

LOCAL PENSION COMMITTEE – 19th JUNE 2020**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****LGPS CENTRAL UPDATE – COMPANY MATTERS****Purpose of Report**

1. The purpose of this report is to present to the Committee, an update on any company matters relating to LGPS Central.

Background

2. LGPS Central is a private limited company that is authorised and regulated by the Financial Conduct Authority (FCA). Central is owned by the eight administering authorities who formed to pool, with equal voting rights.
3. The Leicestershire Pension Fund (Fund) is a stakeholder from two different perspectives. These are as a co-owner of the company and as a recipient of investment services. These interests are managed through the Shareholders Forum and the Joint Committee.
4. The supervisory body of the company LGPS Central is the Shareholders' Forum, which normally precedes general meetings of the company, this allows discussion in advance of decisions being made at the meeting. It is comprised of eight members, representing each of the partner funds. The members are a mixture of elected representatives, typically the Chair of the Local Pension Committee, and senior officers. The Directors of the company are responsible for the day-to-day management and operation of LGPS Central. The Shareholders' Forum meets at least twice a year to agree certain reserved matters; this provides a greater degree of control than for most private companies. Their powers as shareholders are set out in a Shareholder Agreement and include:
 - Amending or adopting new strategic plans
 - Admitting new members to the Pool
 - Appointment and removal of Directors
 - Approve accounts and appoint auditors
 - Approving capital expenditure over £5M
5. The Joint Committee focuses on investor issues of the authorities and meets twice each year. It is comprised of eight members, representing each of the partner funds. This provides oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS central business case and to deal with common investor issues. The joint committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The joint committee does not have delegated authority to make binding decisions on behalf of the participating councils.

6. To allow LGPS Central access to the authorities in a more frequent and informal setting, for example to develop investment products, a Practitioners' Advisory Forum was created. This is a working group of officers than meets on a regular basis. The forum also provides support to member of the Shareholders' Forum and Joint Committee. LGPS Central will also provide performance reports to individual Funds and, periodically, attend meetings with individual pension fund committees
7. Appendix A – provides a diagrammatic breakdown of the Governance structure

Joint Committee meeting update

8. A Joint Committee meeting was held on 14th February 2020 at Staffordshire County Council's County Buildings. The shareholder representative and the Director of Corporate Resources attended. The following papers were presented by Partner Fund representatives, questions were taken, all papers were formally received.
9. The National LGPS Picture incorporating national developments and current issues impacting the LGPS was presented. It covered implementation of investment pooling, the developing role of the Pensions Regulator, the individual funds own concerns with respect to triennial valuations, investment strategy and funding strategy.
10. The Practitioners Advisory Forum (PAF) Report was presented which incorporated the work of the PAF, the client oversight and governance, finance, investments and responsible investing groups.
 - Included the recruitment of a project co-ordinator and possible administrative support in recognition that pooling is a significant change programme.
 - The new funds being developed.
 - Ongoing discussions regarding the Company's business plan and budget.
 - Proactive scrutiny of investment performance.
 - The recruitment of a project co-ordinator in recognition that pooling is a significant change programme with the possibility of administrative support.
11. The internal audit assurance programme highlighted the audit of pooling governance (not LGPS Central) was completed by Staffordshire County Council officers.
12. The LGPS Central investment pool risk register was presented which highlighted risks to the pool as a whole rather than for individual partner funds or LGPSC Ltd including:
 - Regulatory risk is diminishing and the Client Oversight and Governance Group (COGG) focuses on this aspect. Guidance on Responsible Investment (RI) has affected strategy.
 - Brexit has had a huge impact and caused delay in issuing guidance.
 - RI coordination of partner funds enables wider policy approach.
 - The company is delivering further reports to go to pension committees.

13. LGPS Central presented a company update covering investment performance and client survey. LGPS Central have recently launched the Corporate Bond fund which is expected to receive £1.6bn in funds. In addition, Central noted development of Emerging Market Debt (EMD) and Multi Asset Credit (MAC) global funds, which are the next to launch.

Company Budget and Strategic Business Plan update

14. The Company business plan and budget were tabled to be approved along with a number of other resolutions including executive and non-executive pay at March's shareholders forum.
15. The combination of the COVID-19 and negotiation on the contents of the business plan, to align better with Partner Fund requirements, resulted in the March meeting being postponed.
16. In the meantime, Central will operate under last year's budget with an inflation uplift which is line with the shareholder agreement. Work is underway between LGPS Central and Partner Funds to agree a Company business plan which supports the requirements of all Partner Funds.

