

## Pooling Monitoring

Gordon, not sure whether you are representing the Staffordshire Pension Fund or determining monitoring arrangements for the Central Pool itself.

In terms of the Staffordshire Pension Fund we would need to know effectively both:

- How well Staffordshire Investments are being managed ( in reality we should be receiving the same information as the Fund previously received from its investment Managers – Internal and consultants)  
How investments are being managed against Funds investment strategy and how are investments performing  
A Cipfa checklist is attached as Appendix A.

Key Question – what information will be provided to each fund and how often?

What are the Key Performance Indicators?

Will the pools officers attend each fund Pension Panel/Board for scrutiny?

- How well the pool itself is doing
  - Monitoring against the objectives and rationale of the Pool against its submission
  - Is the pool subject to regulation and monitoring by the Ministry for Housing, Communities and Local Government -- what information does it need to provide to government if any
  - What proportion of the available assets of each fund is it managing and how does it intend to increase it (Delivery Plan)
  - Monitoring of the implementation costs (set up) against the approved budget  
(Who has approved the Budget and how will it be reported each year)
  - Monitoring of the running costs of the pool against the approved budget
  - Monitoring of Investment Managers costs to determine level of savings achieved
    - As compared to previous investment managers costs of each fund
    - As compared to other pool arrangements (benchmarking)
  - Monitoring of investment managers performance

## INFORMATION AND REPORTING REQUIREMENTS

Administering authorities should expect to see the same level of detail, transparency and frequency of reporting from the operator that they currently receive from third party and internal investment management functions.

Operators should provide a robust reconciliation of each administering authority's investments with them, properly accounted for and audited, and clearly identifiable and attributable to each administering authority within the investment pool, even where these investments are unitised within the investment pool. Such reporting will need to be complete and detailed enough for periodic inclusion in the report and accounts of each administering authority's fund.

The operator should provide appropriate regular reporting within any prescribed and/or agreed timescales to enable administering authorities to adequately monitor their investments through the investment pool, to be able to produce their own statutory and monitoring reports and to be able to properly deliver their investment strategies at the local level. As a minimum this should include:

- audited asset valuations
- absolute investment performance, split by asset class, and on a net of costs basis
- relative investment performance, both versus objective and versus benchmark, and on a net of costs basis
- a degree of investment performance attribution, including key contributors, key detractors and whether investment performance is as should be expected given prevailing investment market conditions
- an assessment of investment management costs including operator costs, fund management fees and transaction costs including full transparency of all costs and expenses associated with the investments
- approach to responsible investing, environmental, social and governance aspects of investment, engagement with companies held and voting record
- any other information required by the administering authority, pension fund committee and/or their advisors in order for the funds to be properly run and successfully deliver their investment strategies at the local level.

In addition to being investors in the investment pools, the administering authorities will also have an interest in the operation and ongoing development of their investment pools; therefore there should be separate periodic reporting on the business and operational aspects of the operator to each participating administering authority. This should include, as a minimum:

- details of the operational structure of the operator
- an audited summary of the financial aspects of the operation of the operator

- a review of any material developments within the operator over the reporting period, including progress against the business plan (also see Business Planning below)
- a forward-looking business plan for the operator over an appropriate period, ideally over a rolling three year period
- confirmation of adherence to any regulatory requirements of the specific investment pooling structure (and notification of any regulatory breaches)
- declarations in respect of any actual or perceived conflicts of interest and how these are being effectively managed
- details of how the safe custody of assets is ensured
- if appropriate, confirmation that sufficient and appropriate insurances are in place to protect administering authorities in the same way that they would be in any similar investment arrangement with a third-party provider.

Such reporting is proposed as a minimum, and it is likely that administering authorities within investment pools will wish to agree further aspects of reporting, including regular contact between representatives of the operator and officers/pension committees on a mutually agreeable frequency and addressing specified criteria pertaining to investment performance.

The oversight committee will also need to receive regular updates from the operator, much of which should be as outlined above, with a greater focus on the whole investment pooling arrangement. The agenda, reports and minutes of the oversight committee will also be key information that administering authorities should have access to on an ongoing basis, and some of which might become part of administering authority pension committee meetings.

The administering authorities could request a regular (perhaps annual) report from the oversight committee to provide a means to formalise and summarise the work and views of the committee periodically.

It is expected that oversight committees that are local authority joint committees will be public apart from exempt items. It is recognised that there are quite differing practices among existing administering authorities as to what is considered exempt or not, and therefore administering authorities and oversight committees are recommended to ensure that only truly sensitive or commercial items are treated as exempt.