee (if different from Appendix 1) will be circulated prior to the meeting on 30 June.

## **2 RECOMMENDATION**

### **That the Committee**

- 2.1 **Approves the joint submission from the Brunel Pension Partnership, including the Avon Pension Fund, to DCLG**
- 2.2 **Authorises Officers to continue to work with the other funds in BPP on the business case reporting back to this Committee in due course**
- 2.3 **Delegates approval of any minor changes (consistency and typos) to the Chair of the Committee and Head of Pension Fund**
- 2.4 **Notes establishing a Local Authority Company with the other Brunel Pension Partnership funds will be subject to Council approval at a future date**
- 2.5 **Notes the full business case is to be finalised by October 2016.**

### **3 FINANCIAL IMPLICATIONS**

- 3.1 There is provision in the 2016-17 budget for the work up until July proposal. Spending is in line with the budget.
- 3.2 Estimated implementation costs are included in the proposal as well as other costs and savings. The budget will be reviewed at the September meeting.

### **4 FEEDBACK FROM DCLG ON INITIAL PROPOSAL**

- 4.1 The DCLG letter confirmed that the proposal in February met the criteria but stated that the entity established to implement the investment strategies within the pool is required to be authorised and regulated by the Financial Conduct Authority (FCA).
- 4.2 The government has confirmed in writing that it no longer requires each LGPS fund to submit its own proposal; the draft proposal attached as Appendix 1 will be submitted by the pool.

### **5 ENGAGEMENT WITH COMMITTEE**

- 5.1 In order to ensure full engagement with the local funds, the Joint Committee Oversight Board is operating in shadow form and is overseeing the work of the Shadow Operations Group which comprises the Investment Managers/Heads of Pensions from each of the participating funds.
- 5.2 There have been two informal meetings since March to update the Committee on progress. The first in April focussed on the governance arrangements and project plan for delivering the final proposal in July. The meeting on 27 May updated the Committee on the Shadow Oversight Board meetings and how the project plan was progressing. There was a presentation updating the progress of the 6 work-streams within the project plan.

### **6 KEY POINTS OF JULY PROPOSAL**

- 6.1 The deadline for this submission to government is 15 July 2016.
- 6.2 This proposal sets out the business model and governance structure. The full business case will be developed between July and October for approval.
- 6.3 The template for the submission was put together by the LGA in conjunction with DCLG and HMT. It sets out the issues that need to be addressed by each pool namely:
  - a) Funds and assets to be within the pool
  - b) Governance structure of the pool – to fulfil the requirement from the DCLG that an entity regulated by the FCA is established, it is proposed to set up a Local Authority Company with other BPP funds in which Bath & North East Somerset Council (as administering authority) would be a shareholder
  - c) The business model, including shared principles, accountability, decision making and reporting
  - d) The timetable for establishing the pool and an estimate of savings over the next 15 years
  - e) The ambition of the pool to increase investment in infrastructure. This can only be stated in terms of an

ambition i.e. creating the capacity and capability to invest; it will remain up to local funds to determine their asset allocation.

- 6.4 The new company, owned by the administering authorities within BPP, will be subject to the approval of Council (or those delegated by Council to make the decision) at a future date.
- 6.5 The proposal has been considered by both the Shadow Oversight Board and the Section 151 Officers within BPP prior to presenting to the pension committees. The project's legal and financial advisors have also given input to the response to ensure it accurately reflects the advice given.
- 6.6 The proposal is attached as exempt Appendix 1. This is the key document for members. The Annex (Exempt Appendix 2) contains supporting documentation included in the Template response; there is a lot of information in these Annexes and is only included in this report pack for completeness. Officers will discuss the proposal in detail at the meeting. *Please note: Annex 11 Transition Costs Analysis is a desk top exercise to estimate transition costs; it is not the actual transition plan for the pool.*

## **7 DEVELOPMENT OF BUSINESS CASE (POST JULY)**

- 7.1 Planning for Stage 3a – Full business case (to October 2016) and 3b – implementation to 1 April 2018 has already commenced. The Shadow Operations Group has identified the work and advice required and developed the work streams. The project is being supported by the Chief Financial Officers and Monitoring Officers to ensure the business case is robust and the decision making process meets the internal requirements of each fund.
- 7.2 Informal meetings to update committee members will be arranged as necessary. There may be opportunities for combined sessions with other funds.
- 7.3 The business case will be presented to committee for approval later in 2016 for recommendation to Council (to seek Council approval for setting up the FCA Company).

## **8 RISK MANAGEMENT**

- 8.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

## **9 EQUALITIES**

- 9.1 An equalities impact assessment is not necessary.

## **10 CONSULTATION**

- 10.1 N/a

## **11 ISSUES TO CONSIDER IN REACHING THE DECISION**

- 11.1 Set out in the report.

## **12 ADVICE SOUGHT**

12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	