

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Local Government Pension Scheme Pooling Consultation	
<b>From:</b>		Pensions Investments Manager	

**Recommendation**

1. The pensions advisory panel is asked to note and discuss the content of the LGPS pooling consultation 2023 and to agree that the final response will be circulated to members of PAP ahead of being submitted by the S151 officer.

**Background information**

2. At the Chancellor’s Mansion House speech of the 10 July 2023 a package of reforms designed to boost pensions and increase investment in British businesses was announced. Within the speech, reference was made to the potential to unlock additional investment from both Defined Contribution pensions and the LGPS to support the priority of growing the economy and delivering benefits to savers.
3. On 11 July 2023, a policy consultation on LGPS pooling was launched by DLUHC, with an invitation for stakeholders to respond to questions within the consultation by 2 October 2023. The consultation seeks views on proposals relating to the investment of the LGPS and covers the areas of asset pooling, levelling up, opportunities in private equity and investment consultancy services

**LGPS (England & Wales): Next steps on investments consultation highlights**

4. It is apparent that government is keen to see pooling moving further and faster to substantially increase scale and drive better value for money for stakeholders. To achieve this aim, the latest pooling consultation has a number of key pillars including:
  - Accelerating the pace of transition of liquid assets to pooling by 31 March 2025.
  - An expectation that, over time, all LGPS assets would be pooled.
  - Direction of travel towards a smaller number of pools (there are currently eight) to achieve a target of more than £50 billion in funds directly invested by each pool.
  - In the short-medium term, pools should move towards greater collaboration.

- Pools to consider specialisation, building on the strengths in particular areas of investment.
- Clearer delegation to pool companies on investment strategy implementation, with investment strategy decision-making remaining in the hands of the individual funds.
- A requirement for funds to set a plan to invest up 5% of assets in levelling up in the UK.
- A doubling of LGPS funds' allocation to private equity (to 10%) to support UK businesses and through collaboration with the British Business Bank, which has specific expertise in venture capital and growth equity.
- Guidance to require a training policy for pension committee members with regular reporting on compliance.
- Guidance to require standardised reporting in respect of pooling both in the annual report and statutory reporting to government.
- An improvement in the provision of investment consultancy services to the LGPS through funds being formally required to set objectives in relation to the Competition and Market Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order.

### Consultation Questions

5. To help achieve the above objectives, government is asking stakeholders to respond to the following consultation questions:

1.	Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?
2.	Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?
3.	Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above
4.	Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?
5.	Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?
6.	Do you agree with the proposals for the Scheme Annual Report?
7.	Do you agree with the proposed definition of levelling up investments?

8.	Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
9.	Do you agree with the proposed requirements for the levelling up plan to be published by funds?
10.	Do you agree with the proposed reporting requirements on levelling up investments?
11.	Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?
12.	Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?
13.	Do you agree with the proposed implementation of the (CMA) Order through amendments to the 2016 Regulations and guidance?
14.	Do you agree with the proposed amendment to the definition of investments?
15.	Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

6. A number of key issues for LBSPF have been identified, which will be covered in the consultation response.
7. The LBS PF response to the questions in Paragraph 5 will take into consideration all of the issues identified in Paragraph 6. In addition, it is expected that there will be some consistency, where relevant, amongst the London Boroughs.
8. It is important to respond to the consultation to ensure that LBS PFs concerns are shared with DLUHC and, as far as possible, the response should be proactive. It is clear that Government is not consulting on principle and that many of the proposals in the consultation will go ahead. It is therefore important that consultation responses demonstrate a willingness to smooth the edges.

### **Next Steps**

9. Officers continue to attend roundtables and pooling consultation events which will inform the LBSPF response to the consultation. Once a draft has been finalised, it is proposed that this will be shared with members of PAP for information ahead of submission before 2 October.
10. It is expected that the Chancellor will make comment on the initial findings from evaluating consultation responses in his Autumn Statement on 22 November.

### **Community, Equalities (including socio-economic) and Health Impacts**

#### **Community Impact Statement**

11. There are no immediate implications arising.

### **Equalities (including socio-economic) Impact Statement**

12. There are no immediate implications arising.

### **Health Impact Statement**

13. There are no immediate implications arising.

### **Climate Change Implications**

14. There are no immediate implications arising.

### **Resource Implications**

15. There are no immediate implications arising.

### **Legal Implications**

16. There are no immediate implications arising

### **Consultation**

17. There are no immediate implications arising.

### **Financial Implications**

18. There are no immediate implications arising.

## AUDIT TRAIL

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<b>Dated</b>	18 September 2023	
<b>Key Decision?</b>	N/A	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
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