Local Government Pension Scheme Advisory Board

Cllr Roger Phillips - Chairman

Cross Pool Open Session

Welcome

Tuesday 27th March 2018
I will cover...

• Aims and objectives
• Agenda
• The democratic context of pooling
• Role of the Scheme Advisory Board
• Terminology
The Local Government Pension Scheme Advisory Board

Welcome

About the Board
Board papers
Committee papers
Policy statements
Board publications
Scheme information
Legal opinions
Valuation reports
Annual pension fund reports
Useful links
Aims and Objectives

Today’s forum will :-

- inform you of what other pools are doing;
- share information on the governance arrangements being established within each pool;
- Seek to set out the unique governance requirements of the LGPS
- explain the role of the scheme advisory board regarding pooling
- share ideas on preparing a common glossary of terms in the specific context of pooling, and
- give you the opportunity to discuss relevant issues with the panel of pool representatives.

But the forum will not :-

- Be a sales pitch for any of the pools
- Reach any conclusion on the optimal governance structure in a pool
11.30 to 12.00 - Pool updates from Access, Border to Coast and Brunel

12.00 to 12.30 - Refreshment break

12.30 to 13.20 - Pool updates from Central, London CIV, LPP, Northern and Wales

13.20 to 14.00 - Open discussion with the panel

14.00 - Buffet lunch.
<table>
<thead>
<tr>
<th>Panel Members</th>
<th>-</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Access</td>
<td>-</td>
<td>Councillor Andrew Reid</td>
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<tr>
<td>Border to Coast</td>
<td>-</td>
<td>Chris Hitchen</td>
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<tr>
<td>Brunel</td>
<td>-</td>
<td>Dawn Turner</td>
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<tr>
<td>Central</td>
<td>-</td>
<td>Jill Davys</td>
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<tr>
<td>London CIV</td>
<td>-</td>
<td>Mark Hyde Harrison</td>
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<tr>
<td>LPP</td>
<td>-</td>
<td>Chris Rule</td>
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<tr>
<td>Northern</td>
<td>-</td>
<td>Euan Miller</td>
</tr>
<tr>
<td>Wales</td>
<td>-</td>
<td>Councillor Clive Lloyd</td>
</tr>
</tbody>
</table>
The context of pooling in the LGPS

- Pool companies will select managers and can offer new vehicles and opportunities but....
- Pool companies work for and in many cases are owned by pool authorities so local investment strategies and asset allocations will remain the primary driver of return
- Local committees and boards need assurance that implementation of strategy and asset allocations is effective
- Accountability via effective governance structures to scheme employers, scheme members and local tax payers remains key
- Pool authorities should drive responsible investment strategies within pools not be pushed down a particular road
The role of SAB is to:
- assist
- advise
- facilitate
- co-ordinate and communicate

Particularly in the area of government thinking and policy on pools
But it does not favour any one form of pooling over another
The model of pooling is rightly determined by the member authorities taking into account local needs and resource, in this context different may not be better just different
What do we mean when we talk about a pool is it the authorities, the company or both?

Are pool funds the authorities or the asset sub funds available to them?

Different stakeholders need to work within a common language set

Work with CPCG to develop a glossary of terms for consultation e.g.

- “pool authorities” – the member administering authorities in each pool
- “pool companies” - the pool company or companies, rented or built
- “pool committees” - the governance structures by which authorities hold companies to account
- ”pool funds” – the sub funds or other vehicles the pool company offers to authorities
- “The pool” – all of the above
The information contained in these slides has been prepared by the LGPS Advisory Board Secretariat on behalf of the speaker. It represents the views of the speaker based on the current understanding of the law and policy in relation to the LGPS and the Board. It should not be treated as a complete and authoritative statement of the law, the views of or the policy intentions of the Board. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation quoted. No responsibility whatsoever will be assumed by the Board or the Board Secretariat for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in these slides.
Thank you

Pool Updates
Cross Pool Open Forum
27 March 2018
Agenda

1. Participation
2. Principles
3. Progress
4. Governance
5. Next steps
Participation

ACCESS (a collaboration of central, eastern and southern shires) with assets of £41bn – all of which are managed by third parties.

c3,000 employers

c900,000 members

Strong performing funds and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise.

