Local Government Pension Scheme Pooling: Autumn Progress Report

Pool: LGPS Central

Date: 15th October 2018

INTRODUCTION

This report has been produced by the Partner Funds and LGPS Central Limited (LGPSC) jointly. We believe it shows significant progress in the development of our Asset Management Vehicle and the ability to deliver on the aspiration of the original business case.

It highlights significant savings made by Partner Funds, the establishment and regulatory authorisation of LGPS Central Limited and of its pooling vehicle, an Authorised Contractual Scheme (ACS), by the Financial Conduct Authority (FCA), implementation of effective governance, the creation of several ACS sub-funds and an initial transfer of assets.

The key highlights include

- £14bn of assets under LCPSC management/stewardship at 31st August 2018.
- 19 sub-funds being delivered by 20/21 to bring ACS AUM to £25.6bn.
- On-gong procurement and Transition of a 'Global Active Equities' Mandate which reduces fees by approximately 30% more than anticipated in the original business case, producing significant savings for Partner Funds.
- Continued and on-going dialogue to develop future product offerings.
- Robust Governance arrangements and clear working relationships between all parties developing, including a healthy level of appropriate challenge to and from all Partners, which will ultimately help shape the optimal operating model.

- While operating costs of the Company are now higher than first anticipated, the investment management fee savings are now expected to be greater than originally forecast. Leaving an estimated cumulative savings figure of £247.8m by 2033/34. The break-even point estimated at 2024/25.

- The Company continues to develop its infrastructure offering in collaboration with Partner Funds who are increasing their asset allocation to this area. Close collaboration also continues on development of a Private Equity Fund for the end of this financial year.

A number of the key posts in the Company have now been filled, and work is well in hand on developing working practices and culture.

In September 2018 it was announced that, having successfully launched the Company in April, the Chief Executive has decided to move on and will be leaving the Company by April 2019. The early successes outlined above leaves the Company in a strong position to find a successor to take the Company forward to the next stage of its development. An

appointment process is underway and continuity plans in place to ensure confidence that the Company's strategic plans remain on track during the transition period.

All parties continue to work together in partnership to ensure the collaboration is a success through the development of investment offerings that represent value to the Administering Authorities as the ultimate Asset owners, and create a viable and successful publically owned asset management company.

Partner Funds: those Administering Authorities which invest via the Pool.

Criterion A: Scale
The Partner Funds of the LGPS Central Pool (the Pool) are responsible for the management of £45bn of pension fund assets. The participating pension funds are Cheshire Pension Fund, Derbyshire Pension Fund, Leicestershire County Council Pension Fund, Nottinghamshire County Council Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, West Midlands Pension Fund, the West Midlands Integrated Transport Fund and Worcestershire County Council Pension Fund. The Pool has created LGPS Central Limited (LGPSC, the Operator or the Company) as the Pool's asset management company and it is ultimately expected to manage the majority of these assets on behalf of the Partner Funds. LGPSC is authorised by, or seeking approval from, the FCA to provide investment offerings in three key areas: 1. The operator of an Authorised Contractual Scheme (the ''ACS''); 2. Discretionary, advisory and execution only mandates covering certain legacy assets of the Partner Funds managed under Client Services Agreements; and 3. The Company is seeking approval for Other Collective Investment Vehicles (e.g. Limited Partnerships). LGPSC is responsible for the oversight and management of the three key elements noted above. Items one and three will be used to manage the pooled assets of the participating pension funds, with the second item covering certain legacy assets from individual participating pension funds. The ACS has been authorised by the FCA, and the first three ACS sub-funds were launched on 1 April 2018. The Other Collective Investment Vehicles will be used to manage more illiquid assets, e.g. private equity and infrastructure. Based on asset values at 31 December 2017, the total value of assets owned by the participating pension funds was £45.1bn. It is anticipated that the investment management of all assets, except Bulk Annuity Buy-Ins, LDIs, Life Policies and Cash, will be transitioned into LGPSC over time, with all transitions subject to value for money appraisals. Based on asset values at 31 December 2017, the assets which are currently expected to be ultimately managed by LGPSC will be in the region of £33.1bn, comprising ACS sub-funds of £25.6bn and Other Collective Vehicles of £7.5bn.

