

Report To:	Pension Fund Management/Advisory Panel
Date:	18 November 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Paddy Dowdall, Assistant Executive Director of Pensions – Local Investments and Property.
Subject:	LGPS POOLING AND INFRASTRUCTURE INVESTMENT
Report Summary	This report provides an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area
Recommendations:	The Panel is recommended to consider and comment on the developments which have taken place since the July Panel meeting.
Policy Implications:	None.
Financial Implications: (Authorised by the Section 151 Officer)	The aim of pooling of assets is to improve net investment returns in the long term. GMPF is working with other like-minded funds to make pooled investments which facilitate this aim.
Legal Implications: (Authorised by the Solicitor to the Fund)	The revised LGPS Investment Regulations have recently been issued. The revisions are in part designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments and deliver Government ambitions in respect of less costly public sector pensions.
Risk Management:	The Fund has been seeking legal advice where required on its pooling options.
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.
Background Papers:	For further information please contact Paddy Dowdall, Assistant Executive Director – Property and Local Investments, tel 0161 301 7140, email paddy.dowdall@tameside.gov.uk .

1 INTRODUCTION

- 1.1 The Chancellor announced in the summer 2015 budget that he would be seeking proposals for LGPS funds to pool their assets in order to create improvements in the following four areas:
- (i) Scale
 - (ii) Value for money
 - (iii) Governance
 - (iv) Facilitating infrastructure investment
- 1.2 As reported at previous Panel meetings, GMPF, Merseyside Pension Fund ('MPF') and West Yorkshire Pension Fund ('WYPF'), have developed a pooling proposal and made a submission to Government in July setting out the operation of the 'Northern Pool'.
- 1.3 There are currently 8 proposed pools, which are made up as follows:
- Northern Pool
 - London CIV (the 33 London Boroughs) – this has already been established
 - South West Funds + Environment Agency ("Project Brunel")
 - 'ACCESS' (Most of the South East County Council funds)
 - Midlands
 - 'Border to Coast' (The remaining northern funds + a small number of others)
 - Wales
 - LPFA/Lancashire ('the Local Pensions Partnership – LPP') + Berkshire
- 1.4 Government has previously stated that it was looking for around 6 pools, each of at least £25 billion. The Wales and LPFA/Lancashire/Berkshire pools do not currently meet the Government's scale criteria. However, it appears that the Welsh pool has been granted an exemption from the scale criteria.
- 1.5 The Northern Pool has links with the LPP pool via GMPF's joint infrastructure vehicle with LPFA ('GLIL'). The intention is for the Northern Pool to work alongside LPP on infrastructure investment going forwards.
- 1.6 This report provides an update on activity since the September Panel meeting and the next steps in developing the pool.

2. LGPS POOLING NATIONAL DEVELOPMENTS

- 2.1 At the time of preparing this report, no formal response has been provided to pools from Government on their July submissions. However, the DCLG Minister Marcus Jones MP has arranged meetings with pools to respond to their proposals and to set out his expectations for the rest of the programme. The Northern Pool's meeting is due to take place next week.
- 2.2 The Autumn Statement, due to be delivered on 23 November, may also provide some indications of the Government's direction of travel, particularly with regard to the desire for further UK infrastructure investment by the LGPS.
- 2.3 The new LGPS Investment Regulations came into force on 1 November. The Regulations dispense with the current explicit limits on specified types of investment and, instead, charge administering authorities with determining the appropriate mix of investments for their Funds. This will allow funds to transfer the bulk of their assets into the pools, once created.

- 2.4 The Regulations also provide a power of intervention for the Secretary of State, should the Secretary of State believe an administering authority is not paying due regard to the guidance on preparing an Investment Strategy Statement which has been issued alongside the Regulations. Amongst other things, this guidance sets out the Government's expectation of funds in respect of investing via the pools. This Guidance can be accessed via the link below:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf

3 NORTHERN POOL UPDATE

- 3.1 Pending formal feedback from Government on the Northern Pool's submission, the funds are focussing on developing closer working relationships, particularly with regards to investments in alternative assets.
- 3.2 Due diligence is progressing on GMPF's pooling partners joining the GLIL infrastructure vehicle. Work is also underway to increase the alignment of private equity strategies across the funds in the Northern Pool. This will help the funds to make collective investments in private equity funds in future which can help improve cost effectiveness.

4 NATIONAL INFRASTRUCTURE UPDATE

- 4.1 GMPF continues to participate in the cross pool working group on infrastructure on behalf of Northern Pool. The Northern Pool and LPP are further ahead with development of capability and capacity to invest in infrastructure and have made it a higher priority than the other pools.
- 4.2 The Northern Pool and LPP are leading in terms of setting definitions for what a national approach to infrastructure investment on behalf of all pools should look like.
- 4.3 GMPF is also putting forward the benefits of a GLIL style approach to direct infrastructure investment to other LGPS funds and is preparing a range of alternative structures to build on GLIL where other pools could participate with differing levels of governance according to their own internal capability, capacity and preference.

5 GLIL UPDATE

- 5.1 A presentation will be made at the meeting to update on progress. Recent achievements include
- Expansion of overall committed capital
 - A £45m investment into railway rolling stock
 - Development of investment procedures for debt investment

6 RECOMMENDATION

- 6.1 To note the report.