

Asset Pooling - Report to the Hertfordshire Pension Board from an open session of the LGPS Advisory Board, 27 March 2018

On your behalf I attended the above open session, hosted by the Local Government Association (LGA), for the chairmen of Pension Boards and Pensions Committees.

The Scheme Advisory Board exists to assist LGA member-councils with LGPS issues.

The open session was to exchange information about what the various Asset Pools are doing, including their governance arrangements. A comprehensive presentation was circulated to delegates, which can be viewed at:

[LGPS Scheme Advisory Board-Cross Pool Open Forum-Main Slide Pack](#)

Brief summary of the presentations from the various Pools:

ACCESS (A collaboration of Central Eastern and Southern shires, namely **Hertfordshire**, Norfolk, Suffolk, Cambs, Essex, Kent, East Sussex, West Sussex, Hants, IoW, Northants)
3000 employers, 900,000 members

One of the *only two* Pools to be 'renting' an operator rather than setting up its own. This allows the ACCESS Pool Joint Committee to remain "councillor-based" maintaining democratic accountability and fiduciary responsibility. The Joint Committee can meet without the complication of being set up as a company, and makes it more transparent as to how (say) Herts can move its (say) Overseas Equities Passive investments into and out of the investment houses designated for such investments. Each participating Fund has one vote but, to date, all decisions have been by consensus. ACCESS will collaborate with other Pools where useful.

Border-to-Coast (Cumbria, Beds, Tyne&Wear, Northumberland, S Yorks, N Yorks, Warwickshire, Durham, Lincs, Teesside)

Border To Coast Ltd expects to have regulatory approval, staff, processes and infrastructure ready to start accepting assets by July 2018, but continuing over 2019 and 2020. Philosophy is "right, not fast". They aim to act as a collegiate transparent partnership. (I was to hear much more in similar vein over the morning.)

Brunel (i.e. West Country: Cornwall, Devon, Glos, Environment Agency, Dorset, Oxon, Somerset, Wilts and two others whose logos I couldn't decipher)

The authorities are shareholders (with one vote each) in the operating company, and they must be unanimous for governance decisions or 80% majority for minor decisions. There is strict separation of functions between Fund policy-making and investment management. The operating company has 33 staff in place in an office "culturally designed for openness and collaboration". The staff are in gender equality and are one-third LGPS and two-thirds new to the field.

Central (West Midlands: Cheshire, Worcs, West Midlands, Derbyshire, Leics, Notts, Staffs, Salop, total funds £40billion)

APPENDIX A

Central's governance is based on a Client/Shareholder Forum wherein the Pensions Committees and Boards collectively instruct the LGPS Central operating company. They promote Responsible Investment. Passive investments are expected to have transitioned by April 2018, and Active Equities by Autumn 2018. They are willing to collaborate with other Pools, especially regarding Infrastructure investment.

London CIV (This is a natural grouping of the 33 London Boroughs [not including the Greater London Authority (GLA)], and they came together voluntarily.)

The LCIV Board is the regulated entity and includes the 33 Leaders and Pensions Committee chairs. The individual Boroughs have SLAs and client relationships with LCIV, with individual pooling-progress timeframe agreements with LCIV.

LPP (GLA, Lancs, and soon Berks. This oddball grouping may be explained in that the Lancs and the Berks Pension Boards share the same chairman!)

These three disparate authorities took especial care over the board structure of the operator Local Pensions Partnership Investments Ltd.

As an asset pool manager, LPPI Ltd acts to negotiate better terms with investment managers, while allowing individual authorities to invest how they will. Thus, one authority might be the only one to opt for Liability Hedging, which LPPI must buy for them, but through LPPI's choice of manager.

Incidentally, LPP is of course well-known to us as our chosen provider of out-sourced pension-administration services.

Northern (Merseyside, Greater Manchester, West Yorks)

For geographical reasons, these three authorities share many strategic objectives, and are quadrupling their investment in infrastructure, notably windfarms, railway rolling stock, and new housing. All aspects of the Pool's investment activity are overseen by a nine-person Joint Committee (2 members from each authority plus 3 Trade Union reps). Their focus is performance, cost transparency, benchmarking and co-ordination of responsible investment activity.

Wales (another natural grouping – the eight Welsh LGPS authorities)

And finally – the only other Pool to have decided, like Hertfordshire, to rent an operator rather than build their own. After a wide-ranging procurement exercise, Wales appointed Link Asset Services (who hold the appropriate FCA authorisation). LAS act as depositary and custodian of the assets, issue reports, and contract with fund managers. An adviser (Russell Investments) provides LAS with investment advice, fund-manager research and portfolio-construction advice.

The eight authorities issue their individual investment instructions to LAS, but also participate in a Joint Governance Committee, which oversees an officer-level working group which is the reporting link to/from LAS. The officer group is hosted by Carmarthenshire CC, where the secretariat and client-side team for the Wales Pool also sit.

Peter Neville