Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

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Sent by email to LGPensions@communities.gov.uk

Date: 8 March 2019

This matter is being dealt with by Sean Collins
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Dear Teresa

Local Government Pension Scheme – Statutory Guidance on Asset Pooling

Thank you for the opportunity to comment on the proposed revised pooling guidance. This response is on behalf of the Oxfordshire Pension Fund Committee who discussed and agreed it at their meeting on 8 March 2019.

Overall, we are happy with the revised guidance, and believe it is consistent with the approach taken by Oxfordshire and its partners in the development of the Brunel Pension Partnership. Where we have comments, we set them out below, using the section headings as requested.

<u>Definitions</u> – These appear to be sensible and helpful.

<u>Structure and Scale</u> – There are a number of places in the guidance as a whole where the language used is a little loose and therefore open to misinterpretation. One such example is in paragraph 3.2 which states that “pool members may continue to decide if they wish to invest via in-house or externally managed vehicles”. This is currently not a choice open to pool members within the Brunel Pension Partnership where there is no capacity/capability at present to invest via an in-house vehicle. Can this be re-worded please to clarify that this is a choice open to pool members where the pool company offer both options.

We do not believe paragraph 3.6 is appropriate to be included in the guidance and believe it should be deleted. Questions of asset allocation between active and passive managers are outside the pooling arrangements. If there is a requirement to include any guidance, it should be more balanced, reflecting that pool members should be continually reviewing the appropriateness of all asset classes within their allocation, which would include moving assets from passive to active management where appropriate. If such a paragraph is retained, it would also be helpful to define reasonable period e.g. ever 3 (or 4) years in line with the Valuation cycle.

Governance – We welcome the inclusion of paragraph 4.4 and the requirement not to simply focus on minimising costs in the short term. We believe the inclusion of the words across the scheme as a whole potentially conflict though with the requirement to make decisions in the interests of scheme members, employers and local tax payers and should be deleted or the intention behind their inclusion clarified.

Transition of Assets – We support the principles set out in paragraph 5.6, which requires the regular review of all retained assets with a presumption of transition, and the requirement to provide a rationale for any assets retained. Whilst we do not have an issue with the examples contained in paragraphs 5.4 and 5.5, we do not believe these cover all areas where assets maybe retained, and as such, these paragraphs should be presented after 5.6 and be examples only. Currently, Oxfordshire has a number of investments directly into listed private equity companies. These investments are not subject to maturity (para 5.4) nor an investment contract (para 5.5), and have provided the Fund with very positive investment returns at low cost for a number of years. Currently Brunel do not have the appropriate FCA permissions to take over the management of these investments and Oxfordshire would wish to retain these whilst they fit within our Investment Strategy Statement.

New Investments Outside the Pool – We believe the wording of paragraph 6.3 needs to be clarified. As currently drafted, it suggests a pool member could go direct to another pool where they believe that the other pool can offer some specialisation which offers them improved net returns. We do not believe this should be the intention, and such investments should still be through the home pool, where they have agreed that there is not a suitable offering within their own range of investment portfolios.

Infrastructure Investment – no comments

Reporting – We note the reporting requirements and the fact that these are based on CIPFA guidance. We however are concerned that there is considerable detail requested here, with some elements open to interpretation. We therefore expect there will be some challenge in ensuring compliance. We would like to continue to work with CIPFA on the Guidance, ensuring that the requirements are achievable, clearly defined and add value to the reader of the accounts. As such, we believe the pooling guidance should exclude the detailed information and refer specifically to the latest CIPFA Guidance, which would mean the pooling guidance stays relevant as the CIPFA guidance is developed as accounting for the new pooling arrangements beds down.

We hope the above comments are helpful in finalising the guidance.

Yours sincerely,

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Sean Collins
Service Manager (Pensions)
On behalf of Oxfordshire County Council as Administering Authority of the Oxfordshire County Council Pension Fund