75% of the assets are invested across 12 managers and 71 different managers used across the authorities.
Principles

IMPLICIT:
• Fiduciary responsibility
• Democratic Accountability
Progress

Feb ‘16 • Initial Pool Proposal

Jul ‘16 • Final Pool Proposal

Late ‘16 • Twin track...and ACS outcome

Early ‘17 • Councils agree Inter Authority Agreement

Late ‘17 • Passive joint procurement: UBS

Early ‘18 • Operator contract with Link sealed
ACCESS Governance structure

a. Individual Authorities
b. All Authorities
c. Pool
d. Pool & service providers
a. Individual Authority

Public

Government
MHCLG, Treasury, Cabinet Office

ACCESS Regulators
Primarily FCA, also TPR

Administering Authority

s151 Officer

Fund (Scheme Manager)

Monitoring Officer
Pensions director / lead
s101 Committee
Local Pension Board

Scheme members
Trade unions
Participating employers
b. All Authorities

Public

Government
MHCLG, Treasury, Cabinet Office

ACCESS Regulators
Primarily FCA, also TPR

11 Administering Authorities

Scheme members
Trade unions
Participating employers

s151 Officers

Monitoring Officers
Pensions directors / leads
s101 Committees
Local Pension Boards

Funds
(Scheme Managers)
20

c. Pool

**ACCESS Pool**

- **Joint Committee (JC)**
- **Officers**
  - Officer Working Group (OWG), s151 Officers, Monitoring Officers
- **ACCESS Support Unit (ASU)**
  - Secretariat, Contract Manager, Support

**11 Administering Authorities**

- s151 Officers

**Funds**

(Scheme Managers)

**ACCESS Regulators**

Primarily FCA, also TPR

- Monitoring Officers
- Pensions directors / leads
- s101 Committees
- Local Pension Boards

**Public**

- Scheme members
- Trade unions
- Participating employers

**Government**

MHCLG, Treasury, Cabinet Office

**ACCESS Regulators**

Primarily FCA, also TPR

**ACS**

Pool aligned e.g. passive

No FCA regulated decisions in client-side functions
No FCA regulated decisions in client-side functions
Next steps

1. ACS: aim for FCA approval end of June
2. Sub Fund authorisation
3. Phase 1 sub funds launches:
   • August (1)
   • November (6/7)
   • January (6/7)
4. Completion of governance manual
5. Support unit
### Costs & savings: current position

<table>
<thead>
<tr>
<th>Section</th>
<th>£</th>
<th>Basis Points</th>
<th>Occurrence</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation costs</strong></td>
<td>£2m</td>
<td>0.5bp</td>
<td>Up to March 2018</td>
<td></td>
</tr>
<tr>
<td><strong>Running costs</strong></td>
<td>Up to £5m</td>
<td>1bp</td>
<td>April 2018 onwards</td>
<td>Includes both:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Pool support costs (equally shared) &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Operator fee (pro rata invested assets)</td>
</tr>
<tr>
<td><strong>Passive savings</strong></td>
<td>£5m</td>
<td>1bp</td>
<td>2018 onwards</td>
<td>Pro rata invested passive assets</td>
</tr>
</tbody>
</table>
Principles...in detail

• The participating authorities will work collaboratively.
• Participating authorities will have an equitable voice in governance.
• Decision making will be objective and evidence based.
• The pool will use professional resources as appropriate.
• The risk management processes will be appropriate to the pool’s scale, recognising it as one of the biggest pools of pension assets in the UK.
• The pool will avoid unnecessary complexity.
• The pool will evolve its approach to meet changing needs and objectives.
• The pool will welcome innovation.
• The pool will be established and run economically, applying value for money considerations.
• The pool’s costs will be shared equitably.
• The pool is committed to collaboration with other pools where maximise benefits.
Border to Coast Pensions Partnership Ltd

SAB Cross Pool Open Forum

27-03-18

Chris Hitchen
Chairman
Border to Coast Pensions Partnership Reminder – Where Have We Come From?

