

## **PENSIONS BOARD**

### **5 OCTOBER 2022**

## **LOCAL GOVERNMENT PENSION SCHEME (LGPS)**

### **CENTRAL UPDATE**

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#### **Recommendation**

- 1. The Chief Financial Officer recommends the Pension Board note the LGPS Central (LGPSC) update.**

#### **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. 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 LGPSC's Global Active Emerging Market managed mandate in July 2019, its Active Corporate Bond Fund into the LGPSC 'Global active Investment Grade Corporate Bond Fund in March 2020 and more recently in November 2021 a £200m investment into the LGPSC All World Climate Factor Passive Fund.

#### **Transition of existing Assets and investment in LGPSC investment products**

4. The Pension Investment Sub-Committee has agreed an indicative £30m per annum for the next 2 years into LGPSC Infrastructure strategy subject to due diligence.

5. The Fund transferred its Active Emerging Market funds into the LGPSC's Global Active Emerging Market managed mandate in July 2019. This is now subject to a 3 year review which is being conducted by LGPSC. This fund's performance has not been particularly good since inception being -0.65% which is 4.93% below its target as at the end of July 2022 and we await the review findings and recommendations.

#### **Next Company Annual General Meeting on meeting 27 September 2022**

6. The next company meeting is on the 27 September and the proposed shareholder resolutions are detailed below.

No	Proposed Resolution
1	Adoption of the Company Report and Accounts for the year ended 31 March 2022
2	Approval of the Re-appointment of Deloitte LLP as external Auditor of the Company

No	Proposed Resolution
3	Authorisation of the Board to agree the external Auditor's remuneration
4	Approval of the re-election of Directors

7. An informal meeting and training was provided for Shareholders on the 25 August at the new I9 Building in Wolverhampton

### **Staffing**

8. The recruitment market continues to be very competitive at the moment. LGPSC have managed to recruit a Chief Legal Compliance & Risk Officer, Struan Fairbairn who will be starting mid-September which is a key post for the company.

9. However, the last few months LGPSC has seen a number of posts hand in their notice whilst at the same time have been successful in recruiting to a number of posts. The successful hires include an Investment Operations Manager, Responsible Investment Integration Manager, Chief Stakeholder Officer and Compliance Manager. It remains a highly competitive recruitment market with the principle concerns of candidates relating to remuneration and benefits packages and location and flexible working.

### **LGPSC Strategic Business Plan and Budget for 2022.23**

10. Discussions have begun on the LGPSC Strategic Business Plan and Budget for 2022/23 and this is due to be approved at the company meeting in February 2023. Further updates will be provided as to the progress at future meetings.

### **LGPSC Investment Pool**

11. Annually each Pension Pool has to provide a return which shows the level of Pool investment by partner funds in terms of the 31 March 2022 and the forecast level of Pool investment each year up to 31 March 2025. Also provided within the return are the LGPSC are the forecast level of pool savings that have been made. The submission deadline to the Department for Levelling up, Housing and Communities (DLUHC) is the 23 September and at the time of writing this report the submission was still being finalised. A verbal update will be provided to the Board

### **Practitioner Advisory Forum (PAF) Working Groups**

12. PAF have a number of Work streams which meet regularly and aims to work closely with LGPSC to ensure that all the funds requirements are met. These are

- Governance Working Group (meeting monthly and chaired by Worcestershire)
- Investment Working Group (IWG) (Meet Monthly)
- Responsible Investment Working Group (Now part of IWG and discussed quarterly)
- Finance Working Group. (Meetings as and when required)

13. The Partner Funds have also established an Internal Audit working group which provides a co-ordinated approach to enable the Joint Committee (next meeting the 11 November 2022), individual partner funds, and their respective external auditors to be satisfied on the standards of control operating across the pool. There will be 2 separate audits taking place, one focusing on investments (Led by Leicestershire) and the other on governance (led by Worcestershire).

### **Investment Working Group**

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

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

15. 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.

<b>2020/21 and 2021/22 Products</b>	<b>Next Step (as at August 2022)</b>
Private Equity (2021 Vintage)	<i>Launched</i>
Direct Property	<i>Launched</i>
Global Sustainable Active Equities	<i>Launched</i>
Private Debt	<i>Launched</i>
Targeted Return	<i>Launched</i>
Indirect Property	<i>Product Development focussing on residential property in first tranche</i>

16. 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. There is a further SAA Day planned for September 2022.

### **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:

- LGPSC Budget and strategic business plan Pension Committee 2 February 2022
- LGPS Central business case submission to government 15 July 2016.