



City of Westminster

Pension Board

Date: 29 January 2019

Classification: General Release

Title: Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance on asset pooling in the Local Government Pension Scheme consultation

Wards Affected: All

Policy Context: Effective control over Council Activities

Financial Summary: There are no immediate financial implications arising from this report.

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1. EXECUTIVE SUMMARY

- 1.1 The MHCLG has been preparing new statutory guidance on LGPS asset pooling. This guidance will set out the requirements on administering authorities, replacing previous guidance, and builds on previous ministerial communications and guidance on investment strategies.
- 1.2 They are now inviting views on the draft guidance and the consultation process will close on 28 March 2019.

2. RECOMMENDATIONS

- 2.1 The Pension Board is recommended to note the draft guidance on pooling and express any desired feedback for the consultation process.

3 MHCLG DRAFT GUIDANCE

- 3.1 A summary of the key points are as follows:
- 3.2 Pool members must appoint a pool company to implement their investment strategies, including the selection, appointment and dismissal of managers.

- 3.3 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account.
- 3.4 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period. However, some existing investments may be retained by pool members on a temporary basis if the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so.
- 3.5 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and implement revised strategies 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.
- 3.6 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area.
- 3.7 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance Preparing the Annual Report, with effect from the 2018-19 annual report.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: MHCLG draft guidance on pooling