

PENSIONS COMMITTEE

13 MARCH 2017

LGPS CENTRAL UPDATE

Recommendation

The Chief Financial Officer recommends that the LGPS Central Update be noted by the Committee.

Update

1. Following formal approval of LGPS Central as an investment pool by the Government, work has continued to ensure that the project will meet the timetable that will allow a launch on 1st April 2018. Governance arrangements have been agreed and are working their way through the necessary committees of the Administering Authorities, and this process will be completed before the end of March 2017.
2. A firm of head hunters has been appointed to assist in the appointment of key individuals to LGPS Central. Initially these appointments will focus on the appointment of a Chief Executive Officer and a Chair and adverts for these posts have already been placed, with interviews expected to take place before the end of March 2017. The process for appointing a Chief Operating Officer/Chief Financial Officer, Chief Investment Officer and two Non-Executive Directors will commence shortly and the expectation is that all of the successful candidates will be in post by the end of October 2017.
3. A tender has been issued to select 'asset servicers' to the pool. These providers will fulfil an important role in the effective control of the assets and in assisting the pool to fulfil its regulatory responsibilities and the appointment process is likely to be complex and to take some time. Appointing the right provider will be key to ensuring a smooth launch of LGPS Central.
4. The Common Investment Vehicle (CIV) work stream, which is responsible for designing the sub funds that will be offered by LGPS Central, so that they can deliver the investment requirements of the Funds, has made very good progress in terms of agreeing benchmarks and performance objectives for some of the key asset classes. This progress has been possible as a result of the pragmatism of the Funds in terms of their recognition that economies of scale will be reduced if the sub funds are fragmented as a result of Funds' initial expectations being marginally different. A number of sub funds that were originally identified as being required have now been merged.
5. As part of the CIV work streams discussions with Funds, the original timetable for the launch of sub funds has been amended and those sub funds where the savings

are expected to be highest (notably global equities and emerging market equities) have been moved forward within the plan.

6. The first Shadow Shareholders' Forum took place in Matlock on 13th December 2016 and the main issue discussed was the appointment process of the key executive and nonexecutive positions within LGPS Central. The meeting went well and all eight Administering Authorities continue to work together in a coherent manner at both elected member and officer level.

7. On a national level it is public knowledge that seven asset pools have been approved by the Government and the most recent of these was LPP, which is an existing asset pool consisting of Lancashire County Council and the London Pension Fund Authority. LPP is significantly below the minimum size that was originally considered necessary by the government (£14bn instead of £25bn) and their approval makes reference to the expectation that they will increase scale and to a review of the position in Spring of 2017. The eighth pool Access (A Collaboration of Central, Eastern and Southern Shires), is still awaiting a formal letter from the government.

8. All work streams within the project continue to run to their timetables, although with a project as large as this and with so many interrelationships between the different objectives that need to be achieved there are always risks. At present these risks appear to be manageable and an active risk register is in place and is updated regularly.

9. A Stakeholders' Day was held in Wolverhampton on 24th January 2017, and was attended by over 90 people. The aim of the day was to ensure that as many people as possible from the individual Funds were given the opportunity to explore how LGPS Central would operate in greater depth than might have been possible within the confines of meetings relating to their individual Funds, and to ask any questions that they felt appropriate. Based on the feedback received, the day successfully met its objectives.

Contact Point for the Report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following background papers relating to the subject matter of this report:

LGPS Central business case submission to government 15 July 2016.