

Report for: Pensions Committee and Board – 6 September 2023

Item number:

Title: DLUHC Open Consultation: LGPS – Next steps on investments

Report

authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Not applicable

1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board (PCB) with an overview of the government’s consultation on *Local Government Pension Scheme (LGPS): Next steps on investments*, (“the Consultation”) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023.
- 1.2. The purpose of this report is to seek the views of the Pensions Committee and Board (PCB) on the matters raised in the Consultation. The Consultation will close for responses on 2 October 2023.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the summary of the policy proposals included in the Consultation, included in section 6 of this report, and to provide any initial comments and feedback to assist officers in drafting a response to the Consultation.
- 3.2. To delegate authority to the Head of Pensions and Treasury to draft and submit the Consultation response on behalf of the Haringey Pension Fund, in consultation with the Independent Advisor and the Chair of Pensions Committee and Board. A copy of the final response will be circulated to members before submitting it to DLUHC.

4. Reason for Decision

- 4.1. The proposed policy changes included in the Consultation, if implemented, will have an impact on the existing investment and governance requirements for LGPS administering authorities.

4.2. The Council has delegated the responsibility for exercising all its functions as the Pension Fund’s Administering Authority to the Pensions Committee and Board. Therefore, the Pensions Committee and Board must consider the implications of the proposed policy changes.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Department for Levelling Up, Housing and Communities (DLUHC) published its highly anticipated consultation on the next steps for investments on 11 July 2023.

6.2. The Consultation seeks views on the government’s proposals relating to the investments of Local Government Pension Scheme (LGPS). It covers areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

6.3. In summary, the government proposes the following:

- to accelerate and expand pooling by increasing scale to deliver savings and efficiencies
- to require funds to invest up to 5% of assets to support levelling up in the UK
- increase investment into high growth companies
- to make amendments to the LGPS regulations (particularly on the definition of investments)

Considerations for the Pensions Committee and Board (PCB)

6.4. The proposed policy changes, if implemented, will have an impact on the roles, responsibilities, and requirements of LGPS administering authorities and their asset pools. The table provides a summary of the key proposals.

Summary of key proposals

Asset pooling in the LGPS	<p>The government proposes accelerating the pace of transition of liquid assets from funds into pools to achieve greater scale. This may eventually lead to a reduction in the number of pools.</p> <p>The current guidance for LGPS assets requires funds to set out the proportion of assets to be pooled and provide a rationale for assets not pooled. The government seeks views on setting a deadline for funds to transition all listed assets to their pool by March 2025 and to provide a rationale for assets remaining outside the pool.</p>
Governance and decision making	<p>Setting the investment strategy and asset allocation is a key responsibility for administering authorities. The government proposes to further strengthen existing guidance on delegation of manager selection and strategy implementation.</p>



	<p>Asset pools will be required to operate as a single entity for the benefit of partner funds, as well as actively advise their funds on investment decisions.</p> <p>Additionally, the government proposes for administering authorities to set a training policy for committee members and report regularly on their training to ensure members are equipped to make informed decisions.</p>
LGPS investments and levelling up	<p>The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management in projects that support levelling up across the UK.</p>
Investment opportunities in private equity	<p>The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation. The government proposes that LGPS funds consider private equity opportunities as part of the regular review of their investment strategy statement (ISS). This will be set out as a new requirement in the revised guidance on the ISS.</p> <p>However, the Consultation reiterates that the fiduciary duty to set the asset allocation will remain with the administering authorities.</p>

Next steps

- 6.5. The Consultation will last for 12 weeks from 11 July 2023 to 2 October 2023.
- 6.6. Officers, in consultation with the Chair of the PCB and the Pension Fund's Independent Advisor, will draft a response to the Consultation on behalf of the London Borough of Haringey. A copy of the final response will be circulated to members before submitting it to DLUHC.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Carbon and Climate Change

- 8.1. The Consultation does not have any direct implications on carbon and climate change risk management. However, the investment strategy statement requires LGPS fund to set out their approach to responsible investment.

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 9.1. There are no immediate financial implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. As mentioned in this report the consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the five areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services, and the definition of investments.
- 9.3. Members should note that the administering authority will be required to comply with any new requirements as a result of the consultation.

Equalities

- 9.4. Not applicable.

10. Use of Appendices

- 10.1. None

11. Local Government (Access to Information) Act 1985

- 11.1. Not applicable.