



LOCAL PENSION COMMITTEE – 2ND JUNE 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

UPDATE ON LGPS INVESTMENT POOLING

Purpose of the Report

1. The purpose of this report is to provide the committee with information concerning the progress that has been made by LGPS Central (the investment pool that the Leicestershire Pension Fund is part of) towards the requirement to commence investment pooling on 1st April 2018.

Background

2. The Summer Budget of July 2015 contained the following announcement:

“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.”
3. In late-November 2015 the Department of Communities and Local Government (DCLG) issued a document entitled ‘Local Government Pension Scheme: Investment Reform Criteria and Guidance’. This document had been widely anticipated and did not contain any surprises to those Funds that had been close to the discussions that had been taking place between the interested parties.
4. The November document was the first time that the criteria against which the various options would be judged have been formally laid out. The four key criteria were:
 - A. Asset pools that achieve the benefits of scale – minimum size £25bn;
 - B. Strong governance and decision making – the governance structure should provide strong governance at both a local Fund level, and also at a pool level;
 - C. Reduced costs and excellent value for money;
 - D. An improved capacity to invest in infrastructure
5. The Local Pension Committee has previously approved Leicestershire County Council Pension Fund’s involvement in LGPS Central, and has received regular updates in respect of the progress that has been made by the prospective pool.

Recent Progress

6. All nine Funds that are part of LGPS Central have taken the necessary action to approve the governance structure of the pool. For Leicestershire, the Chair of this committee will act as the Fund's representative on both the Shareholders' Forum (which will deal with shareholder-related issues in respect of the operation of the company), and also on the Joint Committee (which will focus on investment management outcomes). The Vice-Chair will act as a substitute if necessary.
7. Excellent progress has been made by LGPS Central in all aspects of the work that is required to allow an application for authorisation by the Financial Conduct Authority (FCA) to be made in early July. It is expected that the Regulatory Business Plan will be approved by Shareholders (i.e. the Funds) at the Shareholders' Forum to be held in Worcestershire on 19th June.
8. A Non-Executive Chair (Joanne Segars) and a Chief Executive Officer (Andrew Warwick-Thompson) have been appointed by shareholders. Both are well known and highly respected individuals from the pensions sector, and the appointments have been very well received externally. Work is well advanced in terms of filling the other key management posts of LGPS Central – 2 Non-Executive Directors, the Chief Investment Officer and the Chief Operating Officer/Chief Financial Officer.
9. An 'asset servicer' has been appointed by LGPS Central, and this is a key matter in terms of receiving FCA authorisation. The asset servicer is responsible for the safe-keeping of the assets of the pool and also ensuring that the sub-funds managed by LGPS Central operate legally and fulfil all requirements of the FCA.
10. LGPS Central's progress is ahead of many of the other prospective pools, and the willingness to work together and compromise where necessary remains strong. Whilst the requirement to have a functioning pool by 1st April 2018 remains challenging, all key targets continue to be met and there is a strong expectation that LGPS Central will be able to commence as an authorised investment manager on this date.

Recommendation

11. It is recommended that the Local Pension Committee notes the report.

Equality and Human Rights Implications

None specific

Background Papers

Report to the Local Pension Committee – 15 November 2016 – Proposed Governance of LGPS Central Investment Pool

<http://politics.leics.gov.uk/documents/s124123/Pooling%20Governance.pdf>

Report to Council – 22 March 2017 – LGPS Central Investment Pool – Establishment of a Joint Committee

<http://politics.leics.gov.uk/documents/s127464/REPORT%20OF%20THE%20CONSTITUTION%20COMMITTEE.pdf>

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