

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

TEESSIDE PENSION BOARD REPORT

26 APRIL 2016

CHIEF FINANCE OFFICER - PAUL SLOCOMBE

LGPS INVESTMENTS REFORM – UPDATE

1. PURPOSE OF THE REPORT

- 1.1 To give an update to Members about the report that went to the special panel meeting held 9th February 2016. To inform Members about the initial proposal submitted to Central Government and to show a presentation on how the pool meets the criteria and its proposed interaction with the Fund.

2. RECOMMENDATIONS

- 2.1 That Members note the report, proposal and presentation and pass any comment.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications are that there will be a cost of transitioning the assets to the collective investment vehicle, and the management expenses for the Fund will change after the assets are transferred and managed by this new vehicle.

4. BACKGROUND

- 4.1 In his speech on the Comprehensive Spending Review on 25th November 2015, the Chancellor announced the release of the awaited consultation on pooling. Paragraph 1.138 states:

“The government will today publish guidance for pooling Local Government Pension Scheme Fund assets into up to 6 British Wealth Funds, containing at least £25 billion of Scheme assets each. The government is now inviting administering authorities to come forward with their proposals for new pooled structures in line with the guidance to significantly reduce costs while maintaining overall investment performance, with the wider ambition of matching the infrastructure investment levels of the top global pension funds”.

- 4.2 Also on 25 November 2015, the Department for Communities and Local Government (DCLG) published the Investment Reform Criteria and Guidance (<https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>).

4.3 In summary, the DCLG's criteria are:

- Asset pools achieve the benefits of scale – Pools should be £25 billion as a minimum.
- Strong governance and decision making – Pools need to be capable of managing investments and risk on behalf of Funds.
- Reduced cost and excellent value for money, i.e. saving must be made across the LGPS.
- Improved capacity to invest in infrastructure – This is implied with the pools having greater scale than single Funds.

4.4 A report was presented to the Teesside Pension Fund & Investment Panel meeting held on 9 February 2016 and Members agreed to partner with the Borders to Coast Pension Partnership (BCPP) pool. It was also agreed at that meeting that the Teesside Fund would submit the BCPP initial proposal (Appendix C) to the DCLG, which was done on 19 February 2016.

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