

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) LOCAL AUTHORITY CONFERENCE 2018****Purpose of the Report**

1. To report on the PLSA Local Authority Conference 2018.

Information

2. The PLSA Conference 2018 was held on 21st to 23rd May 2018 in Gloucestershire. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills the conference was attended by Councillor Francis Purdue-Horan and Keith Palframan (Group Manager, Financial Strategy & Compliance). The theme for this year's conference was LGPS: Leading, Growing, Changing.
3. ***Chair's Welcome and Introduction***
Richard Butler, Chair, PLSA welcomed everyone to the conference and highlighted the challenges facing the LGPS including pooling, data rules, increasing number of employers, cost transparency and the resource requirements for funds and pools.
4. ***View from Government***
Rishi Sunak MP, Minister for Local Government, introduced himself to the conference and discussed his previous experience as an Investment Manager. He acknowledged the large start-up costs funds are experiencing with the introduction of pooling, but felt this was a price worth paying. He said one of his key objectives was making a success of pooling, and in this area he did not feel there would be any benefit in making further changes to the pools until they had delivered the expected savings. He also highlighted the expectation that pooling would enable funds to increase their investment in infrastructure. He wants to see concerted action to improve data quality although he acknowledged this was ultimately down to employers.
5. ***Ensuring Value for Money in Investment Management Fees***
Tim Giles, Aon, Jeff Houston, LGA and Andrien Myers, Lambeth BC gave their views on the increased calls for disclosure of management fees following the launch of the Code of Transparency. An Institutional Disclosure Working Group (IDWG) has been created by the FCA and is working to encourage fund managers to sign up to the Code of Transparency. To date 65 managers covering £164bn of LGPS assets have signed up. Pools are encouraged to sign up to the code, with 2 having signed up to date.

6. **Concurrent Sessions**

A number of concurrent sessions were delivered:

- a) Data & Governance – Solving the data challenge: The key to a better future
Sean Collins, Oxfordshire; Catherine McFadyen, Hymans Robertson
Sean shared his experiences of the data challenges faced by his fund, like many others, in recent years and the engagement he has made with the Pensions' Regulator to tackle the challenges. Catherine provided an overview of how technology can be used to help improve the data handling and processing challenges.
- b) Investment – How investing together today helps create a better tomorrow
Matt Christensen, AXA; Dawn Turner, Brunel
Biggest challenge is to “make the case”. Select the right partner/model, manage the transition risk and make implementation work. The 5 C's of success? Collaboration, consensus building, compromise, common purpose/interest, and communication with full understanding amongst all parties.
- c) New Horizons – Should local authority schemes share more services?
Nigel Keogh, National LGPS Framework; Neil Mason, Surrey
Interesting ESG related discussion from an asset owner and asset manager perspective which highlighted the importance of Sustainable Development Goals, and how they should be considered as part of strategic and stock selection decisions.

7. **Economic Scenario for the UK**

Karen Ward, JP Morgan

Karen was very positive that there would be a 'good' Brexit and that this would lead to a lift in sterling and lower inflation leading to more capital investment and less pressure on public finances. However she highlighted the longer term problems facing the UK due to an aging population and reduced migrant numbers which are likely to lead to big tax hikes and higher retirement ages. She said this should lead pension fund investors to look at emerging markets with higher returns and that cash should start to generate a return as interest rates rise.

8. **Concurrent Sessions**

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- a) Data & Governance – The sum of our parts – 2017 scheme annual report
Teresa Clay, MHCLG; Cllr Roger Philips, SAB
Roger covered the 5th annual LGPS report available on the SAB website and highlighted a neutral cash flow position and low admin costs as evidence of the good work of funds. Teresa said although costs per member were low there should be scope for admin related savings due to joining up of admin and investment policies, improved data quality and more shared services.
- b) Investment – Accountability in the LGPS investment pools
Chris Hitchen, Border to Coast; Abigail Leech, Lancashire
Ongoing communication between funds and polls is key and fund performance should not be the only measure of pools success.
- c) New Horizons – Investing in social real estate
Hugo James and James Murray, Alpha Real Capital; Chris Rule LPP

Social real estate can offer a win win of improved housing provision and CPI linked investment returns.

9. ***The Three R's – Resourcing, Recruitment and Retention***

Yunus Gaira, West Yorkshire; Philip Latham, Clwyd; Clare Scott, Lothian

Funds face ongoing and increasing difficulties in recruiting and retaining suitable staff, with pools also looking to recruit staff with LGPS experience.

10. ***Using Change as the Catalyst to Grow Stronger***

Steve Bull, former Team GB and England Cricket Psychologist

Practical guidance on empowering staff and teams to perform their best in highly pressurised situations.

11. ***Getting Governance Right***

Lesley Titcomb, The Pensions Regulator

Going forward TPR will be 'clearer, quicker and tougher'. They have reinforced staffing and are embedding a new regulatory culture having sought stronger powers. Lesley highlighted that LGPS funds invest less than private sector funds in back-office and data quality.

12. ***Cost Caps and the Government Actuary's Department***

Martin Clarke, GAD; Denise Le Gal, Brunel

A complex presentation looking at 2 cost cap mechanisms. These are notional calculations only for the purpose of setting LGPS benefit and contribution structures. Actual employer rates are determined via local fund valuations.

13. ***Understanding the Council Funding Revolution***

David Phillips, Institute for Fiscal Studies

A sobering presentation on the state of local government funding. Funding cuts in place for 8/9 years with core spending power reduced by 28%, or higher if allowing for population growth. Cuts bigger in more deprived areas due to greater dependence on grants. More cuts to come – increases to protected areas like health mean bigger cuts on local government. Upper tier councils finding it tougher – 80% now drawing on reserves and 10% may run out by 2021. David suggested trade-offs and solutions will be required. Squeeze suppliers, higher fees and charges, cut services, pay freezes, shift pension costs to employees, more money from Government, and integrate health and adult social care.

14. ***UK Current Affairs Overview***

Cathy Newman, journalist and Channel 4 broadcaster, shared her views on current political affairs.

Other Options Considered

15. To not send any delegates to the event but this would mean the Committee missing out on a valuable opportunity to share best practice and utilise valuable networking opportunities.

Reason for Recommendation

16. To allow Committee Members to receive feedback on the conference.

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 1) That Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Report author:

Keith Palframan

Group Manager – Financial Strategy & Compliance

For any enquiries about this report please contact: Keith Palframan

Constitutional Comments (SLB 09/07/2018)

18. Nottinghamshire Pension Fund Committee is the appropriate body to consider the content of this report. If Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

Financial Comments (KRP 22/06/2018)

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

Background Papers

None