

## Email from Hymans Robertson LLP

In January 2019, the MHCLG published its draft statutory guidance on asset pooling. The consultation is open for 12 weeks (closing on 28 March). It is deemed an informal consultation which is addressed to “*interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS*”.

Some noteworthy features of the consultation document include:

- Guidance will have statutory force
- The definition of “pooled assets” excludes passive investment in life policies held directly by administering authorities
- Pool members *must* appoint a pool company regulated by the FCA (3.2)
- Pool members *should* consider moving from active to passive investment where active management has not generated better net of fees performance over a reasonable period (3.6)
- Pool members *should* take account of benefits across the pool and the scheme as a whole and should not seek simply to minimise costs in the short term (4.4)
- Inter-authority payments *may* be used to share transition costs equitably between pool members (5.4)
- There are tighter definitions of the conditions to justify keeping assets outside of the pool (existing “retained” assets and new investments)
- From 2020 it is expected that pool members “*should* make new investments outside the pool only in very limited circumstances” (6.2)
- Pool members may invest in vehicles provided by other pools where collaboration between pools or specialisation can deliver improved net returns (6.3)
- There is no specific target for infrastructure (7.2)
- All residential property is included in the definition of infrastructure (7.5)
- Extensive reporting requirements on costs and performance relative to relevant indices (8.2) kick in with effect from the 2018-19 report (8.1)

We have prepared the attached note which provides a factual summary of the points raised in the consultation - please feel free to share this summary with your Committee.

We look forward to discussing this note and the consultation with you over the coming weeks.