

Report to: **Pension Board**

Date: **26 June 2017**

By: **Chief Operating Officer**

Title of report: **Officer report - General Update**

Purpose of report: **To provide a general update to the Pension Board on matters related to the Board activity.**

RECOMMENDATIONS – The Board is recommended to consider and note the update.

1. Introduction

1.1 This report provides an update on matters relating to the Pension Board and Committee activities.

2. Local Government Pension Scheme pooling and Funds Collaboration - ACCESS Pool - progress update

2.1. Investment manager selection and sub-fund design - In light of both financial services and public procurement regulations, there is a risk that agreements concluded between the Operator and sub-fund Investment Managers could be regarded as "public contracts", within the scope of the public procurement rules, if the ACCESS Funds control the Operator's selection of those Managers. This principle applies to both the rationalisation of the Investment Managers that are already engaged by the individual ACCESS Funds, and the appointment of new Investment Managers at a later stage.

2.2 Joint Committee representation on Operator Board - While the idea of a seat on the board of directors of the Operator and holding shares in the Operator seems initially attractive, both situations come with practical issues that require a large amount of consideration. The protections provided to the ACCESS funds under the FCA rules and as provided in the Operator Agreement should provide the necessary oversight of the Operator by the ACCESS funds.

2.3 Operator procurement update - Progress with procurement and the contract term is now "a period of 5 years with an option to extend for a further period(s) of up to 2 years." The procurement sub-group came to the conclusion that switching to a built / owned operator in a shorter timescale was unrealistic and there is a risk that the option to do so could result in less competitive bps pricing because bidders would price to recoup set up costs over a shorter period. This update has been shared with the Pension Committee Chair.

3. LGPS Code of Transparency - the Code

3.1 The Local Government Pension Scheme (LGPS) Advisory Board views the move toward investment cost transparency and consistency as an important factor in the LGPS being perceived as a value-led and innovative pension scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

3.2 The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities. An Investment Manager may sign up to the Code in writing in the form agreed by the Board. By doing so the Investment Manager is demonstrating its commitment to the transparent reporting of LGPS investment costs and fees to administering authorities.

3.3 The Board agrees that when an Investment Manager signs up to the Code in the agreed form it will, as soon as reasonably practicable, list the Investment Manager on its website and allow the Investment Manager to use the Code's logo on its marketing literature in accordance with the Code Logo Use and Guidance,



3.4 An Investment Manager will be permitted to use the Code logo on a non-exclusive basis to communicate their compliance with the Code. The Code logo will convey to stakeholders that the Investment Manager is compliant with the Code and committed to the transparent reporting of LGPS investment costs and fees.

4. Pension Board Agenda – August 2017

4.1 The draft agenda for the August 2017 Pension Board meeting include the following-

- Key member and employer communications
- Governance Compliance Statement
- Statement of investment principles
- Review on the investment strategy and Manager benchmarking
- Investment/Admin Consultant Performance
- Review on fee arrangements.

5. Conclusion and reasons for recommendations

5.1 The Board is recommended to note the general update regarding the Pension Fund activities.

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