12 Likeminded Funds, 
c£50bn Assets Under Management, 
Internal & External Management
Border to Coast
Reminder - What Are We Trying To Build

Making a difference to investment outcomes for our Partner Funds through *pooling* to create a stronger voice; working in *partnership* to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable *performance*.
Border to Coast
Reminder - What Does “Go-Live” Mean

Our Partner Funds charged us with doing this “Right not Fast”

- In our July 2016 Submission, the Partner Funds of Border to Coast called out need for early approval due to elections.
- Agreed with HCLG in 2017 spring update that we would aim for a “go-live” of early July 2018

What does “go live” mean for Border to Coast:

- Border to Coast Ltd, will have the required regulatory approval, staff, processes and infrastructure in place to enable us to start the transition of assets from 2\textsuperscript{nd} July 2018.
## Progress on Corporate Governance & Risk

### Joint Ctte. & Board
- Joint Governance Ctte. formally constituted & meeting regularly
- Board formally constituted & meeting 6 weekly
- Reviewing number of NED’s
- Major Policies & Risk Appetite Agreed

### Scrutiny & Registration
- External Auditor Appointed & Presented to Board
- Internal Auditor appointment progressing to plan
- FCA Application submitted & initial feedback received
- Mifid II opt up process defined
- Control registrations required e.g. ISO 3402; GIP’s agreed

### Team
- Directors appointed
- Company Secretary Appointed
- CRO Appointed, progressing with build out of team
Progress on Investment

Asset Offering & Transition
- Initial Asset Template Agreed
- Two way sense check as sub-funds created
- Prospectus with partners for approval
- Looking at customer needs both now & into the future
- Initial transition timetable agreed
- Review risk at both sub-fund & at whole offering level as each sub-fund created
- Transition Strategy agreed – Procurement Advice ongoing

Infrastructure
- Investment TOM finalised
- Major policies agreed,
- Implementation with investment system provider progressing to plan

Team
- CIO (interim) appointed, permanent recruitment ongoing
- Structure agreed
- TUPE strategy agreed processing to plan,
- “Heads Of” – appointments progressing
## Progress on Corporate Infrastructure & Operations

### Corporate Infrastructure
- Corporate ICT provider’s appointed build underway
- Building lease agreed & fit-out on-going
- Finance system provider appointed build underway
- Bank; payroll operating
- HR; procurement, board-pack systems - ongoing
- Testing of systems security & DR ongoing

### Operations
- Operations TOM agreed
- Asset Servicer appointed & implementation progressing to plan
- Major policies documented and agreed;

### Team
- “Heads Of” ICT; Legal; Finance; Ops, HR appointed
- Build out of their teams on-going
- Heads of Performance & Customer Strategy On-going
Currently activities running to plan.

We are on track to be up and running with a robust model in July.

We are planning for significant transition assets in 2018 covering both internal & externally managed assets, followed by further transitions in 2019 and 2020.
Border to Coast
Cross Pool Open Session

Dawn Turner – CEO, Brunel
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Updated March 2018
 Forgiving better futures by investing for a world worth living in

I’ll have 5 Ps please Bob

Pool

Forging better futures by investing for a world worth living in
• Control functions – company people and shareholders

• ICE – Internal Control Environment

• MiFID
People

• Office – culturally design for openness and collaboration

• 33 staff - fully appointed

• Diversity – gender equality throughout; third LGPS, two thirds external
Forging better futures by investing for a world worth living in
In collaboration with all our stakeholders we are forging better futures by investing for a world worth living in.
Refreshment Break
LGPS CENTRAL

Jill Davys
Assistant Director, Investments & Finance
West Midlands Pension Fund
AGENDA

