

## REPORT OF THE CONSTITUTION COMMITTEE

### A: LOCAL GOVERNMENT PENSION SCHEME CENTRAL INVESTMENT POOL - ESTABLISHMENT OF A JOINT COMMITTEE

#### Introduction

1. This report concerns the establishment of a Joint Committee made up of the eight Midlands-based Local Government Pension Funds (including the Leicestershire Fund) which will form the LGPS Central Investment Pool.

#### Background

2. Article 11 of the County Council's Constitution requires that if the County Council wishes to establish joint arrangements to exercise non-executive functions with one or more local authorities, the arrangement must be approved by the full County Council. The normal practice is for any such proposal to be considered by the Constitution Committee before a recommendation is made to the Council.

#### National Guidance

3. The Government's summer budget of 2015 contained details of its intention to encourage Local Government Pension Funds to combine assets. It stated;
 

“The government will work with the Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.”
4. Following further guidance from Government, the Local Pension Committee approved Leicestershire County Council Pension Fund's involvement in LGPS Central, an investment pool made up of eight Midlands-based Local Government Pension Funds (including Leicestershire). Formal approval for LGPS Central was given by the Minister for Local Government in November 2016, and investment pooling will commence on 1<sup>st</sup> April 2018.

#### Proposed Formation of a Joint Committee

5. The establishment of a Joint Committee would enable a representative from each of the eight authorities (Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, Nottinghamshire and Worcestershire) to meet and ask relevant questions of the operator (i.e. LGPS

Central) about investment performance and a host of other potential issues such as how responsible investment is dealt with and how investment managers performance is monitored.

6. This level of governance could be carried out in an informal manner, but the Public Sector nature of the Pension Funds means that it is important that as much of the governance as possible is transparent and open. As a result, all eight Funds strongly support a formal Joint Committee, established under s102 of the Local Government Act 1972, as the appropriate method of delivering this transparency. The Cheshire Fund has offered to service the Joint Committee.
7. The Joint Committee will not have any decision-making powers and should, therefore, be seen as a conduit between the individual Funds' decision making bodies and the operator. It will be a practical way of ensuring that the Funds have a forum to ensure that they can be kept fully informed of any matter that they feel is of relevance to the investments of the pool – investments that the Funds are the beneficial owners of. The current governance arrangements in place for the Leicestershire Fund will continue after LGPS Central becomes active.
8. It is intended that a Practitioners Advisory Forum, comprising of the Section 151 Officer or their substitute is formed to advise and assist the Joint Committee and ensure that the wishes of the Committee are presented to individual Funds for their consideration.
9. It is also the intention that a separate Shareholders Forum will also be established between the eight funds which will focus on shareholder-related matters in respect of LGPS Central. This will include, amongst other things, the appointment of key officers, approval of business plans, appointment of auditors and approval of the accounts. The Chairman of the Local Pension Committee will represent the County Council on the Forum, with the Vice Chairman acting as a substitute.
10. The Leicestershire Local Pension Committee at its meeting on 15 November 2016 supported the establishment of a Joint Committee and proposed that the Chairman of the Local Pension Committee should act as the Fund's representative on the Joint Committee and the Vice Chairman act as a substitute.

### **Consideration by the Constitution Committee**

11. The Constitution Committee at its meeting on 10<sup>th</sup> March recommended that the Council should support the establishment of the Joint Committee and the motion below gives effect to this

**(Motion to be moved:-**

**That approval be given to the establishment of a Joint Committee made up of the eight Midlands-based Local Government Pension Funds (including the Leicestershire Fund) to form the LGPS Central Investment Pool and that the Chairman of the Leicestershire Local Pension Committee act as the Funds representative on the Joint Committee with the Vice Chairman acting as a substitute).**

**10th March 2017**

**Mr N. J. Rushton CC  
Chairman**

**Background Papers**

Report to the Constitution Committee – 10<sup>th</sup> March 2017, Proposed Governance of LGPS Central Investment Pool.

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