

LGPS POOLING OF INVESTMENTS

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendations:

- (a) that the Committee endorses the joint submission from the Brunel Pension Partnership, including the Devon Pension Fund;**
- (b) that the Committee formally recommends the Council to agree, in principle, to the establishment of a Local Authority Company with the other Brunel founder funds, in which Devon County Council will own 10% of the shares.**
- (c) that, consequently, the County Treasurer be authorised to continue negotiating as necessary with other Fund Members on the detail of the proposition and, in consultation with the Chairman of the Investment & Pension Fund Committee, to agree the terms of any final agreement, reporting back to this Committee in the normal manner;**
- (d) that the County Solicitor be authorised to execute all necessary legal documents or formal agreements required to be agreed by the Council to give effect to the proposals concluded in line with the above.**

1. Introduction

- 1.1. Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, significant work has been undertaken to set up the Brunel Pension Partnership comprising ten LGPS Funds.
- 1.2. The Government required an initial response by 19th February 2016, and a joint submission with the other nine Brunel funds was agreed by the Committee at its special meeting on 2 February. A further more detailed response is required by 15th July 2016.
- 1.3. Members of the Investment and Pension Fund Committee received a presentation on the Brunel proposal and were given the opportunity to ask questions and provide input at the training/briefing event held on 27th May, also attended by members from Cornwall, Dorset and Somerset.
- 1.4. The original Government requirement for the July submission was that it should include both a joint submission from the pool and also an individual submission from each LGPS fund. However the Government has changed its requirement such that only the joint submission from the pool is now required. The Committee is therefore asked to approve the joint submission from the Brunel Pension Partnership, which will be forwarded separately.

2. Key Points

- 2.1 A template for the submission has been put together by the Local Government Association in conjunction with the Department of Communities and Local Government and HM Treasury. The requirement is that the following issues should be addressed through the completion of the template:
- The LGPS Funds participating in the pool.
 - The governance structure of the pool. Feedback from the Secretary of State made it clear that the pool structure needs to be an entity regulated by the Financial Conduct Authority. To fulfil this requirement it is proposed to set up a company in which Devon County Council would be a shareholder. This will need Council approval.
 - The business model, including shared principles, accountability, decision making and reporting.
 - The timetable for establishing the pool and moving assets into the pool.
 - A detailed estimate of current investment costs, transition and implementation costs for the pool, and an estimate of savings over the next 15 years.
 - The ambition of the pool to increase investment in infrastructure. This can only be stated in terms of an ambition, it will remain up to the individual funds to determine their asset allocation.
- 2.2 A joint submission outlining the response to these issues is being prepared in consultation with other Brunel Fund authorities and will be circulated to Members under cover of a separate report as soon as it is available.

3. Conclusion

- 3.1 The Committee will be asked to approve the joint submission of the Brunel Pension Partnership and to recommend the County Council to approve in principle the establishment of a Local Authority Company with the other Brunel founder funds, in which Devon County Council will own 10% of the shares (i.e. each participating LGPS fund will own an equal share).

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Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

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