

## LGPS Pooling of Investments

<i>Lead Officer:</i>	Jason Vaughan: Director of Finance
<i>Author:</i>	Anton Sweet: Funds and Investments Manager
<i>Contact Details:</i>	(01823) 359584 <a href="mailto:asweet@somerset.gov.uk">asweet@somerset.gov.uk</a>
<i>Executive Portfolio Holder:</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 Committee is asked to advise the s151 officer to approve a commitment of £60m to the Brunel Private Equity cycle beginning 1<sup>st</sup> April 2022.
- 2.2 The remainder of the report is for information only unless the committee deems that action is necessary having reviewed the report.

### 3. Progress in transition of assets to Brunel

- 3.1 £507.8m of passive equity assets were transferred from management by the internal team to Brunel (sub-managed by LGIM) on 11<sup>th</sup> July 2018.
- 3.2 £436.5m of active UK equity assets were transferred from management by Aberdeen Standard Investments to Brunel (sub-managed by Baillie Gifford and Investec) on 21<sup>st</sup> November 2018.
- 3.3 £83.7m of emerging market equity were transferred from management by Amundi to Brunel (sub-managed by Genesis Investment Management, Wellington and Investec) on the 9<sup>th</sup> October 2019.
- 3.4 £268.7m of equity assets were transferred from a number of legacy mandates

to the Brunel Global High Alpha fund. (sub-managed by Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London Asset Management) on the 18<sup>th</sup> November 2019.

- 3.5 £151.0m of equity assets were transferred from a number of legacy mandates to the Brunel Global Smaller Companies fund (sub-managed by Montanaro Asset Management, American Century and Kempen Capital Management) on the 17<sup>th</sup> September 2020.
- 3.6 As agreed by Committee at the December 2019 meeting the Fund has committed £50m to the private equity cycle starting 1<sup>st</sup> April 2020. A significant portion of that £50m has now been committed by Brunel to underlying PE funds and just over £7m has been drawn.
- 3.7 Officially the transition of the £206.9m property portfolio from LaSalle to Brunel took place on 2<sup>nd</sup> November, however unlike the equity portfolios the transfer process of property unit trusts is a slow process, this is now completed.
- 3.8 £437m of fixed income assets were transferred from Aberdeen Standard Investments to four Brunel portfolios during May, June and July 2021.
- 3.9 The next cycle of commitments to private markets portfolios is being sought by Brunel for investment from 1<sup>st</sup> April 2022. As part of the allocations decided on at the June 2018 committee meeting there is an intention to allocate 5% of the total fund to Private Equity in the long-term. Based on the current overall size of the fund and the frequency of commitment windows from Brunel a commitment of £60m is suggested by officers as being consistent with this long-term strategic allocation. Due to the illiquid nature of private markets allocations Committee are requested to formally approve this allocation.

#### **4. Consultations undertaken**

- 4.1 Both the Pensions Committee and the Pensions Board have been consulted regularly as part of the project process of reaching this point. This now includes consultation with Committee and Board whenever SCC utilises its shareholder voting powers in relation to Brunel.
- 4.2 An overview briefing on the project was provided to the Fund's Employers meeting in September 2016.
- 4.3 The Full Somerset County Council meeting received a paper on the pooling at its meeting on 30<sup>th</sup> November 2016.

#### **5. Financial Implications**

- 5.1 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.

- 5.2 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. An annual review of savings is included in the Fund's annual report.

## **7. Background Papers**

- 7.1 None

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