Building on the launch of the first three ACS sub-funds, the ACS sub-fund transition plan includes the launch of a further sixteen sub-funds over the next three years, covering equities, fixed income and direct property (subject to the satisfactory resolution of several tax issues). The provisional timing of the launch of the ACS sub-funds is set out below.

Launch Date	**Product**	**Estimated Assets Under Management 31 Dec-17 £m**
	ACS Sub-Funds	
Launched	UK Equities Passive (Internal)	1,271
Launched	Global Equities Passive (Internal)	4,126
Launched	Dividend Growth Fund (Internal)	268
Q4 2018	Global Equities Active (External)	2,853
Q1 2019	Emerging Market Equities Active (External)	2,414
Q1 2019	Global Factor Based Strategy (Internal)	1,000
Q1 2019	Global Corporate Bonds (External)	2,249
	Total 2018/19	**14,181**
2019/20	G10 Fixed Income (External)	1,000
	Conventional Bonds Active	391
	Index-Linked Bonds Active	558
	MAC Active (External) (60%)	759
	Emerging Market Debt Active (External)	465
	Property Direct (External)	2,248
	Total 2019/20	**5,421**
2020/21	UK Equities Active	2,706
	Global Sustainable Equities Active	500
	US Equities Active (External)	783
	Japanese Equities Active (External)	721
	Asia Pacific Equities Active (External)	462
	European Equities Active (External)	318
	MAC Active (External) (40%)	506
	Total 2020/21	**5,996**
	Total ACS Sub-Funds Post Transition	**25,598**

The ACS sub-fund transition timetable is currently being reviewed by LGPSC in collaboration with the Partner Funds following the recruitment of the majority of the company Investment Directors, with demand, sustainability and value for money being key considerations for the development of a sub-fund. Based on asset values at 31 December 2017, the total value of assets expected to be transitioned into ACS sub-funds is approximately £25.6bn. Prior to the launch of further ACS sub-funds, the legacy assets destined for these sub-funds will either be managed by the Partner Funds or by LGPSC

under either discretionary or advisory client services agreements.

Alternative legacy assets (e.g. infrastructure, private equity, private debt, etc.) will be either managed by the Partner Funds or by LGPSC under segregated and advisory client services agreements. As the legacy assets unwind, a process which is expected to take more than ten years, the assets will be transitioned into a series of Other Collective Investment Vehicles created by the company. A provisional timetable is set out below, together with an estimate of the combined Pool Member commitment to each vehicle in the year following launch. The launch of the Other Collective Vehicles is being developed by LGPSC in collaboration with the Partner Funds, with demand, sustainability, value for money and the suitability of the structure being key considerations. The aspiration remains for all Alternative assets within the original business case to be managed by LGPSC, subject of course to the development of appropriate product offerings.

Launch Date	**Product**	**Estimated Opening Commitment in Year One £m**	**Estimated Assets Under Management 31 Dec-17 £m**
	Other Collective Vehicles		
Q4 2018	Private Equity (core & co-investment) 2018 vintage	+250	2,012
2019	Infrastructure 2019 vintage	+300	1,222
	Targeted Return	+700	1,656
	Private equity 2019 vintage	+300	
2020	Private Debt	To Be Confirmed	773
	Indirect Property	To Be Confirmed	1,141
	Special Opportunities & Other	To Be Confirmed	701
	Infrastructure 2020 vintage	300	
	Private Equity 2020 vintage	**300**	
	Total Other Collective Vehicles Post Transition		**7,505**

It should be noted that LGPSC is now managing around £14bn of investment assets on behalf of the Partner Funds across a range of asset classes through a combination of launched ACS sub-funds and discretionary / execution & advisory / advisory client services. This is summarised below.

