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Investment Pooling - LGPS Central



In the summer 2015 Budget, the UK Government asked LGPS funds to put forward proposals to pool investments to reduce costs significantly while maintaining overall performance. In December 2015, the Fund also announced its intention to participate in an investment pool with several other Midlands-based LGPS funds comprising Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, West Midlands, and West Midlands Integrated Travel Authority pension funds. This will create a multi-asset investment pool of £35 billion in size, meeting the scale sought by the UK Government in its investment pooling criteria for the LGPS.

In July 2016, the nine Funds submitted a business case to the Department for Communities and Local Government (DCLG) with the proposal for the LGPS Central pool. This was subsequently formally approved in November 2016.

The collaboration will aim to deliver cost savings and to build on the individual partner Funds' strong investment performances by providing scale, increased resilience, knowledge sharing and robust governance and decision-making arrangements. The new investment pool will offer access to both internal and external investment management.

Partner Funds will continue to retain their separate identities and local accountability. The collaboration will offer an equal say in the oversight of the new entity to each participating Fund. LGPS Central Ltd will offer access to both internal and external investment management. The FCA approval for both the company as operator and the first three sub-funds (passive internal equities) was received early in 2018.

What this means for our members

The pooling of investments has no impact on your benefits. Pensions for members of Worcestershire County Council Pension Fund (WCCPF) will continue to be administered by Worcestershire County Council Pension Fund.

We want to assure you that the quality of our service and our commitment to ensure that we are contributing together for your future will always be at the forefront of our work as we move forward with these changes.

If you have any enquiries, feel free to write to us by email at pensions@worcestershire.gov.uk or by post:

Pensions Service, HR Service Centre, County Hall, Spetchley Road, Worcester, WR5 2NP.

For more information, please access these PDFs from our website:

Investment Reform Q and A
Investment Reform Q and A for employers
LGPS Central submission
LGPS Central approval

Objectives of LGPS Central



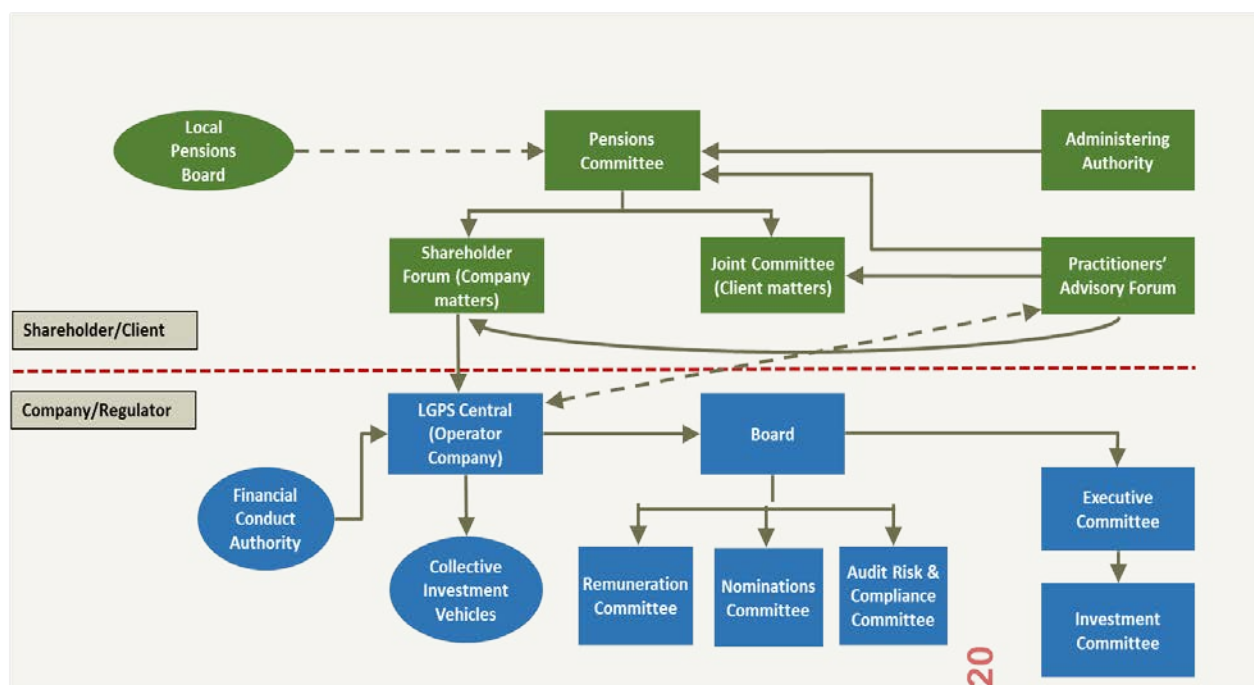
The shared objectives of the pool are to:

- meet the investment objectives of the partner Funds
- establish a collaborative platform through which administering authorities of the partner Funds can aggregate their pension assets, with a view to providing scale economies and improved investment efficiency
- develop internal investment management capabilities for the collective benefit of the partner Funds, in order to provide wider investment choice and market competition
- create capacity to invest in asset classes which individual Funds may find difficult to access
- stimulate innovation, and provide an opportunity for Funds to engage with the investment industry in finding new and creative approaches to the funding challenges faced by the LGPS (and the wider pensions sector)
- act as a responsible, long-term investor, using its influence as a shareholder to promote the highest standards of corporate stewardship
- create a regional centre of excellence for investment management, able (in the long-term) to offer services to other pension funds, charities and endowments

Governance of LGPS Central

A governance structure to provide oversight of LGPS Central has been established and approved by the participating Funds' pension committees.

LGPS Central-Governance Arrangements



The supervisory body of LGPS Central will be a Shareholders' Forum, comprised of eight members (one representing each partner Fund), plus an Independent Chair. The members will be elected representatives, typically the Chair of the pension fund committee. The Independent Chair will provide stability and continuity, and ensure that the Committee operates in a cohesive and collegiate manner.

The Shareholders' Forum will also represent the shareholder interests of the partner Funds and meet on a quarterly basis. Their powers as shareholders are set out in a Shareholder Agreement.

