



**LOCAL PENSION COMMITTEE – 19 JUNE 2024**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**LGPS CENTRAL UPDATE**

**Purpose of the Report**

1. The purpose of the report is to provide the Local Pension Committee (LPC) with an update on the Leicestershire Pension Fund's (the Fund) investments with LGPS Central ("Central"). A presentation (attached as an appendix) will also be given by Central detailing:
  - a. Pooling landscape
  - b. People update
  - c. Central investments products and the Fund's investments
  - d. Responsible Investment overview
  - e. Performance of public and private market investments

**Background**

2. The Government instigated the 'pooling' of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets. Administering authorities formed their own groups and eight asset pools were formed, which are now all operational. The scale of each pool gives significant buying power in the investment market, that would not normally be accessible to funds.
3. LGPS Central (Central), an investment management company jointly owned by eight midlands based Local Government Pension Scheme funds to deliver investment pooling, started operating on 1st April 2018.
4. The Fund is a stakeholder from two different perspectives:
  - A co-owner of the company (shareholder); and
  - As a recipient of investment services.
5. The Fund has invested in a number of Central products which as of 31 March 2024 were valued at £2.5bn (£2.2bn at 31 March 2023). The Fund also has a further c£1.1bn in collectively procured, pooled low-cost passive funds with Legal and General.
6. As of 31 March 2024 the following had been invested by Central on behalf of the Fund:

Asset Class	Public/ private	Fund	LCCPF Invested
Passive Global Equity	Public	All World Equity Climate Multi Factor Fund	£812m
Active Global Equity	Public	Emerging Markets Equity Active Multi Manager Fund	£185m
Active Global Equity	Public	Global Equity Active Multi Manager Fund	£636m
Active Global Fixed Income	Public	Investment Grade Corporate Bond Multi Manager Fund	£159m
Active Global Fixed Income	Public	Global Active Emerging Market Bond Multi Manager Fund	£63m
Active Global Fixed Income	Public	Global Active Multi Asset Credit (MAC) Fund	£348m
Private Equity	Private	Private Equity Fund	£12m
Private Credit	Private	Low Return 2021	£126m
Private Credit	Private	High Return 2021	£32m
Private Credit	Private	Real assets	£52m
Infrastructure	Private	Infra Core/Core+	£60m

7. The above numbers do not include outstanding commitments to private market investments that are yet to be called by Central and as such the absolute value of pooled assets will increase over time, all other things being equal.
8. Local management of investments will continue for closed-ended funds, and where Central do not have a suitable product to transition into. For example, where an investment manager is appointed to fulfil a specific purpose via a fund that is set up to run for a specified period of time. These investments will be managed locally until the capital is repaid.

### **Leicestershire Pension Fund Conflict of Interest Policy**

9. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with JP Morgan which the Leicestershire County Council Pension Fund invests with. The County Council's investments were made following due diligence Hymans Robertson had provided the Fund.

### **Recommendation**

10. The Local Pension Committee is asked to note the report and presentation.

### **Environmental Implications**

11. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

### **Equality Implications**

12. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

### **Human Rights Implications**

13. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

### **Background Papers**

None.

### **Officers to Contact**

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