LGPSC Assets Under Management or Stewardship	**31 Aug-2018 £m**
ACS Pooled Sub-Funds	**5,600**
Discretionary Mandates	**1,000**
Execution & Advisory Mandates	**4,000**
Advisory Mandates	**3,600**

Total at 31 August 2018	**14,200**

The assets which will be managed outside the LGPS Central Pool are:

Assets Not Invested Through the Pool	**31 Dec-2017 £m**
Bulk Annuity Buy-In (31 March 2017)	255
LDIs	73
Life Policies	10,421
Operational Cash	1,248
Total Assets Not Invested Through Pool	**11,997**

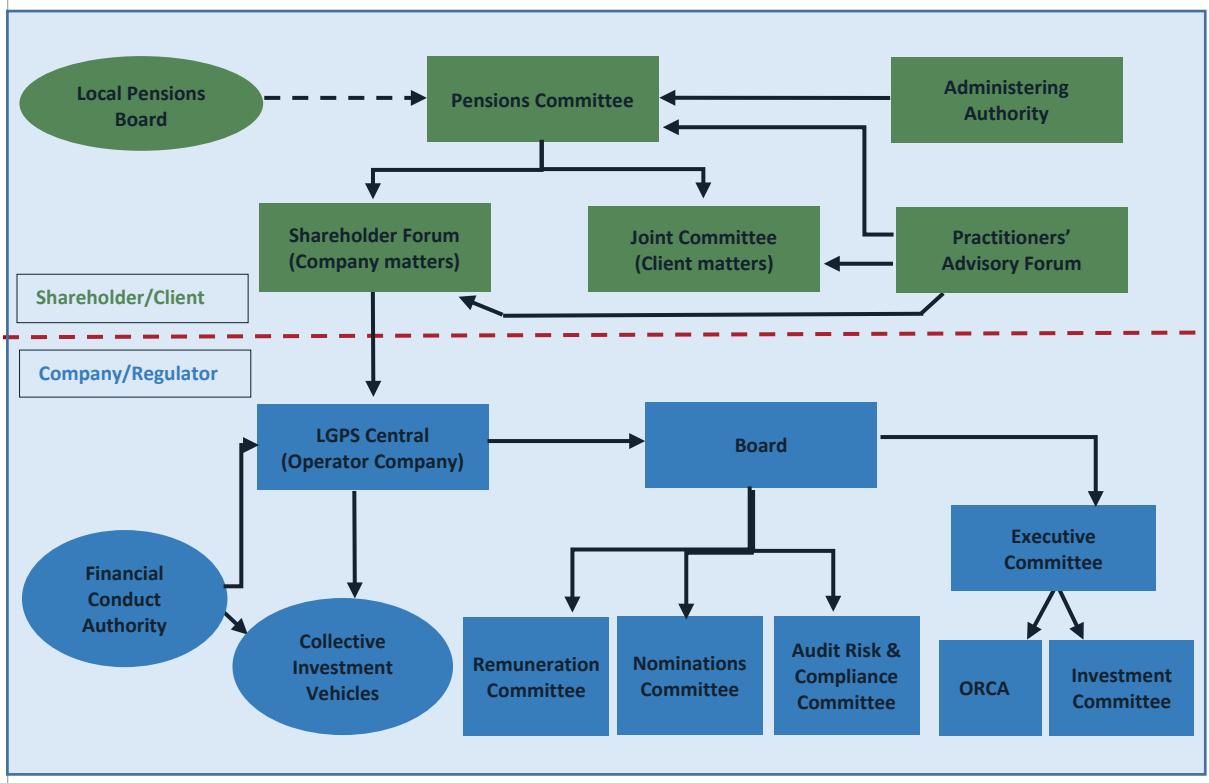
1. Bulk Annuity Buy-In contracts held in relation to the pensioners' liabilities within the West Midlands Integrated Transport Authority (WMITA) Pension Fund; these assets are only valued once a year at the year-end. The WMITA Pension Fund will hold the Bulk Annuity Buy-In outside the LGPS Central Pool indefinitely because it is a liability matching asset, specific to the members of the WMITA Pension Fund.
2. Any existing or future investments in LDIs held by Partner Funds are expected to be managed outside of the LGPS Central Pool. LGPS Central may offer LDI products and services in the future.
3. The management of the Life Policies will remain with the Partner Funds on value for money considerations. This will be kept under review and it should be noted that the current fees payable for the management of the majority of the Life Policies assets were negotiated as part of the "Seven Shires" collaboration which involved six of Central's Partner Funds. LGPS Central may offer similar products and services in the future.
4. Cash held by the Partner Funds for operational purposes.

