

15 March 2016**Agenda Item:6****REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT &
IMPROVEMENT****ASSET POOLING AND CONSULTATION ON REVISED INVESTMENT
REGULATIONS****Purpose of the Report**

1. To inform members of the Fund's initial response to the government's request for proposals on asset pooling and consultation on changes to investment regulations.

Information and Advice

2. In the July Budget 2015, the Government announced its intention to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. In November 2015, the Department for Communities and Local Government (DCLG) published *Local Government Pension Scheme: Investment Reform Criteria and Guidance* alongside a consultation on revised LGPS Investment regulations.
3. Authorities were asked to submit their initial proposals on asset pooling to the Government by 19 February 2016. Refined and completed submissions are expected by 15 July 2016. The government will continue to engage with authorities as they develop their proposals for pooling assets, highlighting areas that may fall outside of the criteria or where additional evidence may be required.
4. The consultation on the investment regulations recognised that the existing regulations place restrictions on certain investments that may constrain authorities considering how best to pool their assets. It therefore proposed to move to a prudential approach to securing a diversified investment strategy that appropriately takes account of risk. In so doing, the government proposed to introduce a power to allow the Secretary of State to intervene to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance. Responses were sought to eight specific questions.
5. As members will be aware, the Nottinghamshire fund is involved in creating a Midlands based pool, to be known as "LGPS Central", with 8 other confirmed participants. The total value of the pool is around £35 billion and so easily meets the government's criteria on size.
6. The pool has developed a joint submission for use by participating funds in responding to the government's initial deadline. As the initial submission only required funds to show 'a commitment to pooling and a description of their progress towards formalising their

arrangements with other authorities' it was proposed to use this as the Nottinghamshire submission. This was discussed at the Pensions Sub-Committee meeting on 4 February 2016.

7. Given the timescale, the response to both documents issued by DCLG was finalised in conjunction with the Chairman and Vice-Chairman following comments made by members of the Pensions Sub-Committee. The final response was submitted on 15 February 2016 and is shown at Appendix A.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the report be noted.

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For any enquiries about this report please contact: Simon Cunningham

Constitutional Comments

9. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (SRC 29/02/16)

10. There are no direct financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- DCLG: Local Government Pension Scheme: Investment Reform Criteria and Guidance
- DCLG Consultation: Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009