1. LGPS Central Governance Framework
2. Progress and Development
3. Questions
LGPS Central Governance Framework

£40bn
Progress and Development

1. FCA Approval – Operator (January 2018);
2. Key roles appointed to
3. First 3 sub-funds (FCA approval - February 2018); Internal Passive Equity – sub-funds operational 3rd April
4. Development of active equity mandates – including external procurement – target launch dates autumn 2018
Meeting the strategic asset allocation requirements of Partner Funds to deliver improved risk adjusted returns after costs.
Progress and Development

Providing the most efficient structure to access asset classes across different styles and geographies:

<table>
<thead>
<tr>
<th>ACS</th>
<th>LLP</th>
<th>Life Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Equities</td>
<td>• Infrastructure</td>
<td>• Equities</td>
</tr>
<tr>
<td>• Bonds</td>
<td>• Private equity</td>
<td>• Bonds</td>
</tr>
<tr>
<td>• Property</td>
<td>• Target return</td>
<td></td>
</tr>
</tbody>
</table>
Progress and Development

Partnership
1. Collaboration
2. Openness and Transparency
3. Reporting – Investment; Financial
4. Responsible Investment – Engagement; voting;
Cross Pools
27th March 2018

A collective Investment Vehicle for London Local Authorities (LLA) Pension Funds which delivers broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk adjusted performance.
London CIV

- 33 London Local Authorities
- £34bn assets
• £14.6bn under LCIV oversight - over 40% pooled up from 10% last year.
  • £6.2bn AUM across 11 active sub-funds with a further £1bn in the pipeline.
  • £8.4bn AUM in passive alongside the CIV platform

• Five LCIV credit/fixed interest sub-funds announced for soft commitments.
Revised Governance Structure of London CIV

Annual General Meeting
32 Members plus a Chair
Meetings every 6 months

Shareholders Committee
4 Treasurers & 8 Members
Chair of LCIV plus Union observer
Quarterly Meetings

Consultation on strategy, direction and financial performance,
Responsible Investment policy

Exercise Shareholder powers
Hold Board to account

London LGPS CIV Ltd

Local Authorities
(Clients)

Client on boarding, servicing, consultations, strategic asset allocation

Seminars, Manager Days
Annual Conference

Shareholder Agreement

Service Level Agreement

IMA

Funds

Equity  Credit  Real Assets  Property  Passives

Executive Committee

Investment Oversight Committee

Compliance Audit & Risk Committee

Remuneration Committee

Independent Chair
5 NEDs
3 Executive Directors
Chair of AGM plus 1 Member Treasurer (observer)

LCIV Board

Consultation on strategy, direction and financial performance,
Responsible Investment policy

Client on boarding, servicing, consultations, strategic asset allocation

IMA
Client Reporting: Sample of Reports

**CIV Quarterly Report**
- Commentary on your Personalised Investment Mandate via both qualitative and quantitative analysis.

**Market Review**
- LCIV Investment team review of current market conditions, concerns and opportunities.

**Information Sheet**
- Objective
- Policy
- Fund summary
- Practical information
- Key characteristics
- Top 10 Holdings
- Sector & Country Weights
Client Engagement Model

Named Client Relations Directors and Client Service Executives will be the principal London CIV contacts, who are available to respond to any queries, audits and FOI requests. They are available to attend Pension Committees and ad hoc meetings when required.

### Weekly
- Market Information
- Calendar Dates of Events
- LCIV Portal provides daily/weekly prices for each fund
- Responding to queries, audit and FOI requests
- Attendance at Pension Committee & ad hoc meetings

### Monthly
- Newsletter
- Unaudited Fund Valuations available through the client portal
- Informal Investment Report Summary
- Information sheets for each Investment Mandate available on the client portal

### Annually
- Shareholder AGM
- Due Diligence Reports on investment managers
- Voting report
- Responsible Investment report
- LCIV Investment Seminar

### Quarterly
- Training Days
- Formal Investment Reporting
- Economic Update
- LCIV fees and expenses
On-boarding Model – Client by Client

The diagram below illustrates the on-boarding process for an individual LLA. We anticipate repeating this process 32x, prioritised and planned in consultation with the LLAs as we identify early and later adopters.

