

LGPS Pooling of Investments

<i>Lead Officer:</i>	Kevin Nacey: Director of Finance and Performance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 asweet@somerset.gov.uk
<i>Cabinet Member:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 Under guidance published by the Government on “LGPS: Investment Reform Criteria and Guidance” in November 2015 we are required to work towards the pooling of the Fund’s investment assets with other LGPS funds with pooling beginning in April 2018.
- 1.2 For the purposes of pooling SCC has aligned itself with 9 other funds in South West England and is working with those funds to create an FCA regulated investment Company, Brunel Pension Partnership Ltd. (BPP).

2. Issues for consideration

- 2.1 The report is for information only unless the committee deems that action is necessary having reviewed the report.

3. Introduction

- 3.1 All of the legal requirements for the formation of Brunel Pension Partnership Ltd. were completed and the company was formed in July with SCC Pension Fund owning a 10th equal share of the company. The formal governance arrangements embedded within the legal documents have also begun with first meetings of the oversight board and the client group having already taken place.

4. Recruitment of BPP Ltd board

4.1 All of the positions on the board have been filled as follows:

Non-executive directors

Denise Le Gal (Chair)
Mike Clark
Frederique Pierre-Pierre
Steve Tyson (Shareholder NED)

Executive directors

Dawn Turner (Chief Executive officer)
Laura Chappell (Chief Compliance and Risk Officer)
Mark Mansley (Chief Investment Officer)
Joe Webster (Chief Operations Officer)

With respect to the executive directors Dawn and Mark were recruited from positions within Brunel Funds and Laura and Joe recruited externally. Joe is still working his notice with his previous employer but the other three executives are now working full time for BPP.

4.2 The process for the filling of the remaining officer roles within BPP is underway.

5. BPP Operational set up

5.1 BPP are making rapid progress with their operational set up, such as IT arrangements and set up of offices in Bristol. It is expected that they will be able to start using their offices in early October.

6. Appointment of investment administrator

6.1 Each LGPS Fund employs a custodian bank to safeguard its investment assets and process transactions. The Somerset Fund currently uses JP Morgan as their custodian bank. Going forward BPP Ltd. will need to appoint a custodian, however, the nature of the business they will be undertaking and the requirement for FCA regulation will mean that the role will be wider than our custodian's current role. As a result, the role is defined by the FCA as an "administrator" rather than a custodian, as it encompasses other tasks beyond the custodian role.

6.2 The procurement process is complete subject to the signing of a contract and the work required to set up the contract operationally is underway

7. Consultations undertaken

- 7.1 Both the Pensions Committee and the Pensions Board have been consulted regularly as part of the project process of reaching this point
- 7.2 An overview briefing on the project was provided to the Fund's Employers meeting in September 2016.
- 7.3 The Full Somerset County Council meeting received a paper on the pooling at its meeting on 30th November 2016.

8. Financial Implications

- 8.1 It is anticipated that the Brunel Pensions Partnership will allow the fund to make significant saving over time with the Somerset County Council Pension Fund estimated to make savings of £27.8m in the period to 2036 after costs. A significant portion of the likely costs are front loaded and it is anticipated that the Somerset Fund will breakeven in 2024.
- 8.2 By definition these are forecasts and there are significant risk to their timing and delivery. They are based on a core set of assumptions and actual savings could be significantly greater or smaller over time.

9. Background Papers

- 9.1 None

Note For sight of individual background papers please contact the report author.