

PENSIONS COMMITTEE

6 OCTOBER 2017

LGPS CENTRAL UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the LGPS Central Update be noted.**

Update

2 Andrew Warwick Thompson commenced his position as Chief Executive Officer of LGPS Central Ltd. on 17 July 2017, and in so doing became the first employee of the Company. His first day was spent at a successful training event run in Chester for elected members that had been newly appointed to Pension Committees and Boards following the May Local Elections.

3. In late June the interview process for the appointment of two Non-Executive Directors was completed. Eithne McManus was appointed and will chair the Audit, Risk and Compliance Committee. John Nestor was also appointed and will chair the Remuneration Committee. Eithne McManus and John Nestor are highly experienced and respected in their specialist fields and commenced their work in mid-July. The LGPS Central first formal Board meeting was held on 11 August.

4. The process of appointing a Chief Investment Officer also concluded in late June and Jason Fletcher, who currently fills the same role at the West Midlands Pension Fund, will commence at LGPS Central on 1 October 2017. Interviews for the role of Chief Operating Officer/Chief Financial Officer took place in early August and a job offer has been made and accepted.

5. The programme operates against a very demanding timetable but key milestones continue to be met. The necessary application for regulatory authorisation was submitted to the Financial Conduct Authority (FCA) on 21 July 2017, together with the accompanying Regulatory Business Plan. It is expected that this will lead to the necessary authorisations to enable LGPS Central to carry out investment business in time for the 1 April 2018 deadline.

6. A preliminary meeting with the FCA has taken place to discuss the application. Whilst there are still some aspects that require further action, for example, the appointment of further key personnel and resilience testing on IT systems, there are no obvious flaws in the application and the FCA indicated that the LGPS Central milestone of January 2018 for authorisation is not unreasonable. Follow up questions from the FCA and LGPS Central responses are attached as Appendix 2 to this report along with the staffing structure (Appendix 3) and organisational structure (Appendix 4) that were provided to the FCA as supporting documentation.

7. In recent months the Shareholders' Forum has approved cost sharing principles and the appointment of an external auditor to both the Company and the investment sub funds that it will manage, as well as having sight of the Regulatory Business Plan that supported the FCA application.

8. Whilst a significant amount of work has already been completed, there are still considerable challenges ahead in the run up to the 'go-live' date of 1 April 2018. Within the next three months it is expected that the process of appointing to the next layer of management positions within the Company will be complete, or at least very near to completion. Consideration of pension benefits for newly appointed staff is also currently under consideration.

9. It has recently been announced that Geik Drever, Strategic Director of Pensions at the West Midlands Pension Fund but for the last 18 months seconded to be Programme Director for LGPS Central, will be retiring at the end of September. Geik has also stood down as a director of the Company with effect from 11 August and will be replaced on the Board by the new COO/CFO.

10. A progress report from the Department for Local Government and Communities (DCLG) has been attached as Appendix 1 to this report for further information. The comments directed around FCA registration are relevant to other pools as LGPS Central has been adhering to this requirement as part of the development work.

11. Please note that Appendices 2 and 3 contain exempt information (on salmon pages) and should members wish to discuss the information included in the Appendices they would need to consider passing the appropriate resolution and moving into exempt session.

Contact Points

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Specific Contact Points for this report

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Supporting Information

In the opinion of the proper officer (in this case the Chief Financial Officer) the following appendices contain supporting information for this report:

Appendix 1 - progress report from the Department for Local Government and Communities (DCLG).

Appendix 2 - Questions from the FCA following initial registration meeting and LGPS Central responses. **(Exempt information - Salmon pages)**

Appendix 3 – LGPS Central staffing structure. **(Exempt information - Salmon pages)**

Appendix 4 – LGPS Central organisational structure.

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.