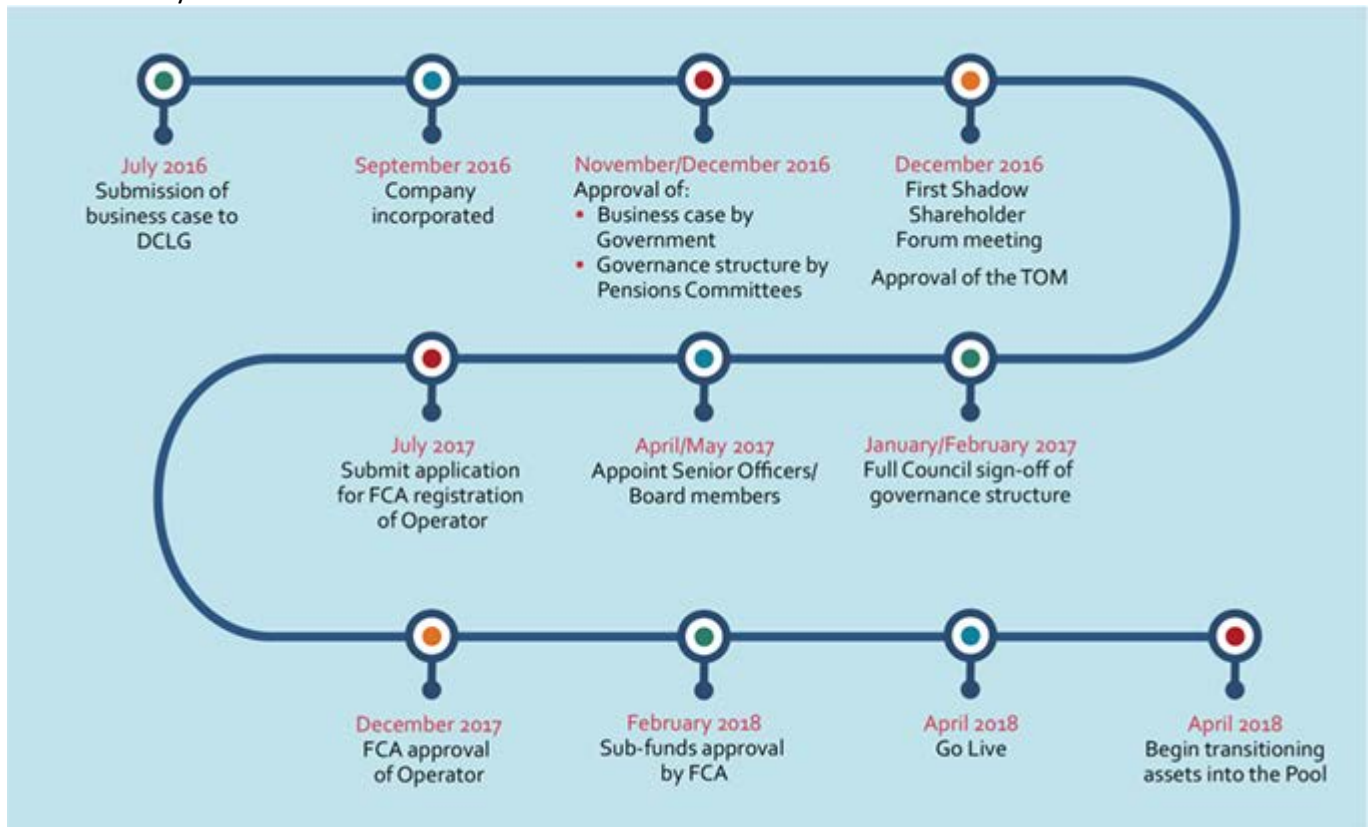
The LGPS Central Board will be accountable to the Shareholders' Forum for operation of the Authorised Contractual Scheme (ACS) and the Company in general. It will also report to the Practitioners' Forum on wider investor issues, including investment performance, and receive advice from them in terms of investor requirements.

LGPS Central will also provide performance reports to individual Funds and, periodically, attend meetings with individual pension fund committees.

Meetings of the Joint Committee are subject to the normal rules of Council meetings under Section 101 of the Local Government Act 1972 and are held in the public domain with the agenda and the papers published 5 days in advance. The Joint Committee is clerked by Cheshire Pension Fund and copies of the papers are available on their website [here](#).

Implementation of LGPS Central

The overall timescale for the implementation for investment pooling in the LGPS is April 2018. The programme timeline below sets out the key milestones for the programme to ensure we meet the deadline set by Government:



The implementation of LGPS Central has been divided into seven key workstreams and a project team has been established with representation from each of the participating Funds.

Governance

To establish an effective and regulatory compliant governance structure for LGPS Central (Pool and Fund)

Target Operating Model

To design and implement the Target Operating Model to ensure FCA approval

Asset Servicer & Wider Procurement

To manage the procurement of all key services for LGPS Central

IT

Manage the setup of the IT infrastructure in line with regulatory requirements

Collective Investment Vehicle (CIV)

To design and implement the LGPS Central Investment Offering and manage the transition of existing assets into the operator.

