

To Whom It May Concern

12 November 2015

Dear all

Update on Project Pool: Local Authority response to consultation on LGPS investment pooling

Many of you will be aware that, with the help of Hymans Robertson, a group of local authorities has formed a Joint Working Group (JWG) to work together on a project to deliver a joined up response to government on options for LGPS investment pooling.

It is important that local authorities involved in the LGPS respond constructively and effectively, using the knowledge, experience and expertise of our officers to help shape a solution that meets our needs as well as government objectives and helps secure a sustainable future for the scheme.

I am writing to you on behalf of the project steering group to update you on the objectives of our project and progress made so far.

Key points

- Project Pool – joined up local authority response to government consultation on pooling LGPS investments
- 25 local authorities in the Joint Working Group own the report and are responsible for conclusions and any proposals to government. Another 10-15 are supporting the work-streams.
- Hymans' role is to provide technical support, project management and data analysis
- Data provided by LGPS funds and fund managers covers £140-150bn of LGPS assets
- Local authorities and Hymans are committed to full transparency – further updates will follow
- Report will be delivered to government in January 2016 and will be made public

Project objectives

Our aim is to deliver an authoritative and objective evidence based assessment of options for pooling LGPS investments. It is important to emphasise that the participating local authorities have ownership of the report and will be responsible for any conclusions and recommendations on preferred options.

With help from Hymans we will quantify expected cost savings using the latest available data as well as an estimate of the costs of setting up and running any new pooled vehicles.

All of the options for pooling will be assessed against likely government criteria for pooling

proposals including scale, savings, governance and ease of access to infrastructure investment suitable for LGPS purposes.

We are aiming to deliver our report to government in January 2016 and to share it with all local authorities, the LGA and other interested parties.

Participants

The 25 local authorities involved in the project are a broad church of county and met funds with a wide range of interests and preferences, including funds who have expertise and experience in internal management, procurement and other collaboration initiatives. We are pleased to say that the London Boroughs are also involved, sharing their experience and learning in delivering the London CIV. All of the participants are contributing their time and experience in the analysis of options. We are also grateful to individuals from another 10-15 funds who, although not formally involved in the project, are generously supporting the work of the various work-streams.

In the slide deck attached we list the local authorities participating in the Joint Working Group and the work-streams they are engaged in. We have also set up a steering group of local authority officers which will be responsible for guiding the project and ensuring the quality and objectivity of the final report.

Hymans' role is to provide technical support, project management and data analysis and to assist discussions with government officials. As well as the support we are getting from John Wright and Linda Selman, Hymans have provided consultants to support each work-stream and project management expertise to help us complete this challenging piece of work in time for it to be of use to the government in influencing its thinking.

Progress

We have made good progress in a short space of time since the first meeting of the Joint Working Group at Celtic Manor in September. All of the work-streams have identified a full range of options for consideration and have carried out an initial qualitative assessment of these.

There has been a tremendous response to our request for data from LGPS funds and from fund managers. In total we have received data for £140bn of assets out of the estimated £200bn total for the LGPS. In fact we have data in respect of 80% of the assets outside of London. We are grateful that some boroughs have taken the time to provide us with their data which is useful as a measure of the costs for smaller funds. We are confident that any gaps in the data we have from London are not a concern as we will rely on the assessment of savings carried out for their CIV project.

Thanks are due to the fund management community too. Nearly 40 managers have responded, providing data for a wide range of asset classes and coverage of £150bn of LGPS assets.

We believe that this is the most comprehensive data set of this sort ever assembled for the LGPS. To put it in context, Hymans' 2013 work on LGPS investment costs for DCLG was based on detailed data for £38bn of assets, a record at that time.

Hymans are now analysing data submitted by LGPS funds and fund managers so that the work-streams can progress to the quantitative stages in their analysis.

Transparency and communication

Everyone involved in the project (the participating local authorities and the team from Hymans supporting us) wants the work of the group to be fully transparent.

Hymans have been providing regular updates to DCLG, HMT and the LGA. All have been supportive of the project and helpful in giving feedback so that we can be more certain the final report will carry weight with policymakers.

We are conscious that the elected members on our LGPS committees may appreciate being kept up to date. We would be grateful to all local authority LGPS officers if you could help by keeping your committees briefed as appropriate.

We hope that this update is useful. Over the coming weeks we will provide further updates on progress and our final report will be made public.

In the meantime, thanks to all involved in the project and to those who have expressed support in other ways including those who have generously provided data to make our work possible.

If you would like to know more, please don't hesitate to get in touch with me, the other local authority officers involved in the Joint Working Group or John and Linda in the Hymans' team.

Yours sincerely

Rodney Barton
West Yorkshire Pension Fund
On behalf of the Project Pool Joint Working Group of local authorities