The Company will be continually working with Partner Funds to look at new product offerings that may be needed to support any future asset allocation changes that may arise from investment strategy reviews within funds as the 2019 Triennial Valuation results start to materialise.

Progress against the transition timetable will be reported transparently to LGPS Central's Joint Committee which is a public forum.

Criterion B: Governance

The governance arrangements currently in operation for the LGPS Central Pool, as set out in the diagram below, are now well established.



The **LGPS Central Joint Committee** has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the Joint Committee consists of one elected member from each Administering Authority within the LGPS Central Pool. The Joint Committee has met twice so far in 2018, with the last meeting held in Matlock on 29th June 2018. The June meeting covered a range of topics, including the MHCLG Spring Progress Report; an update from LGPS Central Limited; the Pool's Product Development and Asset Transition Plan; FCA compliance; the Pool's Risk Register and an update on LGPSC's Responsible Investment & Engagement Framework. The next meeting of the Joint Committee is due to be held on 14th December 2018 in Shropshire.

The primary role of the **Shareholders' Forum** is to oversee the operation and performance of LGPS Central Limited and to represent the ownership rights and interests of the Shareholding Councils within the LGPS Central Pool. The Shareholders' Forum is independent of the Company and its meetings are distinct from Company meetings, however, members of the Shareholders' Forum represent the Councils at Company Meetings. The Councils as individual investors in the Company have in place local arrangements to enable their Shareholder representatives to vote at Company meetings. Two meetings of the Shareholders' Forum have been held in 2018. At the 10th September 2018 meeting held in Wolverhampton, discussions took place on the items arising in the

LGPSC AGM which followed, namely the approval of LGPSC's Annual Report to March 2018, the re-appointment of the Company's Directors, the establishment of a Scottish Limited Partnership for the delivery of the private equity product and a progress report from LGPSC.

The **Practitioners' Advisory Forum (PAF)** is a working group of officers appointed by the Shareholding Councils within the LGPS Central Pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. As the workload of PAF has developed, the following working groups have been established: Investment; Client Reporting; Finance; Governance; and Responsible Investment. This group is a key link between the Administering Authority and the Company and is pivotal to the on-going relationship. The group contains S151 Officers responsible for ensuring effective governance and value for money alongside Heads of Pension Funds who provide the specific LGPS knowledge and advice.

The Terms of Reference that have been approved for the Joint Committee, the Shareholders' Forum and the Practitioners' Advisory Forum are "live" documents which are likely to evolve as the practical day to day experience of working within the Pool evolves.

An Audit Working Group has also been established with representatives from the internal audit function of each of the Partner Funds. The collaborative audit approach aims to ensure a consistent process for all Partner Funds when providing assurance in relation to investment pooling and aims to prevent duplicated effort. An assurance framework has been developed by the Group using the three lines of defence model focusing on the management controls, governance and independent assurance required to provide assurance to Partner Funds that potential pooling risks have been considered and mitigated to the extent possible. The Operator is working with the Audit Working Group to provide an appropriate level of access and assurance.