LLA provides timeframe
- LLA gives an indication of the likely time frame to transfer assets.
- LLA & LCIV agree prioritisation and dates of asset transfers.

LLA Consultation
- LCIV engages with LLA and maps Strategic Asset Allocation to LCIV Funds to ensure investment objectives are met
- Legacy LLA Assets identified and agreement reached on how managed going forward

IMA agreed LLA & LCIV
- LLA considers type of Investment Mandate given to LCIV
- If discretion given LLA & LCIV enter into an Investment Management Agreement (IMA)

LLA & LCIV SLA
- Service Level Agreement (SLA) between LLA & LCIV
  - Provides clarity of responsibility
  - Clear mandate holding LCIV to account
  - Free up responsibilities for LLA

LCIV manages transition
- LCIV manages transition of assets into funds to minimise transaction costs

LCIV manages Assets
- LCIV manages funds in line with Investment Mandate
- LCIV exercises discretion in line with the IMA
- Reports provided to LLAs on a monthly/quarterly basis
Disclaimer

Important information

London CIV
59½ Southwark Street
London
SE1 0AL

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Registered office: 70 Great Bridgewater Street, Manchester M1 5ES.
Cross Pool Open Forum
- LPP’s update on pooling

27 March 2018
About us

Our vision is to be ‘a leader in pension services’ operating on a ‘not-for-profit’ philosophy and working in partnership with our clients and other customers.

1. Local Pensions Partnership Investments Ltd.

Past performance is not an indicator of future performance. Investments may go down as well as up.

1. Local Pensions Partnership Investments Ltd.
LPP at a glance

300+ employees

520,000+ pension fund members across LGPS, Fire and Police schemes

£13bn assets under management via LPPI, a fully-owned subsidiary authorised and regulated by the Financial Conduct Authority

27 investment, risk and actuarial professionals

Data as at 31 December 2017.

Past performance is not an indicator of future performance. Investments may go down as well as up.
LPP Investments Ltd (LPPI)

- Authorised and regulated by the Financial Conduct Authority (FCA)
- Signatory to the **LGPS Advisory Board Code of Transparency**
- Demonstrable success in designing and implementing asset pooling solutions and delivering cost saving benefits
- Expertise in building and running a variety of investment vehicles/structures including:
  - Authorised Contractual Scheme (ACS)
  - Authorised/unauthorised Alternative Investment Funds (AIFs)
  - Limited Partnerships (LPs)
  - Segregated accounts
- Independent Investment Operations function providing client/fund performance reporting
- Internal Compliance function providing investment governance and oversight
- 3rd party service providers (e.g. depositary/custodian) are subject to our rigorous on-going monitoring and service delivery and performance evaluation

**Liquid assets**
- Public equity
- Fixed income
- Total return
- Cash

**Iliquid assets**
- Private equity
- Infrastructure
- Credit
- Property

**LPPI Board**
Independent non-Executive and Executive Directors with expertise in pension and investment management

- Sally Bridgeland (Chair)
- Michael O'Higgins
- Robert Vandersluis
- Susan Martin
- Chris Rule
- Tom Richardson

**Investment Pooling Vehicles (IPVs)**
Investment management

- LPPI’s business model is built on our philosophy that we are here to help clients:
  - manage their assets and cash flows to meet their pension liabilities, both short and long-term
  - achieve their funding strategy goals through improved investment outcomes

- The three pillars of LPPI’s model are: scale, governance and in-house investment and risk management capabilities

- Our approach focuses on:
  - attractive risk-adjusted returns delivered cost-effectively
  - responsible investments ensuring investment outcomes are stable and sustainable
  - larger scale and greater ability to negotiate preferential investment terms
  - sharing/leveraging resources including investment pipelines
  - access a broad range of investment opportunities (e.g. infrastructure)
  - effective scale and efficient management through delegated, independent decision-making and governance structures
  - direct investment capabilities
  - savings on external manager fees
  - alignment of interest with clients
  - develop appropriate investment strategies to meet the specific needs of our clients

