



City of Westminster

# Pension Board

<b>Date:</b>	<b>21 September 2023</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>LGPS Consultation</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report.</b>
<b>Report of:</b>	<b>Phil Triggs Tri-Borough Director of Treasury and Pensions</b> <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. Executive Summary

1.1 The LGPS Consultation was released by the Department for Levelling Up, Housing and Communities (DLUHC) seeking views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

## 2. Recommendations

- 2.1 Comment on the consultation and the draft response
- 2.2 Agree to the draft response and its submission once changes (if any) are included.

## 3. Consultation

- 3.1 DLUHC released their consultation relating to investments of the LGPS and can be found in its entirety below.

3.2 The consultation seeks views on proposals in five key areas:

**Accelerate and expand pooling.** The government has proposed a deadline for asset transition by 31 March 2025, noting that it will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, it wants to see a transition towards fewer pools to maximise benefits of scale.

**Levelling up.** Have a plan to invest up to 5% of assets to support levelling up in the UK.

**Increase investment into high growth companies** via unlisted equity, including venture capital and growth equity.

**Amendments to the LGPS's regulations** to implement requirements on pension funds that use investment consultants.

**Technical change** to the definition of investments within LGPS regulations.

3.3 Funds have been asked to respond to 15 questions which have been highlighted below:

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 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 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 groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.
- 3.4 Officers have worked to produce a response from the fund in Appendix 1 and will submit this response (including any further amendments) to DLUHC on 2 October 2023.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

Billie Emery [pensionfund@westminster.gov.uk](mailto:pensionfund@westminster.gov.uk)

**BACKGROUND PAPERS:** None.

**APPENDICES:** Appendix 1 - Local Government Pension Scheme (England and Wales): Next Steps on Investments Consultation, City of Westminster Pension Fund Response