



## **LOCAL PENSION BOARD – 25 JUNE 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **LGPS CENTRAL UPDATE**

##### **Purpose of the Report**

1. The purpose of this report is to provide the Local Pension Board with an update on the outcome of the fit for the future consultation and pooling matters with LGPS Central.
2. Appended to the report is a PowerPoint presentation which will be delivered at the meeting by representatives from LGPS Central.

##### **Policy Framework and Previous Decisions**

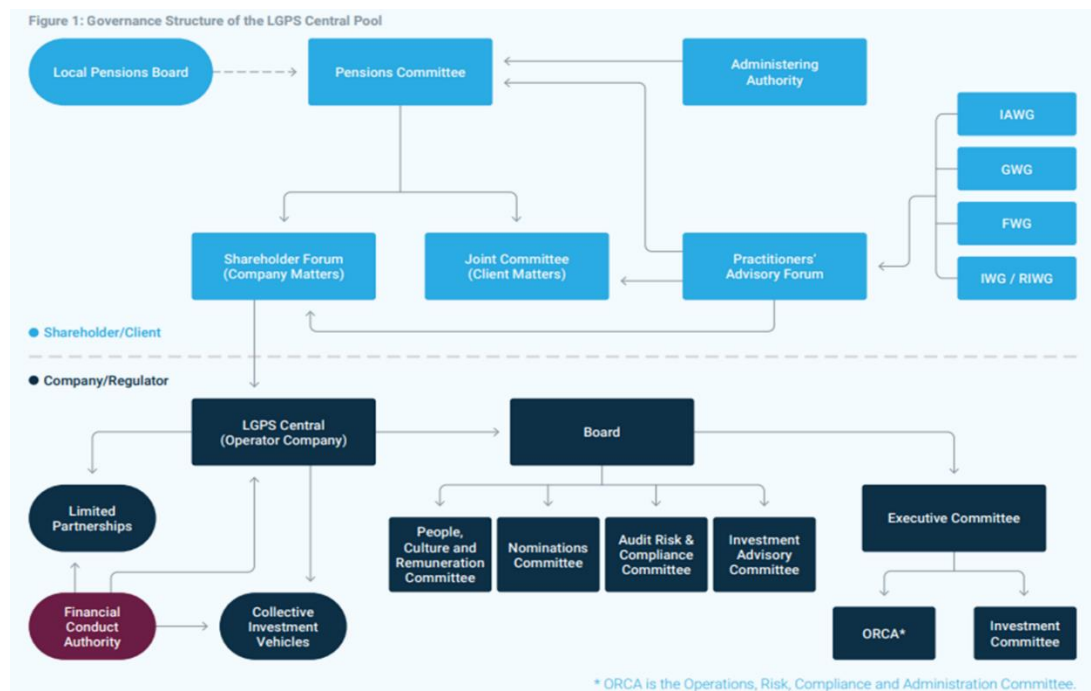
3. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of LGPS Central Limited (Central) which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund owns Central alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. As set out in the Investment Strategy Statement it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.
4. Central has been in operation since 1 April 2018. As of 31 March 2025 Leicestershire County Council Pension Fund (the Fund) has circa £3.8bn invested in Fund's managed by Central. In addition, at the time of writing the Fund has over £650million in uncalled commitments to LGPS Central private market investments.

##### **Background**

5. In 2016 the Local Government Pension Scheme Regulations 2016 came into force. These regulations mandate that the separate LGPS funds in England and Wales combine their assets into a small number of investment pools. To meet the requirements of these regulations Leicestershire County Council, alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire,

West Midlands, Worcestershire helped develop LGPS Central Limited, which they each jointly own.

6. By leveraging the scale of the underlying partner funds Central aims to reduce costs, enhance investment returns, and expand the range of available asset classes, all for the benefit of local government pensioners, employees and employers.
7. The Fund is a stakeholder in LGPS Central from two different perspectives:
  - a. A co-owner of the company (shareholder) alongside the other owners, and;
  - b. As a recipient of investment services (client)
8. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement, Investment Statement Strategy and Conflict of Interest Policy. The figure below illustrates the relationships between the various bodies.