Past performance is not an indicator of future performance. Investments may go down as well as up.
Responsible investment (RI)

- LPPI is committed to the long-term responsible investment of pension assets
- Our primary focus is delivering optimum risk-adjusted returns on a sustainable basis, balancing the investment risks and opportunities
- LPPI Stewardship Committee (chaired by Chief Investment Officer) is tasked with developing and delivering a coordinated approach to stewardship and engagement across all our investments (both internally and externally managed portfolios)
- Our activities fall into three core areas:

<table>
<thead>
<tr>
<th>informed investment</th>
<th>active ownership</th>
<th>collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>consider the long-term sustainability of the investment at every stage in the investment cycle</td>
<td>actively promote sustainable business practices and high standards of corporate governance</td>
<td>active collaboration and participation in a range of partnerships to strengthen our influence and/or share resources:</td>
</tr>
</tbody>
</table>
| integrate the analysis and evaluation of long term material financial risks and opportunities in our due diligence and investment decision-making processes | engage through shareholding voting, direct representation on company boards or investor/advisory committees | o LGPS Cross-Pool Collaboration Group RI Sub-Group  
o Local Authority Pension Fund Forum (LAPFF)  
o UK Pension Fund RI Roundtable  
o Pensions and Lifetime Savings Association (PLSA)  
o ShareAction ‘Workforce Disclosure Initiative’ (WDI)  
o Transition Pathway Initiative (TPI)  
o 30% Club  
o Climate Action 100+

Past performance is not an indicator of future performance. Investments may go down as well as up.
Asset pooling

- MiFID II compliance implementation complete

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Launch date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equities</td>
<td>October 2016</td>
</tr>
<tr>
<td>Private Equity</td>
<td>March 2017</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>June 2017</td>
</tr>
<tr>
<td>Credit</td>
<td>September 2017</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>February 2018</td>
</tr>
<tr>
<td>Total Return</td>
<td>Launching in Q2 2018</td>
</tr>
<tr>
<td>Property</td>
<td>Launching in Q3 2018</td>
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</tbody>
</table>

- 100% assets managed by LPPI
- 75% assets within pooling vehicles²

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2. As at 28 February 2018.
Past performance is not an indicator of future performance. Investments may go down as well as up.
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Northern Pool

LGPS Cross-pool forum – 27th March
Northern Pool

Comprises:

- Merseyside Pension Fund
- Greater Manchester Pension Fund
- West Yorkshire Pension Fund
- AUM £43bn at March 2017
Strategic Objectives

• Improve net investment returns of the funds in the Pool
• Enhance stakeholder engagement activities
• Facilitate increased investment in UK infrastructure
• Assist the Pooling Partners in ensuring continued compliance with the LGPS Investment Regs and the Pooling Guidance.
Benchmarking

• CEM Analysis carried out for funds and at Pool level

• Average pool cost of 0.45% over year to 31/3/17
  • Below peer group benchmark cost of 0.49%

• c80% of costs in respect of private market assets

• 5 year net value add for Pool of 0.8% p.a.
  • Roughly equivalent to £1.5bn
Key achievements

• Pool custodian appointed

• Operational direct infrastructure investment vehicle (‘GLIL’) alongside LPP
  • Commitments of £1.3bn, AUM of £600m
  • Open to other pools

• Northern Pool Private Equity vehicle operational April 2018
Infrastructure Investment

• Significant increase in allocation to infrastructure
  • (6.3% vs 1.6% 5 years ago)

• Target to finance 10,000 homes over 3 years
Oversight Arrangements

- Joint Committee oversees all aspects of the operation of the Pool’s investment activity
- 2 members from each authority + 3 TU representatives
- Focus on performance & cost reporting and benchmarking
- Co-ordinating responsible investment activity
Wales Pension Partnership (WPP)

Cllr Clive Lloyd
Chairman, City & County of Swansea Pension Fund
Member, Joint Governance Committee, WPP
WLGA Representative, Scheme Advisory Board
What’s going on in Wales apart from Pooling?
Feb 2018, Earthquake reported in Wales ...