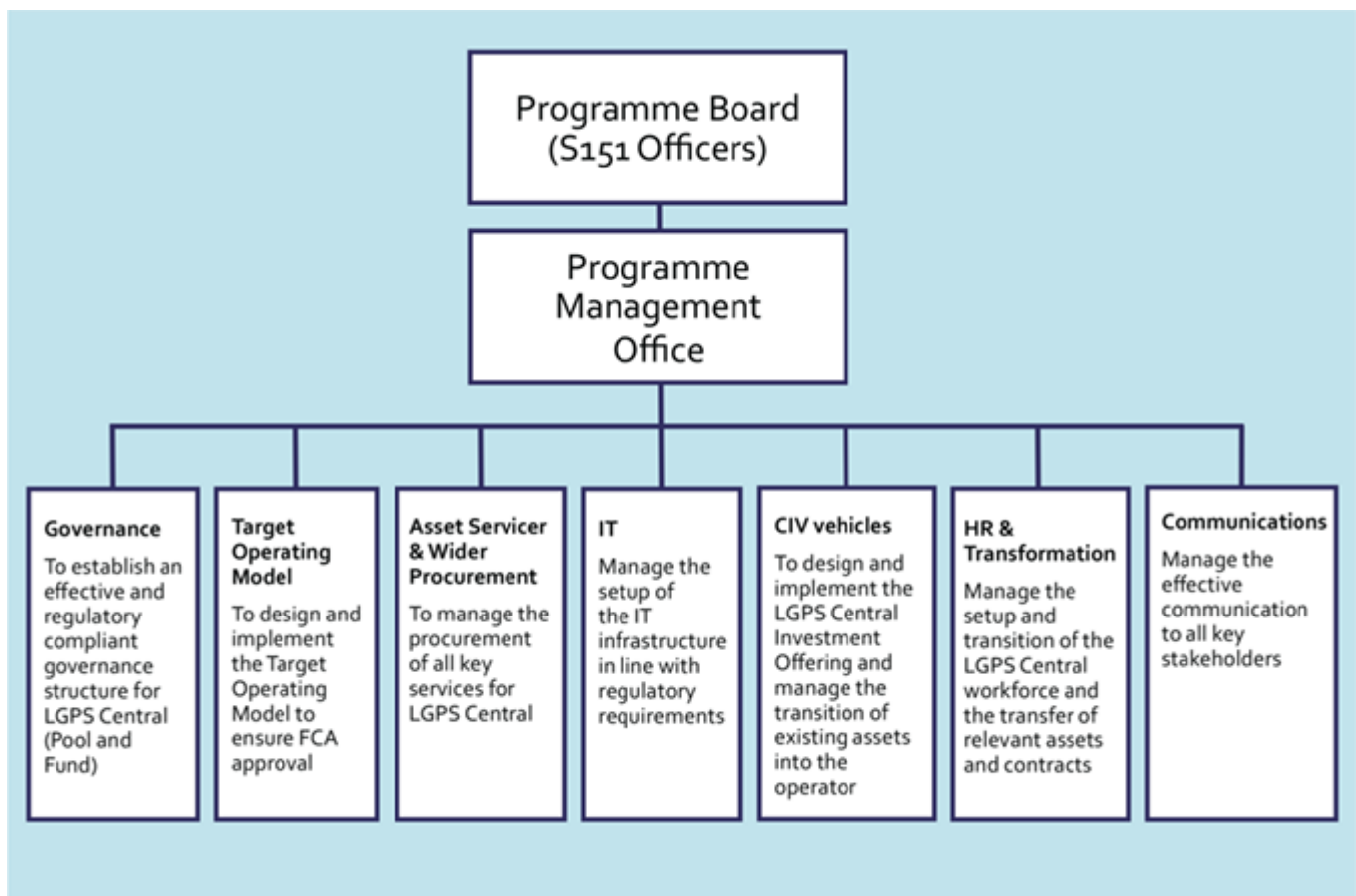
HR & Transformation

Manage the setup and transition of the LGPS Central workforce and the transfer of relevant assets and contracts

Communications

Manage the effective communication to all key stakeholders

LGPS Central Programme Structure



Responsible Investment

LGPS Central has developed a robust Responsible Investment (RI) Framework as part of its pooling submission.

It is LGPS Central's intention to establish itself as an RI leader, through the integration of RI factors into investment processes and best practice execution of stewardship responsibilities.

For queries on the Responsible Investment framework for LGPS Central, please follow the following link [LGPS Central Website](#)