9. In November 2024 the Government initiated the 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. The focus of which was to look at how tackling 'fragmentation and inefficiency' can unlock the investment potential of the scheme, including through asset pooling and enhanced governance, while strengthening the focus on local investment. On 29 November 2025 the LPC considered key themes and initial views and authorised the Director of Corporate Resources, following consultation with the Chairman of the LPC to prepare a detailed response.

### **'Fit for the Future' Consultation Outcome**

10. Alongside the 'Fit for the Future' consultation, each LGPS pool was invited to submit a transition proposal on how they would seem to meet the minimum standards by the proposed deadline. Following the Government's assessment, support was expressed for six (including Central) out of eight pools on 11 April 2025. Government invited the remaining two pools to engage with pools to determine which they wish to form a new partnership with. For affected funds they have been asked to provide an in-principle decision between themselves and the pool they wish to work with by 30 September 2025, with shareholder or client agreements in place by March 2026.
11. On 29 May 2025 the Government published the final report of the Pensions Investment review and 'Fit for the Future' consultation outcome, which confirmed all core proposals are to be implemented. In summary these are as follows.
12. **Reforming the LGPS asset pools** by mandating certain minimum standards which were:
  - All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.
  - Pools must become Financial Conduct Authority (FCA)-regulated investment management companies. This is already the case for LGPS Central.
  - A March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to pool management, where Funds are continuing with their existing partner funds, like Leicestershire.
13. **Local and Regional Investment** - Fund's will be required to set target ranges for local investment in their Investment Strategy Statements and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.
14. Local investment is defined as broadly local or regional to the Fund or pool. It will be for the Fund to work with the pool and other partner funds on any appropriate framework and collaborate as necessary.

15. **Governance** – The Government will work with the Scheme Advisory Board to produce statutory guidance to implement the 2021 Good Governance Review recommendations, this will include areas such as training, governance, and triennial independent governance reviews.
16. This will include appointment of Senior LGPS Officer with delegated responsibility for fund management and budget-setting, separate from the administering authority. The Government is expected to clarify how the role relates to the S151 officer and pools in its guidance.
17. Funds must also appoint a non-voting independent advisor for investment strategy oversight and governance support to the LPC.
18. Partner Funds and Pools will be able to agree appropriate governance structures for Pool Company Boards.
19. The Government intends to establish statutory asset pooling requirements for the LGPS through the Pension Schemes Bill. The Government have said subsequent regulations and statutory guidance will provide more detail on implementation. . The Government have said they will consult on draft regulations in due course.
20. Where Funds do not comply with aforementioned requirements the Pensions Bill is also looking to clarify the existing provision in the Public Service Pensions Act 2013 to allow for the winding-up of pension funds (for example where funds may need to merge as a result of local government reorganisation) as well as compulsory mergers to enable government to intervene in the event that local decision making is not effective in bringing about satisfactory arrangements.
21. At a high level there are plenty of positives to be taken in continuing the Fund's trajectory towards pooling which will continue the good practice already achieved with Central and partner funds. It will be important as part of the implementation that partner funds and pools continue to work closely to ensure changes are enacted appropriately so as not to lose sight of the schemes primary purpose.
22. These proposals will mean significant changes to how Fund's and their Committees and Pools interact as are highlighted below but also provide opportunities for pools and partner funds to develop their own best practices for developing pooling moving forward.

23. These changes will require significant governance reviews at pool, and Fund level to ensure existing structures are appropriately set up for the new roles and responsibilities, this will include legal, financial and many other considerations ahead of the 31 March 2026 transition for all assets. The Board and Committee will be updated as matters progress.

### **Presentation**

24. Representatives from LGPS Central will be in attendance to deliver a presentation to the Board, attached as an appendix. This provides highlights of Central's work, their approach to investment and developments in relation to Fit for the Future.

### **Recommendations**

25. It is recommended that the Board note the report and presentation.

### **Background papers**

26. None.

### **Equality Implications**

27. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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.

### **Human Rights Implications**

28. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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.

### **Appendix**

Appendix: LGPS Central Presentation

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