worcestershire
countycouncil

AGENDA ITEM 6

PENSIONS COMMITTEE
5 OCTOBER 2018

LGPS CENTRAL UPDATE

Recommendation

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

Update

Operations

2. On the 1 April 2018, LGPS Central Limited formally went live and to date daily routines have been operating effectively and staff are getting to grips with the new systems.

Staffing

3. Appointment has been made to a senior portfolio manager for active equities but LGPS Central is having difficulty appointing to an Active Equities Director. It has been recently announced that the Chief Executive has decided to step down. The current intention is that he will leave the organisation by the spring of 2019. The Board is now conducting the search for his successor.

Transition of Assets

4. LGPS Central currently has approximately £15.7bn of assets under management. (AUM). These mainly relate to West Midlands Pension Fund and Derbyshire who transitioned some of their assets on the initial launch of the company. The latest transition plan is being updated by LGPSC and will be provided at the next Committee.

5. There are 5 partner funds (not including Worcestershire) with Global Equity assets which LGPSC are looking to transition across. A product information day was conducted on the 12 September which detailed the process that LGPSC had completed (See Appendix) and there were also presentations from the 3 successful Fund managers (Harris Associates LP (Sub-delegated by Natixis Investment Managers UK Ltd), Schroder Investment Management and Union Investment)**.** The next steps are to transition the assets across and ensure the Sub Funds are ready to go live by the 30 November 2018

6. The next fund to transition across is the Emerging Markets active equities. Worcestershire currently has mandates with JP Morgan and Schroder's. Pre-Qualification Questionnaires (PQQ's) have already been sent out by LGPS central to begin the process and we will be working closely with LGPS Central to ensure a smooth a transition as possible. Regular updates will be provided to Committee and there will be a similar product information day for Emerging Markets as there was with Global Equities.

Cost Sharing Agreement

7. Pensions Committee on the 13th March 2017 agreed the following cost share principles which were agreed by the LGPS Central Programme Board:

a) Set-up costs to be shared equally amongst participating funds, i.e. one eighth per fund.
b) Investment management and monitoring costs to be shared by assets under management (AUM), on a sub-fund by sub-fund basis, subject to a pricing schedule being agreed for different asset classes e.g. active vs. passive and the differing activities of managing and monitoring assets.
c) Corporate governance costs – shared equally amongst participating funds, i.e. one eighth per fund;
d) Operator costs – charged by total AUM (from day one);
e) Transition costs - charged by AUM within sub-funds with a condition that if a fund(s) 'throws into the pot' a mix of assets that suffers from liquidity constraints or much larger transition costs than the rest of the assets, then that fund(s) is charged the additional cost.

8. It was also reported at the March Committee that Worcestershire would potentially break even in relation to the cost sharing and savings model after a 16 year period (with 2018/19 as year 1).

9. The LGPS Central business case is due to be rerun over the next few months and this first planned rerun will take into account the full details of the revised cost share agreement and the proposed sub-fund structure. The update will be reported to Committee as soon as it is available.

10. A company called Simplitium has recently been procured by LGPS Central on behalf of the partner funds with a prime aim to track through costs and savings overall and for each individual partner fund since inception of the company.

Annual General Meeting of LGPS Central Ltd

11. There was a Shareholders meeting followed by annual general meeting on the 10 September 2018. All the recommendations were agreed and the meeting covered:-

- Adoption of the 2017.18 Company report and accounts with a presentation to shareholders from the chair of LGPSC
- Re-appointment of Deloitte LLP as auditor of the company and the auditors remuneration
- Re- election of Directors
- Creation of subsidiaries to create the most appropriate vehicle for the Private Equity Fund launch.
- Items of information were the review of the corporate structure of the company and a report from the chair on a number of the formal company committees.

12. The latest quarters budget monitoring for the company shows a forecast underspend of just over £0.200m against the £9.1m approved budget which is mainly due to staff savings and was part of the AGM papers.

Other areas

13. Considerable focus is still being placed on the client agreements that LGPS Central need to have in place as these are still outstanding.

14. There are regular individual partner fund meetings with the Head of Client Service and Stakeholder Engagement. LGPSC also provide detailed updates to the monthly Practitioner Advisory Forum (PAF) Meetings.

15. PAF have a number of Work streams which meet regularly and aims to work closely with LGPS Central to ensure that all the funds requirements are met. These work streams cover: Investments; Client Reporting; Finance; Responsible Investment; and Governance.

16. **Please note that the Appendix contains exempt information (on salmon pages) and should members wish to discuss the information included in this Appendix they would need to consider passing the appropriate resolution and moving into exempt session.**

Supporting Information

- Appendix – LGPS Product Information Day presentation slides **(Exempt information – Salmon pages)**

Contact Points

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Background Papers

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