LGPSC is authorised as the operator of the ACS and to provide services to the Partner Funds by the FCA. The Company is therefore subject to the Regulator's Conduct of Business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

The Company Board comprises a non-executive Chair and two further non-executive directors. The Chief Executive Officer (CEO) and the Chief Operating and Financial Director (COFO) are executive Board members.

In September 2018, it was announced that the CEO of LGPS Central Ltd would be stepping down . The current intention is that he will remain in place until April 2019. The Board's Nominations Committee has the responsibility to identify and appoint a successor and this process is underway. Appropriate plans are in place and the Company (and Partner

Funds) are confident business as usual and the planned development will continue to schedule.

To support its work, the Board has established three sub-committees. The sub-committees comprise non-executive directors:

1. **Remuneration Committee**. Its core purpose is to provide oversight of the Company's regulatory compliance in respect of "Code Staff", to keep under review the Company's pay and benefits framework to ensure that it remains competitive, and to recommend any significant changes in the pay and benefits framework to Shareholders for their approval. The Committee will meet at least twice during the year.

2. **Audit, Risk and Compliance Committee**. Its core purpose is to ensure the integrity of the Company's financial statements and the financial reporting process, oversight of the Company's compliance with legal and regulatory requirements, performance of the internal audit function, checking the effectiveness of the Company's systems of internal controls and policies, and the effectiveness of the Company's procedures for risk assessment and risk management. It will meet at least four times during the year.

3. **Nominations Committee**. Its core purpose is the recruitment and evaluation of the board of directors and senior staff;
examining the skills and characteristics that are needed in board candidates, and reviewing corporate governance policies. It will meet at least twice during the year.

The Board has created an **Executive Committee** (ExCo) which is chaired by the CEO. In addition to the COFO, ExCo members are the Chief Investment Officer (CIO), Chief Compliance and Risk Officer (CCRO) and General Counsel (GC). The ExCo has primary authority and responsibility for the day-to-day management of the Company's asset management business, all operational and financial functions, the risk, compliance and legal functions, and for the formulation and implementation of the Company's strategy and budget, subject to the strategy, budget, policies and delegations approved by the Board from time to time.

The Board has also created an **Investment Committee** (IC) and an **Operations, Risk, Compliance and Administration Committee** (ORCA) both of which are subordinate to ExCo. The IC is chaired by the CIO. In addition to the CIO, IC members will be the Interim DCIO, six Investment Directors, the Director of Responsible Investment and Engagement and the CCRO. The IC has primary authority for the day-to-day management of the Company's investment management function, and for the formulation and implementation of the Company's investment strategy and product development, under the direction and oversight of the ExCo, and subject to the investment strategy and products approved by the Board from time to time.

ORCA is chaired by the COFO and its members are the CCRO, GC and Risk Manager. ORCA, and through its sub committees, has executive authority for ensuring that appropriate governance arrangements are in place and operating effectively to approve new products, review new and exceptional processes as well as acting as the valuation committee,

counterparty credit committee and procurement committee.

Asset allocation decisions remain with the Partner Funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the Operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the Pool's assets currently remains with the Partner Funds. The Operator is responsible for selecting the custodian for the assets in the ACS; the Partner Funds are responsible for selecting the custodians for the remaining assets.

A suite of reports has been designed in order to meet the regulatory requirements for the ACS unitholders and for the segregated mandates. For the ACS unitholders this includes transactional based reporting, provided through the transfer agent, and periodic performance reports. For the segregated mandates this includes both transactional and performance reports provided on a periodic basis.

Discussions have been held with Partner Funds to identify the type and style of reporting that will be required and the Operator is designing appropriate reports. For ACS funds these reports will be issued monthly and initially follow a standard 'fund fact sheet' format. They will disclose performance returns against benchmark, sector and attribution analysis. Discretionary funds managed by the Operator will contain the same information plus detailed transaction and portfolio holding data. Both styles of report will contain an investment commentary.

