



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	6 SEPTEMBER 2019
Title	GLOBAL CUSTODIAN TRANSITION
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report provides confirmation to the Pension Fund Committee of the transfer of the fund's global custodian services from BNP Paribas Securities Services to Northern Trust Limited.
2. Members are asked to note this report.

BACKGROUND

3. The global custodian is responsible for the safekeeping of the fund's investment assets, maintaining a record of the holdings, and collecting income on behalf of the fund. The custodian provides reporting information on the movements in investment holdings for inclusion in the fund's accounts.
4. As reported to previous committee meetings, the fund's global custodian service provider was due to change to Northern Trust on 1 August 2019.
5. Weekly planning calls were held between key fund officers and the transitions team within Northern Trust, to ensure that all key actions were undertaken on a timely basis.
6. The transition day itself went very smoothly, with all information received and transmitted as required. There was a small delay in opening the necessary account for French stocks held within the Majedie portfolio, but this was resolved within a day.
7. The transition identified an outstanding issue arising as a result of a failed instruction from BNP Paribas in June 2019, in respect of a South African transaction, which resulted in an overdrawn cash position in the BNP accounts. This issue was resolved on 19 August.

8. Fund officers have met with the relationship manager from Northern Trust. It has been agreed that he will attend a future committee meeting, or development session, to explain the role of a global custodian.
9. Training was held for fund officers on the Northern Trust data portal on 15 August, which will assist in monitoring the fund's assets.
10. Overall the level of support received from Northern Trust throughout the transition process was excellent, including their liaison with fund managers and the previous custodian.

STRATEGIC CONTEXT

11. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
12. The appointment of global custodians and the detailed work undertaken to ensure the smooth transition of the fund's assets contributed to the fund's objective to *ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.*

FINANCIAL / BUDGET IMPLICATIONS

13. The previous custodian contract with BNP Paribas Securities Services cost approximately £40,000 per annum. The new contract with Northern Trust has a minimum fee of £25,000 per annum, demonstrating a potential saving of £15,000 per annum.
14. The cost of this contract will be funded directly from the pension fund and will have no direct impact on the council's budget.

LEGAL IMPLICATIONS

15. There is no legal obligation on pension funds to appoint a global custodian, but it is considered best practice to do so.

EQUALITY AND DIVERSITY

16. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

17. This report has no implications for any of the protected categories.

RISK MANAGEMENT

18. Changing the fund's custodian does not create any risk to the future payment of members' pension benefits, which are guaranteed by LGPS regulations.

19. The primary responsibility of the global custodian is the safeguarding of the fund's assets, including both securities and cash. The custodian provides assurance to the committee, as to how, and by whom, the fund's assets are held, and that those assets are ring-fenced from the custodian's own assets and are clearly marked as client assets in case of default.

RECOMMENDATION

20. That the committee notes the successful transition of the fund's global custodian service from BNP Paribas Securities Services to Northern Trust Limited.

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR ADRIAN AXFORD
*Chair of Isle of Wight
Pension Fund Committee*