

PENSIONS COMMITTEE
19 MARCH 2018**LGPS CENTRAL UPDATE**

Recommendation**1. The Interim Chief Financial Officer recommends that:**

- a) The LGPS Central Update is noted; and**
- b) The LGPS presentation attached as an Appendix is noted.**

Update

2 On the 17 January 2018, LGPS Central Limited received FCA authorisation. The Company has been authorised to operate as an Alternative Investment Fund Manager (AIFM). This allows it to act as the operator of an Authorised Contractual Scheme (ACS), and provide a range of discretionary and advisory investment services to its clients. Adverts have been placed for the roles in risk and compliance to support CCRO, finance roles to support Head of Finance and have commenced interviews for the Head of Operations role.

3 Over the past quarter a key focus has been on the continued recruitment of senior pool staff. In addition to the appointments included in the December committee, the role of General Counsel (GS) and Chief Risk and Compliance Officer (CRCO) has been appointed to, which was a critical role for the FCA application approval. Appointment to the Deputy Chief Investment Officer has taken place and a further two Investment Directors appointed for Fixed Income, and Manager of Managers & Absolute Return. Interviews for the Investment Director of Active Equities role are ongoing but expected to have concluded shortly.

4 Good Progress has been made with the implementation of services procured to date, and a strong response to the advertisements for the Head of Human Resources and Business Services and Head of Client Services and Stakeholder Relations roles have been received.

5 Discussion of the Budget and Strategic Business Plan for 2018/19 is ongoing. The intention of the Company and Practitioners Advisory Forum is to take an agreed set of papers to the Shareholder Forum on 20 February

6 The Updated Strategic Plan, which was approved by the Shareholders Forum on the 20 February and includes:

- Our Shared Objectives
- About LGPS Central Ltd
- Our Objective, Culture and Purpose
- Our People

- Our Governance Structure
- Operational Plan
- Product Development and Delivery Plan
- Client Servicing and Shareholder Engagement Plan
- Compliance and Risk Framework
- Annual Budget Summary
- Key Risks to Plan Delivery
- Summary of Key Outcome Indicators 2018/19.

7. The Annual Budget is required to include:

- An estimate of the working capital requirements of the company incorporated within a cash flow forecast
- A projected profit and loss account, and
- An operating budget and balance sheet forecast.

8. The Partner Funds have jointly undertaken rigorous due diligence on the proposed operating budget, which has involved the comprehensive analysis of the Company's proposed items of expenditure and a series of negotiations with the Company's senior management team.

9. The Shareholders have approved an operating budget for 2018/19 of £9.1m and agreed that any increase in the budget over £9.1m (on a full year basis) up to a level of £9.8m would be dealt with in accordance with individual Shareholder delegation arrangements and be subject to the receipt of credible Business Plans. It should be noted that a unanimous decision from Shareholders would be required to approve any such increase.

10. The most significant milestone coming up over the next period will be the finalisation of agreements with Northern Trust for the middle offices services and fund administration along with the service level agreements. This work is being led by Chief Operating Finance Officer.

11. Considerable focus has also been placed on the client agreements we need to have in place between now and April, and beyond April. This work is being led by GC and CCRO.

12. There was a Fund Managers Day held in January 2018 for external equity managers to explain the objectives of LGPS central, what they were looking for from a fund manager and the selection process. This was well received and is intended to be repeated for future engagements with external managers.

13. As mentioned in the December report, 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. 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.

14. 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.

15. The Non-Executive Chair, Joanne Segars and Chief Executive Officer, Andrew Warwick-Thompson of LGPS Central will be attending the meeting and have provided a presentation set out as an Appendix to provide further update and context to the existing and forecast future position.

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Sue Alexander, Interim Chief Financial Officer

Tel: 01905 846942

Email: salexander@worcestershire.gov.uk

Supporting Information

- Appendix - Presentation by LGPS Central

Background Papers

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

LGPS Central business case submission to government 15 July 2016.