

## **PENSION COMMITTEE**

### **25 JUNE 2024**

## **LGPS CENTRAL LIMITED (LGPSC) UPDATE**

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### **Recommendation**

1. **The Chief Financial Officer recommends that the LGPSC Update 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 in collaboration with eight other local authorities (Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, Nottinghamshire, and West Midlands Integrated Transport Authority) set up a collective investment vehicle called LGPSC that was authorised to operate as an alternative investment fund manager (AIFM) and became formally operational from the 1 April 2018.

3. Since the initial transition of emerging market mandates into LGPSC's Emerging Market Fund in July 2019, the Fund continued to make investments within the pool at a steady pace and now has approximately 23% of its investment portfolio managed by LGPSC. Those investments include:

- a) Active global equities across two global sustainable funds and one emerging markets fund;
- b) Passive equities within a climate factor fund;
- c) A fixed income corporate bond fund;
- d) A buy & maintain UK Gilts fund; and
- e) A single asset infrastructure investment fund, managed by JP Morgan.

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

4. Following consideration of the 3-year review of the Emerging Markets Active Equity Fund conducted by LGPSC, the Pensions Committee agreed to exit the fund on 12 October 2023. The exit process was completed in March 2024 after a significant delay due to administrative issues with the Fund's custodian, BNY Mellon.

5. The Pensions Committee agreed to invest in the Active Gilt Fund on 12 October 2023. Funds derived from the exit of the Emerging Markets Active Equity mandate have already been redeployed to satisfy capital calls for Bridgepoint Fund III, Igneo Fund III, and Gresham House Private Equity Fund. The new account is finally operational with the custodian and LGPSC placing the UK Gilts trade in April 2024.

6. Whilst officers focus on completing tasks arising from the Fund's latest SAAR, no specific further transitions are in the pipeline at this time. However, officers continue to work with LGPSC to identify opportunities as appropriate.

## LGPSC meetings

7. Since the latest Joint Committee meeting 2 February 2024, shareholders have agreed, signed and sealed an updated shareholders agreement which addressed specific requirements in order to achieve FCA compliance.
8. All partner funds have participated in a 1-2-1 meeting with a selection of LGPSC senior leadership and non-executive directors. The Fund held its call with John Burns, Ian Armfield and Cieran Barr and was attended by Chief LGPS Officer Phil Rook alongside shareholder representatives Cllrs Adrian Hardman and Elizabeth Eyre.
9. An “all parties” forum, consisting of shareholder representatives and officers, was held on 3 June 2024. The agenda for that meeting was non-prescriptive, following a workshop delivery style and aimed at exploring how to enhance relationships going forward. The starting point was feedback from the company following the completion of the parter fund 1-2-1 meetings.

## RI&E framework

10. Work on enhancing the climate risk monitoring service progressed and consultation was held with partner funds to discuss the latest iteration of the Climate Risk Report. The Fund’s new report has now been received and incorporates the newly procured ESG dataset from MSCI. The Fund has also received its fourth Task Force on Climate-Related Financial Disclosures (TCFD) report. Members of both Pensions Committee and Pension Board received a summary presentation of results at the ESG workshop on 31 January 2024.
11. LGPSC conducted an “RI Summit” on 5 June 2024. The agenda for that event was as follows:

	TITLE	LGPSC HOST	GUESTS (ORGANISATION)	FORMAT	
	9:30 - 9:45	Opening Remarks	Richard Law-Deeks	-	Speech
1	9:45 - 10:30	Artificial Intelligence: The cultural climate change	Alex Galbraith	Professor Andreas Hoepner (University College Dublin)	Presentation
	10:30 - 10:40	Break			
2	10:40 - 11:25	The State and Outlook for the Net Zero Transition	Ed Baker	Matthias Kimmel (Bloomberg) Andy Howard (Schroders) Katherine Scott (Macquarie Asset Management)	Panel
3	11:25 - 12:10	Macro Uncertainty: Managing geopolitical risk in the year of global elections	Patrick O'Hara	Jakril Hoque & John Goodall (LGPSC)	Presentation
	12:10 - 12:55	Lunch			
4	12:55 - 13:55	Q&A with a Global Oil Major (bp)	Sameed Afzal	Antony Andrews (bp) Georgios Michaelides (bp)	Interview
5	13:55 - 14:40	Climate Scenario Analysis: To model or not to model?	Basyar Salleh	Steve Snowden & Hill Gaston (Mercer)	Presentation
	14:40 - 14:50	Break			
6	14:50 - 15:35	What is Effective Stewardship?	Sheila Stefani	Andrew Ninian (Investment Association) Mais Callan (Impactive) Mike Lubrano (Valoris)	Panel
7	15:35 - 16:20	Where Next With Responsible Investment?	Jack Yonge	Will Martindale (Canbury)	Presentation
	16:20 - 16:30	Closing Remarks	Joanne Segars	-	Speech

## Staffing

12. LGPSC have recently recruited the following three key roles:

- a) CEO - [Richard Law-Deeks](#).
- b) Chief Commercial Officer - [Trevor Castledine](#)
- c) Chief People Officer - [Anouska Ramsay](#)

## LGPSC strategic business plan and budget for 2024-25

13. A paper detailing the Company's proposed budget and business plan for 2024/25 was presented to Pensions Committee on 31 January 2024. Discussions between partner fund officers have been thorough. At the request of shareholders, an informal virtual call was held on 7 February with the aim of facilitating a robust discussion concerning the quantum of the proposed budget as well as overall investment performance. Shareholder representatives were unable to reach a position of unanimous support for the budget and business plan. As a result, LGPSC will operate a budget based on the previous year quantum uplifted by RPI at September 2023.

## Practitioner Advisory Forum (PAF) Working Groups

14. PAF has a number of workstreams which meet regularly and aim to work closely with LGPSC to ensure that all the partner funds' requirements are met. These are:

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

15. Recent PAF focus has been on reviews of the following:

- a) Governance audit conducted by Cheshire Pension Fund;
- b) Shareholder agreement;
- c) The Company's assessment of value statement;
- d) AAF audit assurance reports;
- e) The ongoing review of the pool cost sharing arrangements which focus on the following principles:
  - i. Costs should be attributed to products and services wherever possible;
  - ii. Partner funds should generally pay for what they use, recognising that there will be a cost attached to having a platform of products/services available to all partner funds; and
  - iii. The allocation of costs should be as transparent as possible for stakeholders.
- f) The impact of the recent SAB/CIPFA/DLUHC guidance for Annual Reports on cost savings methodology.

## **Moving Pooling Forward**

16. Partner Funds have engaged with LGPSC to focus on the future development of the Pool. This coincided with the DLUHC LGPS Next Steps on Investments Consultation responses being submitted. Following the release of the Government's consultation feedback in November 2023, and the subsequent initial presentation of the LGPS Central 2024/2025 Business Plan and Budget, a further Moving Pooling Forward session was held on 25 January 2024 in order to better inform future direction and strategy.

17. At the meeting, partner funds shared individual high-level "visions" of what they envisaged pooling should look like. Despite there being a healthy variety of opinion, officers are collaborating to achieve an agreed collective position. Officers continue to collaborate with LGPSC to identify next steps.

### **Contact Points**

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### **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.