

## LGPS UPDATE

### Report of the Director of Finance and Public Value

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Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

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#### **1) Recommendation**

That the Committee be asked to note the developments affecting the LGPS

#### **2) Introduction**

2.1 This report is brought to the Investment and Pension Fund Committee to provide an update on the latest developments affecting the LGPS.

#### **3) The Pensions Regulator (TPR) code of Practice**

- 3.1 The long awaited TPR's new general code has finally been laid in Parliament on 10<sup>th</sup> January and brings together and updates 10 existing codes of practice into one set of consistent expectations on scheme governance and administration. The code is expected to come into force on 27<sup>th</sup> March.
- 3.2 The new general code sets out in detail what TPR expects of a scheme that is required to maintain an effective system of governance. This brings together many key aspects of running a scheme, not least in terms of risk management. The detail of what constitutes an effective system of governance will be dependent on the size and complexity of the scheme.
- 3.3 The TPR will expect schemes to be able to demonstrate that they have appropriate procedures and policies in place. Officers will review the new code, identify any actions points and will provide a report to the Pension Board in due course.

#### **4) LGPS- Next Steps on investments consultation**

- 4.1 The Government has now responded to the consultation held last summer (reported to the board in October 2023) that contained a number of proposals concerning the future of pooling and the investing in assets to support levelling up in the UK.

- 4.2 After having considered the responses, the government has indicated that it intends to implement the proposals that were set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity as follows:
- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
  - revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
  - implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
  - revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
  - make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
  - amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
  - revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity.
- 4.3 With respect to pooling, the Government has set out that their immediate priority is for existing assets to be pooled, whilst the aim of consolidating into fewer larger pools is a longer term ambition. The Devon Fund has already pooled 95% of its assets with Brunel, including all listed assets.
- 4.4 Brunel have commissioned PWC to do some research on the benefits of scale, with a view to informing any action required in response to the Government's agenda.
- 4.5 When the formal regulatory guidance is issued in relation to the ambition for a 10% allocation to private equity, we would still need to be happy that that meets our fiduciary duty to manage the Fund to achieve the required investment return at the appropriate level of risk. It is suggested that this should be considered as part of the next external review of the Fund's investment strategy, which is due in the run-up to the 2025 Triennial Valuation.

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

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