



Brent Pension Fund Sub-Committee

04 October 2023

Report from the Corporate Director of Finance and Resources

DLUHC Consultation on LGPS Investments

Wards Affected:	ALL
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	PART EXEMPT - Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
List of Appendices:	One: Appendix 1 - Hymans Robertson Consultation Response (Exempt from Publication)
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	<p>Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043</p> <p>Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487</p> <p>Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955</p>

1.0 Executive Summary

- 1.1 The Department for Levelling Up, Housing and Communities (DLUHC) have launched a consultation 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.

2.0 Recommendation(s)

- 2.1 To note the consultation on proposals relating to the investments of the LGPS and the summary included in section 3.2 of this report.
- 2.2 Officers will prepare a formal response to the consultation on behalf of the Brent Pension Fund before the consultation closes on 02 October, in consultation with the Chair of the Pension Fund Sub-Committee. Members are invited to provide their comments to officers prior to the deadline.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

- 3.2.1 The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation on the next steps for LGPS investments on 11 July 2023.
- 3.2.2 The consultation seeks views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.
- 3.2.3 The proposals, if implemented would have an impact on the roles and responsibilities of LGPS pension funds such as the Brent Pension Fund. The table below provides a summary of the proposals.

Asset Pooling	The government sets out proposals to accelerate and expand pooling. It is proposed to set a deadline for asset transition by March 2025. The government will consider action if progress is not seen, including making use of existing powers to direct funds. It is also proposed to see a transition towards fewer pools to maximise benefits of scale.
Governance and decision making	<p>It is proposed to strengthen existing guidance on delegation of manager selection and strategy implementation.</p> <p>Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. They should be actively advising funds regarding investment decisions, including investment strategies.</p>

	It is proposed that administering authorities set a training policy for committee members and to report regularly on the training undertaken by committee members.
Levelling up	To 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.
Investment in private equity	<p>The government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.</p> <p>It is proposed that LGPS funds should complete this consideration of private equity opportunities as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements.</p> <p>However, the Consultation reiterates that the fiduciary duty to set the asset allocation will remain with the administering authorities.</p>
Amendments to the LGPS regulations	To amend regulations to set requirements on funds that use investment consultants in line with the Competition and Markets Authority (CMA) order.
Definition of Investments	It is proposed to make a technical change to the definition of investments within LGPS regulations.

3.2.4 The full consultation is available on DLUHC's website and lasts up to 02 October 2023.¹ The Fund's investment advisors have prepared their draft response to the consultation which is attached in confidential appendix 1.

3.2.5 Officers, in consultation with the Chair of the Pension Fund Sub-committee, will draft a response to consultation. Officers are also in conversations with other London Boroughs via London Pension Officers Forum and with London CIV in formulating a response. Members are invited to provide any thoughts on the consultation to officers who will consider these thoughts as part of our response. The Fund has made the following observations on the key areas of the consultation:

- The Fund supports the pooling of listed assets however we note the proposed deadline of March 2025 will be challenging for some Funds;
- We are concerned that passive or index-tracking solutions will not be classified as 'pooled'. It would be difficult to transfer these assets to investments owned by the pool by the proposed deadline while also incurring significant transaction costs and higher on-going charges;

¹ <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments>

- We support the requirement to develop training policies and increase the level of training provided to pension committees;
- The Fund supports the definition of levelling up and recognises that LGPS Funds can have a positive impact in this area. Funds should retain responsibility for setting asset allocations therefore any ambitions regarding asset allocations should be guidance rather than a requirement;
- We have concerns around the requirements for publishing plans/reporting and the resource burden this will place on individual funds;
- The Fund does not support the ambition or requirement for private equity given that the fiduciary duty to pay pensions remains with the Fund.

4.0 Stakeholder and ward member consultation and engagement

4.1 There are no direct considerations arising out of this report.

5.0 Financial Considerations

5.1 There are no direct financial considerations arising out of this report.

6.0 Legal Considerations

6.1 There are no legal considerations arising out of this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change or environmental considerations arising out of this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are no HR or property considerations arising out this report

10.0 Communication Considerations

10.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources