

Report of the Section 151 Officer

Local Pension Board – 5 September 2017

WALES PENSION PARTNERSHIP INVESTMENT POOLING - AN UPDATE

Purpose:	To update Local Pension Board on the progress of the All Wales Investment Pool now known as The Wales Pension Partnership
Consultation:	Legal, and Finance
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Access to Services Officer:	N/A

FOR INFORMATION

1 Background

- 1.1 In the July Budget 2015, the Chancellor announced the Government's intention to work with Local Government Pension Scheme (the Scheme) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. Authorities are now invited to submit proposals for pooling which the Government will assess against the criteria in this document. The Chancellor has announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which are able to invest in infrastructure and drive local growth.
- 1.2 In December 2015, the Government issued its criteria and guidance for what it expected to see addressed in its received proposals from LGPS funds in respect of their pooling proposals. This was considered by pension fund committee at its Dec 2015 meeting.
- 1.3 Following extensive work by the SWT Pensions Sub Group and their appointed advisors, Hymans Robertson, a joint submission has been formulated in respect of the 8 Welsh Pension Funds. The Pension Fund Committee Deputy Chairman has been involved at 2 Chairs meeting to agree the same and the Pension Fund Committee received a formal presentation of the final submission on the 4th July 2016.

2 Submission in respect of the 8 Welsh Pension Funds

- 2.1 The submission in respect of the 8 Welsh Pension Funds to create a Wales Investment Pool was approved by Pension Fund Committee on the 4th July 2016.
- 2.2 The Pool will not be a merger of the eight funds. Each fund will retain its distinct identity and the administering authorities will remain responsible for complying with the LGPS regulations and pensions legislation in respect of their members. Annual Statements of Accounts and triennial Actuarial valuations will still be prepared for each individual pension fund and each fund will determine its own funding strategy. The Pool will have a limited remit and its objectives, as set out in the submission document, will be:
 - To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
 - To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
 - To put in place robust governance arrangements to oversee the Pool's activities.
 - To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments

3 Interim Governance and Procurement Progress

- 3.1 The Wales Investment Pool proposal includes the establishment of a Joint Governance Committee comprising elected members from each administering authority, supported by an Officer Working Group. It is also proposed to appoint a Financial Conduct Authority (FCA) regulated Operator to supply the necessary infrastructure for establishing a pooling vehicle and to manage the Pool on behalf of the eight funds.
- 3.2 Following extensive work by the Authorities, a legally binding Inter-Authority Agreement (incorporating the Terms of Reference for the Joint Committee), the specification of the services to be provided by the Operator and the role of the Officer Working Group has now been signed by all 8 funds. Consideration is also being given to the needs of the Pool for specialist legal and investment advice.
- 3.3 The Joint Governance Committee had its first formal meeting on June 29th 2017. The remit of the JCG is set out in the IAA. The JCG will oversee the procurement process for the Operator and the formal Joint Committee will make the final recommendation to appoint the bidder who best meets the specification criteria.
- 3.4 The Investment Practitioners Group and OWG have been working in consultation with Hymans Robertson and the appointed legal advisors Burges Salmon in formulating and finalising the procurement process and

documentation. The final Invitation to tender (ITT) was issued in June 2017. The OWG shall make the recommendation to appoint an operator to the JCG in September 2017. This decision shall then be approved by each Pension Fund Committee in September 2017.

- 3.5 An updated timetable and progress update produced by the Wales Pension Partnership's Advisors, Hymans Robertson is attached at Appendix 1.

4 Legal Implications

- 4.1 The current legislative framework for the pension fund investments carried out by Administering Authorities is set by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The law governing pensions is a complex and specialist area. National Government guidance indicates that the pooling of LGPS assets is permissible under current law.

The Inter-Authority Agreement has been approved and signed by all 8 Local Authorities.

The Pension Fund Committee Terms of Reference and Scheme of Delegation sets out the Committees responsibility for the strategic governance of the Pension Fund.

5 Financial Implications

- 5.1 Financial implications are indicated within the submission

6 Equality Impact Assessment Implications

- 6.1 There are no equality implications arising from this report

Background Papers: None.

Appendices: Appendix 1 - An updated timetable and progress update produced by the Wales Pension Partnership's Advisors, Hymans Robertson.