Tremor measured 4.4 on the Richter Scale

Early estimates suggest there was up to £45 worth of damage
Awkward....

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<th>P</th>
<th>W</th>
<th>D</th>
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It was a Try!
Wales Pension Partnership - 8 Constituent Authorities

£16bn of assets under management
Wales Pension Partnership Model

- Keep it simple
- ‘Rent’ Model (as opposed to build)
- National Procurement Exercise
- Link Asset Services appointed as FCA Authorised ACS Operator
  - Depositary, custodian, reporting, FCA compliance, benchmarking, fund manager contracting.
- Russell Investments to work alongside Link to provide Investment advice, manager research, portfolio construction.
Joint Governance Committee (JGC)

8 Funds

8 Administering Authorities

Officers Working Group (OWG)

Link Fund Solutions Ltd advised by Russell Investments

Host Authority (Carmarthenshire County Council):

Secretariat & Client Side Team

Operator Agreement

Purchase instructions
Redemption instructions
Switch instructions

Reports
Recommendations

Reporting

Budgets
Resources
Shared costs

Secretariat Business Plan Reports

Reports

Day to day liaison
Instructions OWG/JGC decisions
Monitoring KPIs & SLAs
Contract management
Technical investment issues

Asset Servicer

Transfer Agency
Custodian
Northern Trust

Depository
Northern Trust
Fund Accounting
Operator Responsibilities

Core responsibilities

- FCA compliance, fund administration, all regulated functions and reporting, appoint and contract with fund managers, select and procure asset servicer, obtain FCA authorisation for funds, establish and operate vehicles, support the needs of investors

Establishment and Discretionary functions

- Advise on initial sub-fund structure, manager selections and recommendations, fee negotiations, transition management, enhanced performance reporting, training.
Joint Governance Committee
Responsibilities

- Governance
- Monitor Operator relationship
- Strategic planning, resourcing plan, business plan and budget
- Approve addition of Sub-funds
- Value for money
- Implement common policies (e.g. ESG, stock lending/voting)
- Cross pool liaison
- Approve appointment of advisors and suppliers
Host Authority Responsibilities

- Secretariat to Joint Governance Committee (producing meeting papers, translating papers in Welsh, providing translation services at meetings etc)
- Lead on procurement for pool services (e.g. advisers, etc.)
- Client side team for:
  - Operator contract management and co-ordination role
  - Monitoring performance of Operator against SLAs and KPIs
  - Day to day liaison with the Operator and its provider of Discretionary Services especially on matters affecting all funds / investors in the pool
  - Liaison with other advisers
  - Reporting Operator performance to the OWG and JGC
  - Other analysis, support and reports for the OWG and JGC as required.
Key Milestones And Progress To Date

- WPP Submission to Government approved
- Commitment to increase infrastructure investment by WPP
- Inter Authority Agreement signed March 2017
- Tender Exercise commenced May 2017
- WPP Governance established:
  - JGC and OWG
- ACS Operator appointed January 2018
- Global Equities sub funds (x2) structure and design finalised by OWG for recommendation to JGC April 2018
- Fund Prospectus submitted to FCA May 2018
- Transition of assets Q3 2018
Outcomes

• Meeting Government criteria
• Improving investment outcomes
• Improved terms on fund manager fees
• Increased investment in Infrastructure
• Shared Responsible Investment policies
• Sharing best practice, experience and know-how
• Develop local investment capabilities
Diolch yn fawr – Thank you

Cllr Clive Lloyd
Chairman, City & County of Swansea Pension Fund
Member, Joint Governance Committee, WPP
WLGA Representative, Scheme Advisory Board
Open Discussion