Voting update

17. Owing to the continued impact of COVID-19 the Company meeting postponed in March has not been rescheduled. In lieu of this the Company allowed for electronic voting to pass 3 resolutions in April relating to the reappointment of Joanne Segars and Eithne McManus for 3 years from 1st May 2020 and 11th August 2020. Unanimous shareholder written approval was required.
18. Joanne Segars re appointment as Chair of the Board was also approved for a term of 3 years with effect from 1st May 2020. Majority (75%) shareholders' written approval was required.
19. A written resolution was proposed to approve the individual remuneration packages for the Chair and Directors requiring majority (75%) approval on 28 April 2020.
20. The recommended increases for non-executive directors (NED) and the Chair was 2.4% with effect from 1st April 2020.
21. The CEO and Deputy CEO roles are subject to a full performance development review in addition to the board effectiveness review. This process was commenced in April 2019. Both were rated as 'performing strongly', by the Company, over the 12 months to 31 March 2020 and are recommended to receive a pay increase of 4% with effect from 1 April 2020. Remuneration benchmarking from an independent external source suggests that this was not out of line with the wider market.
22. All resolutions were approved.

Recommendation

23. The Local Pension Committee is asked to note the report.

Appendix

24. Appendix : Outline governance structure.

Equality and Human Rights Implications

25. None.

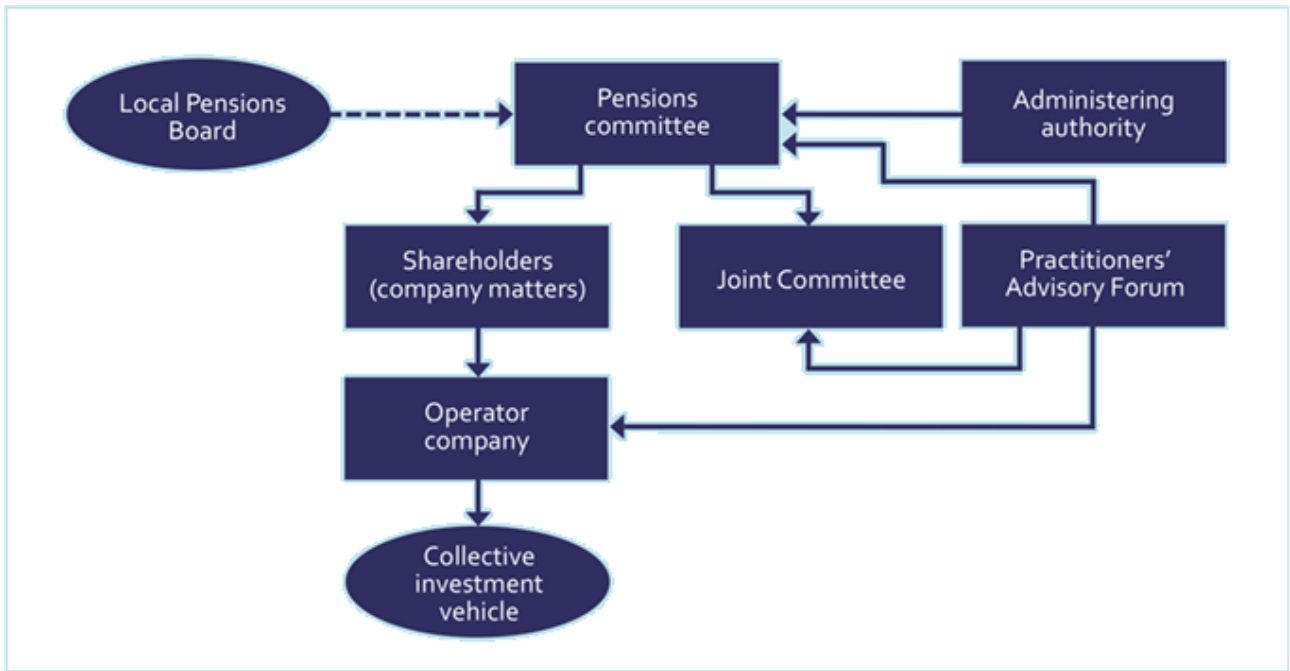
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Appendix: Outline Governance Structure



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