Development of the product offer is a collaborative process between the Company and the Partner Funds to ensure that the Operator's products will enable each pension fund to deliver its respective investment strategy. An Investment Working Group has been set-up as a sub-group of the Practitioners Advisory Forum to collectively establish the needs of the Partner Funds and to collaborate with the Operator on the development of appropriate products. This is very much a two-way process. LGPSC will bring suggested product ideas and innovative solutions for the delivery of strategies to the Partner Funds.

A Compliance Monitoring Plan has been approved by the Board of the Company and monitoring is taking place in line with this plan. A Risk Manager has been recruited and is developing an appropriate dashboard for monitoring and controlling risks on the portfolios under management. A Risk Management Framework has been implemented to identify risks and to implement mitigating controls so that the residual risk is within the risk appetite. KPMG have been engaged to provide Internal Audit services and a programme of audits has been agreed for the first year of operation.

A Business Continuity Plan has been established. The Counterparty Risk Committee has reviewed and approved the relationships with all brokers and counterparties utilised. The Audit, Risk & Compliance Committee has held several meetings during which the compliance and risk frameworks have been discussed and agreed. Professional Indemnity Insurance is in place.

The Partner Funds and the Company are currently developing a Pool Risk Register to follow on from the project implementation Risk Register. This will include items from the

Company's Risk Register, risks surrounding overall Pool governance and Partner Fund pooling risks.

The proposal for cost benchmarking by the Partner Funds is covered in the following section. Governance and performance benchmarking for the Pool will be developed by the Partner Funds and will take into consideration developments at the other Pools on benchmarking. The company has produced its first annual report and accounts (attached).

Criterion C: Reduced Costs and Value for Money

Implementation costs for the establishment of the Operator totalled £4.0m. These costs exclude share capital and subordinated debt funding which totals a further £16.0m. The operating cost budget for the first year of trading, 2018/19, has been approved at £9.1m (£10.5m after taking into account irrecoverable VAT and company profits), of which £5.1m relates to governance and operator running costs, and £4.0m relates to the cost of the internal investment team. These costs are higher than anticipated at the time of the Autumn 2017 progress report but reflected a more realistic cost base for a regulated asset manager, and are higher than those reflected in the Pool's initial Cost Savings Model.

More clarity on the necessary costs of building a regulatory compliant asset management company together with the "lived experience" of the LGPS Central Limited senior management team identified additional costs. Also, the MiFID II regulations requiring the unbundling of investment research costs were responsible for a £0.7m increase in the operating budget; it should be noted that Partner Funds will benefit from a commensurate reduction in investment transaction costs. Partner Funds undertook a rigorous due diligence exercise on the proposed operating budget, which involved the comprehensive analysis of the Operator's proposed items of expenditure and a series of robust discussions with the Company's senior management team.

LGPS Central Limited has put in place strong financial controls to ensure that all expenditure is necessary and that value-for-money is achieved. Budgets and forecasts are under particularly close review during this first year as the Operator seeks to build out services and infrastructure to deliver appropriate solutions to the Partner Funds. The first quarterly monitoring report for 2018/19 indicated that actual costs for 2018/19 were expected to be £0.2m lower than the approved budget.

The Partner Funds collectively achieved significant cost savings between 2014/15 and 2016/17. Total Investment Management Expenses fell from £196m in 2014/15 to £181m in 2016/17, an absolute reduction of £15m. The Total Expense Ratio (TER) fell from 58.0 basis points (bps) to 43.7bps, a reduction of 14.3bps. A positive Price Variance of £60m (calculated by applying the TER reduction between 2014/15 and 2016/17 to AUM at 31st March 2017) was partly offset by a negative Quantity Variance of £45m (calculated by applying the 2014/15 TER to the AUM at 31st March 2015 less the AUM at 31st March 2017).

