



LOCAL PENSION COMMITTEE – 7 SEPTEMBER 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL UPDATE

Purpose of the Report

1. The purpose of this report is to update the Committee on progress towards pooling of the Pension Fund.

Background

2. LGPS Central successfully went live on 1st April 2018, without any major issues.
3. The Leicestershire Fund will be one of 9 schemes that pool pension assets within the LGPS Central Pension Pool.
4. Pooling will take several years to implement, due to then need to set-up sub-funds by Central and then amalgamate the existing holdings for the 9 partner schemes.
5. The Fund's investments in closed-ended funds, whereby an investment manager is appointed to fulfil a specific purpose via a pooled fund which is set up to run for a specified period of time. These investments will be managed locally until the capital is repaid, due to the lack of a natural ability to exit the investment in the event of issues arising.
6. Foreign currency management is another area where local management is likely to be maintained for an extended period. Kames Capital provide an active foreign currency hedge for the Fund, which is not a service currently offered by Central. The Millennium portfolio looks to add value through currency exposures, which is not something the other Partner Funds have expressed an interest in.

LGPS Central Update

7. Since the last Committee meeting Central have been requested to provide advisory services for the Fund's assets in the following classes: active global and emerging market equities, pooled and direct property, emerging market debt and targeted return.
8. This is to strengthen the Fund's oversight of its investments up to the point that Central has a pooled investment vehicle that the Fund can utilise. Central will only be able to advise the Fund on potential courses of action, and will not act without the Fund's approval.

9. A presentation from Callum Campbell, Head of Client Services and Stakeholder Relations at LGPS Central, is appended to this report. This covers the progress made to date and plan for the remainder of 2018/19.
10. The next significant milestone for the Fund is the launch of Central's Global Active Equity sub-fund scheduled for Friday 30th November 2018. The Fund currently has £340m, of assets in this class that are currently managed by Kempen and KBI.
11. Central is in the process of appointing three managers one with a growth style, one with a value tilt and one that is style agnostic. The managers will be equally weighted, although Central can apply a degree of variation to the allocation.
12. Kempen and KBI currently have a bias towards value factors and away from growth. In the latest annual strategy review of the Leicestershire Pension Fund, the Fund's advisors Hyman's, identified this bias and recommended a move to a more balanced portfolio. This will be achieved under Central's proposal.
13. In the period before launch Central will provide further information on the sub-fund, with partners required to commit to the launch in October, if they wish to participate. Should the required information be provided in time, the Investment Subcommittee will be asked to consider the Fund's participation at its meeting on 11 October. Should a decision be required before this date the Director of Corporate Resources, following consultation with the Chairman of the Local Pension Committee, will act using his delegated powers in order for the Fund to meet the deadline, with a report detailing the action taken being presented to the Investment Subcommittee..

Recommendation

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

Equality and Human Rights Implications

15. None.

Appendix

Presentation by LGPS Central

Background Papers

16. Presentation to the Local Pension Committee – 10 November 2017 - Impact of investment pooling onto the role of the Local Pension Committee.
<http://politics.leics.gov.uk/documents/s132964/Impact%20of%20investment%20pooling%20onto%20role%20of%20Local%20Pension%20Committee%20-%20Presentation.pdf>
17. Report to the Local Pension Committee – 19 January 2018 – Appendix A, Portfolio Structure of the Fund
<http://politics.leics.gov.uk/documents/s134829/Appendix%20A.pdf>

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