

PENSIONS COMMITTEE – 29 SEPTEMBER 2023

Report of the Director of Finance

DLUHC CONSULTATION: NEXT STEPS ON INVESTMENTS

Recommendation of the Chair

1. That the Pensions Committee approves the response to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on the next steps on investments for the LGPS in England and Wales, provided in Appendix 1.

Local Government Pension Scheme (England and Wales): Next steps on investments.

2. On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms.

[Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

3. The consultation was announced by the Chancellor in his Mansion House Speech and seeks views on proposals in the following five areas:

A. Pooling

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS assets which are pooled, under pool management and not pooled, and to provide a rationale, value for money and date for review for assets which are under pool management or not pooled.
- To revise pooling guidance to set out fully how Funds and pools should interact and promote a model of pooling which includes the characteristics listed in the consultation, including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy.
- To revise guidance on annual reports to require greater clarity on the progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling. They also seek views on whether there should be an additional requirement for Funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate.

- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

B. Levelling up

- Requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK, and to report annually on progress against the plan.

C. Private equity

- To revise ISS guidance to require Funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

D. Investment consultants

- To make it regulatory to implement the requirements set out in an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.

E. Definition of investments

- To make a technical change to correct an inconsistency in the definition of investment in the LGPS Investment Regulations 2016.

4. Attached at Appendix 1 is the draft response from Staffordshire Pension Fund to the 15 questions asked by the consultation on the five areas outlined above. The consultation closes on 2 October 2023 and Officers invite feedback from Members on the draft consultation response, prior to its submission to DLUHC.

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Equalities Implications: There are no direct equalities implications.

Legal Implications: The legal implications are covered in the body of the report.

Resource and Value for Money Implications: There are no direct Resource and Value for Money Implications.

Risk Implications: There is always a risk of admitting any new contractor to the Fund but this is mitigated through the existing Fund Employer acting as a guarantor.

Climate Change Implications: There are no direct climate change implications arising from this report.

Health Impact Assessment screening – There are no direct health impact assessment implications arising from this report.