

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 15 March 2019

Subject: **LGPS STATUTORY GUIDANCE ON ASSET POOLING**

Classification: Unrestricted

Summary: To agree the Fund's response to the consultation document on asset pooling.

FOR DECISION

INTRODUCTION

1. At the beginning of January 2019 the Ministry of Housing, Communities and Local Government published a consultation document on Statutory Guidance on Asset Pooling. This is attached in the Appendix 1. The 12-week consultation period ends on 28 March.

RESPONSE

2. As discussed at the last meeting of the Committee the document represents a significant tightening of the rules around the pooling regime. Discussions at the ACCESS Officer Working Group have shown that the concerns expressed at this Committee are widespread amongst ACCESS funds, and we understand more widely across the LGPS. ACCESS is obtaining legal advice and the ACCESS funds Section 151 Officers are meeting to discuss the document on 15 March. The next ACCESS Joint Committee meeting is on 18 March.
3. ACCESS Officers have prepared a draft response on behalf of ACCESS and this is attached in Appendix 2. It is a draft until it has been agreed by the Joint Committee.
4. It is suggested that the Kent Fund response should be the ACCESS response but with a covering letter to the Local Government Minister. The proposed text of this letter is:

Dear Mr Sunak

LGPS STATUTORY GUIDANCE ON ASSET POOLING

The Kent Fund is responding to this document in the form of a common ACCESS response which was agreed by the ACCESS Joint Committee on 18 March 2019. However, the Kent Superannuation Fund Committee at its meeting on 15 March asked me to write to you personally to highlight our very significant concerns over the proposals being consulted on.

The timing of the consultation is frankly bewildering as in general terms the pooling work seems to be moving forward well. The 11 funds in ACCESS are working well together and significant cost savings are being achieved. If there are pools that are not operating as you wish them to then it would be better to engage with them directly rather than this blanket approach across the eight pools.

The main issues which we would like to highlight with you are:

Investment context- Funds are required to take professional advice on investment matters and are advised by the Council's Section 151 Officers. The Kent Committee consists of individuals with a wide-ranging background in investment and business. The proposals in the consultation document seem to us to reflect a poor understanding of pension fund investment management.

Legal framework- the legal framework establishing Kent County Council as the administering authority for the LGPS in Kent and the statutory responsibilities of Section 151 Officers are clearly understood in local government. The consultation document appears to cut across this established legal framework in a manner which the 2016 guidance did not. We believe that there are many examples in the consultation document of the investment choices of administering authorities are overly constrained and should be re-thought.

Paragraph 4.4- this paragraph states that "They (those who serve on Pension Committees) should take account of the benefits across the pool and across the scheme as a whole". This is very worrying as it introduces completely new considerations for the Superannuation Fund Committee in relation to other ACCESS funds and across the whole of the LGPS. The Kent Committee is already accountable for its actions to over 500 employers and 120,000 scheme members, if employer contribution rates for these employers go up due to actions of the Committee that is our responsibility. This cannot be muddied by some notional and illogical accountability to other ACCESS funds and the wider LGPS.

We really are extremely concerned at the tone and content of this document and urge you to fundamentally rethink it.

Yours sincerely

5. Given the Section 151 Officer meeting at the same time as this Committee and the Joint Committee on 18 March it is suggested that a delegation is given by the Committee to finalise the response after these discussions. The final response will be circulated to all members of the Committee.

RECOMMENDATION

6. Members are asked to:

(1) Agree the draft response.

(2) Delegate the final drafting to the Corporate Director of Finance in consultation with the Chairman.

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