Total Investment Management Expenses for 2017/18 have yet to be finalised. As part of the process of quantifying the Total Investment Management Expenses for 2017/18, an external service provider will be appointed to work with LGPSC and the Partner Funds to ensure that the information provided by the Partner Funds investment managers is complete, transparent and in line with the Scheme Advisory Board's Code of Transparency. When the Total Investment Management Expenses for 2017/18 have been finalised, the Partner Funds will quantify, and report, the level of cost savings achieved between 31st March 2015 and 31st March 2018, together with the roll-forward impact to 2033/34, in line with the methodology set out in CIPFA's Proposals for LGPS Reporting in a 'Pooled World'.

The Pool's initial Cost Savings Model (the Model) was based on assets under management at 31st March 2016 and the opening TERs forecast for March 2018 were based on 2015/16 TERs. Total forecast cumulative cost savings between 1st April 2018 (i.e. the date LGPSC was scheduled to launch its first ACS sub-funds) and 31st March 2034 based on this model are summarised below:

Forecast Cumulative Cost Savings to 2033/34	**£m**
Set-up costs	(4.3)
Operator Running Costs	(101.2)
Service Provider Fees	(61.3)
Cost of Asset Transition	(49.2)
Total Costs	**(216.0)**
Investment Management Cost Savings	436.2
Other Costs / Savings	27.6
Total Cumulative Cost Savings	**247.8**

The principle driver of savings within the Model is greater purchasing power from increased scale and manager rationalisation. The Model also assumes savings from the transition of less liquid assets into the Other Collective Investment Vehicles.

The Model forecasts that the LGPS Central Pool will break even in 2024/25. It should be noted that there is a wide dispersion of forecast cost savings between the Partner Funds, with marginal savings forecast for several Funds within the Pool.

The Partner Funds and LGPSC plan to update the Model in Q3&Q4 2018/19 to reflect:

1. Actual Assets Under Management at 31 March 2018;
2. Actual TERs for 2017/18;
3. The most up-to-date estimate of LGPSC product offering, transition timetable and expected TERs; and
4. Updated Operator budgets in respect of governance and running costs.

All other things being equal, the increase in the operating cost budget noted earlier would reduce the initial assessment of the cumulative cost savings between 2018/19 and 2033/34 by approximately £32m. LGPSC are seeking to identify measures to mitigate this impact on the cost savings and these will be reflected in the updated Model. For

example, LGPSC has enjoyed an early and encouraging success in respect of its first external managed sub-fund (Global Equities Active (External)), with the external investment manager fee now expected to be below 30 basis points compared to the 39 basis point estimate included in the initial Cost Savings Model. Notwithstanding the budget increase above, this success so far suggests that the forecast savings are likely to be exceeded.

As part of the update, the Partner Funds and LGPSC are also developing a framework for quantifying the actual cost savings achieved by the Pool against the forecast savings. Given that the Pool's first products were launched in April 2018, and that the Cost Savings Model has yet to be updated, an assessment of actual cost savings achieved to date has yet to be carried out. The quantification of the cost savings will be in line with the methodology set out in CIPFA's Proposals for LGPS Reporting in a 'Pooled World'. The framework will also include an assessment of LGPSC's performance against its wider objectives, and any other identified benefits of pooling (e.g. providing a range of asset classes to support the asset allocation strategy of Partner Funds; the sustainability of a larger internal investment team; enhanced levels of corporate governance; responsible investment and engagement, etc.). Whilst these objectives and other benefits are more qualitative and intangible in nature than actual quantifiable cost savings, they are nevertheless important to both Partner Funds and LGPSC.

