



## Pension Fund Committee

2 November 2023

<b>Title</b>	<b>Pooling Update</b>
<b>Date of meeting</b>	2 November 2023
<b>Report of</b>	Executive Director of Strategy & Resources (S151 Officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix – Barnet’s Consultation Response
<b>Officer Contact Details</b>	David Spreckley, Head of Pensions and Treasury – 020 8359 6264 – <a href="mailto:david.spreckley@barnet.gov.uk">david.spreckley@barnet.gov.uk</a>

### Summary

This report provides an update on pooling, namely the Government’s Pooling Consultation (together with Barnet’s response) and awareness of a new investment fund developed with London Collective Investment Vehicle (CIV) considered further within the Investment Strategy paper.

A more comprehensive pooling update was provided at the 4 July 2023 Pension Fund Committee meeting.

### Recommendations

1. That the Pension Fund Committee notes the importance of pooling and the update provided by Officers.
2. That the Pension Fund Committee note Barnet’s Consultation Response as set out in Appendix 1.

## 1. Reasons for the Recommendations

1.1 This report updates the Pension Fund Committee on two developments relating to pooling since the 4 July 2023 Pooling paper was considered:

- **Pooling Consultation:** Shortly after the 4 July 2023 meeting (11 July) the government issued a consultation on LGPS Investments (including pooling). A summary of this consultation and Barnet's response is described within paragraphs 1.3 to 1.7 below.
- **Buy and Maintain Fund:** In order to further stabilise the Pension Fund's surplus position, Barnet officers have worked with London CIV and our advisors to develop a Buy and Maintain Bond Fund (A proposal to move into this fund, once FCA Authorisation has been completed and Hymans have prepared their suitability report, is set out in the Investment Strategy Paper)

1.2 A comprehensive, more general, Pooling Update was provided at the 4 July 2023 meeting, details of this can be found within the following [link](#).

### Pooling Consultation

1.3 On 11 July 2023 the Government released an important consultation about Local Government Pension Scheme (LGPS) investment. This consultation is likely to steer how both the (centralised) pooling and local agendas evolve for the LGPS over the next decade or so. The consultation covered:

- Pooling
- Local Investment
- Investment towards Private Equity

1.4 The full consultation can be viewed here: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](#)

1.5 The consultation was open for 12-weeks and closed on 2 October 2023. Barnet Council responded to this consultation. Details of our draft response was shared with the Committee for comment on 25 September 2023.

1.6 The key themes underpinning our response were as follows:

#### key principles:

- We believe sustainable outperformance (relative to market) can be achieved through scale and also through looking at emerging smaller opportunities.
- The constituent we owe our primary Fiduciary Duty to is the people of Barnet.
- There is a "levelling up" dividend which may flow through in the immediate area where levelling up investment is made.

**Our six recommendations were:**

1. Regulations modified to encourage greater collaborations between the Pools and Funds so the big opportunities and best assets can be accessed – we think this will increase the overall level of pooled assets.
2. The ability to allow for a ‘Levelling Up’ dividend in decision making where Local Taxpayers and / or employers benefit from the investment collaterally – we think this will increase and accelerate investment towards Levelling Up initiatives.
3. Encourage investment in smaller Private opportunities as well as large – Funds are adept in discovering high value Private Assets locally. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall.
4. Made explicit that Funds can rely on the Pools’ due diligence – this will reduce our overall governance expense and help us build a closer relationship with our Pool. We would further recommend that Pool’s obtain their own independent due diligence.
5. Government commission a review on the potential for concentration risk from greater consolidation to fewer Fund managers - with greater concentration comes potential risk, we think this needs to be properly explored and understood as it may inform the extent of ultimate pooling
6. That the governance burden is supported by investment in centralised reporting tools (which could be co-ordinated by a Pool) – this will transform governance within Funds and allow clearer comparison between funds

1.7 Our final response is included as Appendix 1.

**Buy and Maintain Fund**

- 1.8. Barnet officers have had extensive discussions with Hyman and LCIV about how we could further stabilise our Funding Position. The result of this discussion is that LCIV have developed a fund known as a “buy and maintain” Bond fund.
- 1.9. The objective of this fund is for the investment manager to pick good quality (investment grade) long-term bond assets with a view to holding them for the longer term (say 10 years or more), only selling if there are credit concerns. In this way we would be able to lock in investment returns over a longer period.
- 1.10. We are pleased with how London CIV listened to our needs and showed flexibility and expedience in developing a new product that met our requirements. Several other London Boroughs will also make commitments to the this new Fund.

<p><b>2. Alternative Options Considered and Not Recommended</b></p>
<p>2.1 Not applicable in the context of this report.</p>
<p><b>3. Post Decision Implementation</b></p>
<p>3.1 None</p>
<p><b>4. Corporate Priorities, Performance and Other Considerations</b></p>
<p><b>Corporate Plan</b></p> <p>4.1 The Local Pension Board supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund. Awareness of changes to LGPS investment legislation and regulations is therefore essential for the Board.</p> <p><b>Corporate Performance / Outcome Measures</b></p> <p>4.2 Not applicable in the context of this report.</p> <p><b>Sustainability</b></p> <p>4.3 Not applicable in the context of this report.</p> <p><b>Corporate Parenting</b></p> <p>4.4 Not applicable in the context of this report.</p> <p><b>Risk Management</b></p> <p>4.5 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.</p> <p>4.6 The regulatory framework around LGPS investment is key to overall risk management.</p> <p><b>Insight</b></p> <p>4.7 Not applicable in the context of this report.</p> <p><b>Social Value</b></p> <p>4.8 Not applicable in the context of this report.</p>
<p><b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b></p>
<p>5.1 Effective investment management is key to the sustainability of the Pension Fund.</p>
<p><b>6. Legal Implications and Constitution References</b></p>
<p>6.1 Government Guidance around the pooling requirements is linked in the body of this report.</p>
<p>6.2 The Council’s Constitution – Part 2B section 15 includes within the responsibilities of the Pension Fund Committee.</p>

6.3 The terms of reference for the committee includes: “To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following: To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.

## **7. Consultation**

7.1 Not applicable in the context of this report.

## **8. Equalities and Diversity**

8.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

8.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The [Public Sector Equality Duty](#) requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **9. Background Papers**

9.1 Pension Fund Committee – Pooling Update – 4 July 2023 - A more comprehensive update on pooling was provided at the 4 July 2023 Pension Fund Committee meeting (papers linked [here](#))