

LGPS ASSET POOLING

Government agenda

- Asset pool(s) that achieve the benefits of scale (£25 billion)
- Strong governance and decision making
 - Inc. RI, ESG and stewardship
- Reduced costs and excellent value for money
- An improved capacity to invest in infrastructure

Administering Authority

PC or other
decision
makers

Chief
Finance
Officer

Other
Officers

Multiple Administering Authorities

Administering
Authority

Administering
Authority

Administering
Authority

Oversight
Committee

Possible sub-
groups

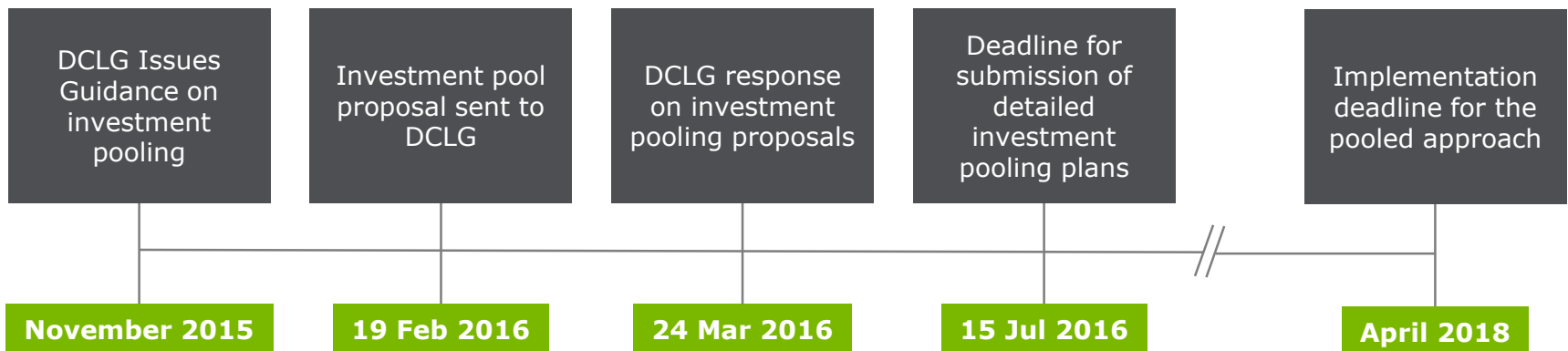
Operator

Asset Groups

Fund Managers

Investment implications

- › Everything is changing!
- › Or is, in reality, nothing really changing?
 - Pension Committee still sets investment strategy
 - Investment strategy still implemented through 'arms length' investment manager(s) relationship(s)
 - Still need to monitor the implementation and delivery of investment strategy
- › The relationship between the Pension Committee and the investment vehicle(s) and therefore the governance arrangements will be impacted though
 - And in different ways over different timescales



Medium term

Transitioning the assets and establishing effective monitoring and reporting

- › Government requires all assets to be pooled over the very long term
 - And a substantial amount by April 2020
- › How will your investment pool achieve this?
 - On a cost effective basis
 - With proper regard for, and management of, the risks involved
 - Whilst being able to deliver your (and the other Pension Committees') investment strategy
- › Once assets begin to be pooled how will ongoing monitoring work?
 - What reporting will you (and should you) receive?
 - What level of information and client servicing do you expect?
 - And what can the investment pool reasonably be expected to deliver?



Long term

Monitoring and influencing (and the ultimate sanction!)

- › Ongoing monitoring will still be required
- › Long term delivery of the investment strategy objectives will still matter
- › The Pension Committee should be satisfied that the Administering Authority has an effective means of influencing the pool (unlikely to be able to direct the pool)
- › Each Administering Authority will need to have their own version of 'Article 50'



What will change



What about officers and committees

- › Need to Review internal governance arrangements
- › Ensure Oversight committee meets best practice governance
- › Ensure operators meet best practice governance



Internal governance arrangements



Summary

- › Lot's of things to do and think about
- › Principles remain the same
- › Different focus for officers and committees

