

MEETING	PENSIONS COMMITTEE
DATE	10 NOVEMBER 2016
TITLE	INVESTMENT POOLING
PURPOSE	To inform the committee of the work to date
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1. INTRODUCTION

This report provides members with an update on the Investment Pooling collaboration in Wales.

Members are aware that the 8 LGPS funds in Wales have submitted a proposal to UK Government to enable them to pool their £13bn of investments. The aim is to reduce investment management costs and through joint governance arrangements share knowledge and best practice which will assist with managing investment risks with the aim of improving fund returns.

2. PRESS RELEASE

The project will be releasing a press release in the near future with an update on the joint progress based on the following information.

The LGPS funds within Wales wish to appoint a third party FCA regulated Operator to establish and run a range of collective investment vehicles (CIVs) to allow the pooling of their pension fund assets.

The primary objectives behind this initiative are to achieve savings on investment management costs through economies of scale and also to provide access for funds to a wider range of potential investment opportunities.

Asset allocation decisions (the amounts invested in equities, bonds, property and other asset types) will differ between funds and will remain the responsibility of each individual LGPS fund participating in the Welsh pool.

The CIV will provide a range of sub-funds that will be the building blocks enabling individual funds to implement their investment strategy. The Operator will be responsible for contracting with investment managers – this is a regulatory requirement – and putting in place the necessary depositary, custody and asset servicing arrangements for the CIV(s).

The detailed specification of the services required will be informed by engagement with potential suppliers who have expressed interest following the Public Information Notice which is a precursor to a tender process.

It is anticipated that the formal tender will be issued before the end of 2016, with a final decision likely on the preferred supplier(s) by Spring 2017. This will be a new appointment since the regulated LGPS investment pool and CIVs will be new arrangements for the Welsh LGPS funds.

The estimated value of assets to be included within the Wales Pool is in the region of £13bn. Initially some of these assets may remain outside of the new collective investment vehicles.

The aim is for the Wales LGPS CIV to be operational in 2017, ahead of the government proposals for the creation of LGPS investment pools by April 2018.

The LGPS funds in Wales are encouraged by amount of interest from potential suppliers in response to the Public Information Notice.”

3. RECOMMENDATION

Members are requested to note the information provided and the progress achieved to date.