

PENSIONS COMMITTEE
8 OCTOBER 2021**LOCAL GOVERNMENT PENSION SCHEME (LGPS)**
CENTRAL UPDATE

Recommendation

1. **The Chief Financial Officer recommends the LGPS Central Update and presentation as an Appendix be noted.**

Background

2. The government set out in 2014 its approach and reasoning (Opportunities for collaboration, cost savings and efficiencies) for asset pooling with responsibility for asset allocation staying with the 90 administering authorities. Worcestershire Pension Fund (WPF) in collaboration with eight other Local Authorities (Cheshire, Leicestershire, Shropshire, Staffordshire, the West Midlands, Derbyshire, Nottinghamshire, and the West Midlands Integrated Transport Authority) set up a collective investment vehicle called LGPS Central. The Company was authorised to operate as an Alternative Investment Fund Manager (AIFM) and became formally operational from the 1 April 2018.

3. LGPS Central (LGPSC) has been in operation since the 1 April 2018 and several the local authorities have transitioned some of their existing asset allocations to be managed by the company. WPF transferred its Active Emerging Market funds into the LGPS Central's Global Active Emerging Market managed mandate in July 2019 and its Active Corporate Bond Fund into the LGPS Central 'Global active Investment Grade Corporate Bond Fund in March 2020.

LGPS Central Worcestershire Pension Fund update on Pooling

4. Attached as an Appendix is a presentation update by LGPSC on pooling and our Fund investments with the pool. This will be presented by Joanne Segars the LGPSC Board Chair and Mike Weston, the Chief Executive Officer.

Transition of existing Assets and investment in LGPSC investment products

5. There are no further transitions of the Funds existing assets planned at this stage, but the Fund is presently looking at LGPSC Global Sustainable Active Equity Fund and All World Climate Factor Passive Fund as potential future investments. This is following the Funds Environmental, Social & Governance (ESG) audit report to Pensions Committee in March 2021. LGPSC presented their proposals to Pension Investment Sub Committee on the 10 June 2021.

6. The Fund is still looking at potential infrastructure investments with LGPS Central and an update on their strategy and future pipeline for investments was presented to the Investment Sub Committee on the 21 September 2021.

LGPS Central Strategic Business Plan & proposed budget for 2022/23.

7. There have been initial discussions with LGPSC on their proposed budget and Strategic Business Plan for 2022/23 and a plan for a series of discussions on their proposals was agreed at PAF in September 2021 and it is hoped that the Budget can be initially agreed by partner funds by the end of December to then present the outcome to the Pensions Committee on the 3 February 2022.

September Company Meeting 28 September 2021

8. The meeting was held on the 28 September 2021 where the Chair updated the shareholders on the Non-Executive Directors succession planning and Board continuity. her commitment.

9. The Proposed shareholder resolutions covered the following and were agreed?

September annual resolutions

- Adoption of company report and accounts
- Reappointment of auditors
- Auditors remuneration
- Re-election of Directors

Technical resolutions

- Replacement of LIBOR
- Pension supplementary agreement

Resolutions withdrawn from February 2020 meeting

- Directors remuneration

10. Discussions continue to agree a way forward which clarifies responsibilities for staff benefits framework and the mechanism for delivery of additional budget approval for agreed new fund launch business cases being

- Private Equity
- Global Sustainable Equities
- Target Return
- Responsible Investment & Engagement (RI&E) additional analytical tools

Ministry of Health, Communities and Local Government (MHCLG) Return

11. An update on Pooling progress for the LGPS Central has been jointly produced with the Partner Funds and at the time of writing this report it was still to be agreed as the deadline is on the 24 September. A verbal update will be provided to the Committee.

12. Whilst cost savings are a key focus area for the Partner Funds and LGPS Central Ltd, and they can be clearly evidenced as this return demonstrates, there remains a strong emphasis amongst all pool members on overall investment performance; ultimately it is the delivery of investment returns that will aid in stabilising employer contributions and ensuring that pensions can be paid to members as and when they fall due

13. The attached submission shows a Like for like increase of assets under LCPS Central Ltd management/stewardship to £22.2bn at 31 March 2021 from £17.3bn at 31 March 2020 (July 2021: £24.1bn, July 2020: 19.5bn) (this includes assets invested

directly in LPGSC Ltd products, as well as those under discretionary and advisory agreements)

14. It should be noted that this is a snapshot at a point in time based on indicative future investment requirements and asset allocation plans. Both Partner Fund requirements, and Pool collaboration, investment services and sub-funds, will continue to evolve, which may impact both the timing and amount of assets transferring to LGPSC Ltd management/stewardship and therefore the potential cost savings.

15. The LGPS Central Pool will continue to adapt to the changing requirements of Funds but the focus remains on delivery of agreed levels of investment performance and developing the right products at the right time to meet the long-term strategic requirements of Partner Funds.

Staffing

16. An interim Chief Legal Compliance and Risk Officer has been appointed and the recruitment process has started for the permanent appointment to this post and the Chief stakeholder officer. LGPSC are also looking still to appoint to the Communication Officer role and the additional posts within the RI&E team being a manager and senior analyst.

Practitioner Advisory Forum (PAF) Working Groups

17. 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 are

- Governance Working Group
- Investment Working Group
- Responsible Investment Working Group
- Finance Working Group.

18. The Partner Funds have also established an Internal Audit working group which provides a co-ordinated approach to enable the Joint Committee, individual partner funds, and their respective external auditors to be satisfied on the standards of control operating across the pool.

Investment Working Group

19. It is worth just updating Committee on the focus of the Investment Working Group. The quarterly meeting cycle, with a change in focus each month, continues to work well.

- Month 1 (Jan, Apr, Jul, Oct) – Product Development
- Month 2 (Feb, May, Aug, Nov) – Policy & Performance Monitoring
- Month 3 (Mar, Jun, Sep, Dec) – Strategy and New Products

20. The following table illustrates the new products that are currently in progress and indicates the next step in the process of their development. The areas highlighted are those where we have an interest in potential future investment as they fit into our Strategic Asset Allocation plan.

2020/21 and 2021/22 Products	Next Step (August 2021)
Private Equity (2021 Vintage)	<i>Investment Case Approval</i>
Direct Property	<i>Manager Procurement pending</i>
Global Sustainable Active Equities	<i>Procurement process underway</i>
Private Debt	<i>LAUNCHED with first close of low risk sleeve</i>
Targeted Return	<i>Procurement process underway</i>
Indirect Property	<i>Product Development</i>

21. The products to be developed in 2022/23 were collectively agreed by Partner Funds at their next SAA Day on the 16 September 2021. As most sub-funds, which have targeted the higher levels of assets under management (AUM), have now been launched or in progress, the focus will ensure that these are delivered.

Contact Points

Specific Contact Points for this report

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Supporting Information

- LGPSC Pooling presentation - Appendix

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.