

PENSIONS COMMITTEE

1 DECEMBER 2017

LGPS CENTRAL UPDATE

Recommendation

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

Update

- 2. A pooling progress report was submitted to DCLG on Friday, 20 October 2017, and a follow up call was scheduled to discuss key points. The progress report has been attached for information as an Appendix to this update report. **Please note that the Appendix contains exempt information (on salmon pages) and should members wish to discuss the information included in the Appendix they would need to consider passing the appropriate resolution and moving into exempt session.****
3. Over the past quarter a key focus has been on the recruitment of senior pool staff. To date, Shareholders have approved the appointment of the Board roles, which include the Chair, Non-Executive Directors (x2), Chief Executive Officer and Chief Operating Officer/Chief Financial Officer. In addition, Jason Fletcher has been appointed as the Chief Investment Officer and started with the Company in October 2017. Interviews have been held for the role of General Counsel, and an offer has been made. Focus is now on the recruitment of the Chief Risk and Compliance Officer, which is a critical role for the FCA application approval. A date for interviews was scheduled for 6 November 2017. Interviews were also scheduled for the end of October 2017 for the role of Head of IT and recruitment is to be initiated shortly for the Investment Director roles.
4. Suitable office accommodation has been identified in Matlock, within the Council offices and plans being developed for its layout. With regards to the Wolverhampton offices, the Company is currently working in Mander House and are in the process of formalising the lease arrangements. Refurbishment work is underway and is expected to be complete by the end of the year.
5. The application for the LGPS Central (operator) was submitted in July 2017, and a follow up meeting held in August 2017. A number of queries have been raised by the FCA with regards to technical regulatory questions and the controlled function roles, in addition, subsequent queries around IT, in particular cyber security, have been received. January 2018 is the target authorisation date, which is currently Amber in the risk register due to the requirement for the recruitment to the controlled functions. The FCA has advised that the application will not progress until the posts are filled. Alternative options are being investigated i.e. options for recruitment of interims or advisors, to stop the programme from stalling.

6. Progress is being made with the implementation of services procured to date, and work continues on the remaining services, which include internal auditor, tax advisor and legal advisor.

7. The Pensions Policy for LGPS Central was agreed by Shareholders in October 2017, which sets out a two-tiered approach, one for those who join the company from Partner Funds, and those who join externally. Pension benefits are linked to the grade the staff join the company. For those employees not eligible for the LGPS a DC scheme will be offered. The DC scheme has been calibrated to the upper quartile of those on offer in the finance market. The pension liabilities, under FCA regulations, are included in the assessment of regulatory capital requirement. Discussions have been held with Mercer and Eversheds about how this is best managed to reduce the impact on the regulatory capital.

8. In connection to the Pensions Policy a Supplementary Agreement between the Partner Funds, West Midland Pension Fund and LGPS Central has been agreed by the Shareholders in principle, subject to final legal clearances by all three parties. The formal deed is now being reviewed by the legal group. The Supplementary Agreement has a threefold purpose:

- Formalises LGPS Central participating in WMPF
- Covers the guarantee from Partner Funds, and;
- For Partner Funds, outlines more explicitly how costs will be shared.

The guarantee from Partner Funds would be similar to those provided to Admitted Bodies who participate in the LGPS whilst providing public sector services. Any liabilities that transfer from the Partner Funds will be fully funded at the outset, and the pension costs will be shared based on principles in line with the wider cost sharing agreement, reflecting the services that each Partner Fund takes from LGPS Central.

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Supporting Information

Appendix - progress report for the Department for Local Government and Communities (DCLG). **(Exempt information – Salmon pages)**

Background Papers

In the opinion of the proper officer (in this case the Interim 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.