The Partner Funds and LGPSC plan to be fully transparent in respect of reporting transition costs, the fees and net performance of each asset class and the delivery of cost savings and other benefits against those forecast. All Partner Funds confirm that the administering authorities will comply with CIPFA's Proposals for LGPS Reporting in a 'Pooled World' when preparing their annual reports from 2018/19.

The transition of Partner Fund assets into the pooled products offered by LGPSC will, to the extent necessary, be managed by external specialist transition managers to minimise the overall cost of transition wherever possible. These managers will be selected from the LGPS Transition Framework Agreement. The external transition managers will be required to report the transition costs on a fully transparent basis, and these will be reported to, and be monitored by, the Partner Funds, the Practitioners' Advisory Forum and the Joint Committee.

LGPSC will be fully transparent in respect of all costs and has signed-up to the Scheme Advisory Board's Code of Transparency, and will expect the same high standards from external investment managers. LGPSC also plans to share data with the relevant independent cost benchmarking surveys, and actively participate in, and promote the cost transparency agenda.

In due course, LGPSC will publish details of its gross and net performance in each asset class on its website, with comparison against an appropriate benchmark for the listed asset classes; subject to appropriate consideration of commercial confidentiality and FCA compliance requirements. There will also be a link from the websites of the Partner Funds to the LGPSC website once developed. In addition to monitoring by the respective Partner Funds, the gross and net performance in each asset class will be reported to, and be

Criterion D: Infrastructure
The Partner Funds had a collective committed allocation to infrastructure of £1.5bn at 31 December 2017. The Partner Funds have committed a further £400m to infrastructure assets in the first nine months of 2018 resulting in a 4.2% allocation to infrastructure, and the collective ambition of the Partner Funds is to increase the target allocation to at least 5% over the next few years. As noted in the Spring update, LGPSC has a dedicated Investment Director for Infrastructure and Property with additional resources to be further built out as the business case evolves. The Investment Director is currently assessing Partner Fund requirements for infrastructure with a view to finalising a business case for consideration by Partner Funds . This is likely to include the development of a Scottish Limited Liability Partnership as the vehicle for managing the assets, with the intention that this will be available to commence investments through a dedicated Pool vehicle in Spring 2019. Details are currently being worked on but could include two sleeves which would provide the opportunity to invest both through direct/co-invest and external manager funds, this would provide Partner Funds with the opportunity to access both routes to investment in infrastructure. It is anticipated that the vehicle once operational would consider both UK and overseas infrastructure investment opportunities and for the UK element to include the potential for both local and housing infrastructure providing that the financial returns continue to meet the fiduciary responsibilities of the Partner Funds . LGPSC isalso already managing an infrastructure advisory & execution mandate valued at £750m on behalf of one of the Partner Funds as well as providing wider support to other Partner Funds as required. The advisory mandate covers both direct and indirect (through external managers) infrastructure investments. Under this mandate investments have been made direct into wind farms as well as external funds during the current financial year. LGPS Central Pool also recently held a dedicated infrastructure day at which Partner Funds were present. This included both a dedicated training session, but also considered a number of investment opportunities in this area. A further day is being planned for later this year, where other potential funds will be presented. Having collective sessions has proved beneficial both in terms of broadening the knowledge base but also highlighting the broad range of opportunities and potential returns available through infrastructure investments. As further noted in the Spring progress report, individual Partner Funds are continuing with their individual investments in infrastructure as well as sharing information on what they are doing and where feasible looking at opportunities to collaborate on specific investments, particularly where these involve external funds. In some instances, this has occurred more broadly and resulted in collaboration with other LGPS Funds outside LGPS Central Pool. Opportunities to collaborate more broadly will continue to be sought,
monitored by, the Practitioners' Advisory Forum and the Joint Committee. This monitoring process will be supported, where required, by independent performance and cost benchmarking reviews commissioned by the Partner Funds.

although it is recognised that different Pools are at very different stages on the journey when it comes to infrastructure, but the opportunity to share ideas for development continues to be focused through the cross-pool infrastructure group.