



LOCAL PENSION BOARD

20 JUNE 2023

REPORT TITLE:	UPDATE ON INVESTMENT RELATED CONSULTATIONS IN THE LOCAL GOVERNMENT PENSION SCHEME
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to provide Board members with an update on consultations anticipated by Local Government Pension Schemes (LGPS) from the Department of Levelling Up, Housing and Communities (DLUHC) over the coming months.

RECOMMENDATION/S

That the Local Pension Board be recommended to consider and note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 In order for the Pension Board to fulfil its role in supporting the Scheme Manager, it is important that Board members are informed of industry developments.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The Independent Chair of the Pension Board has requested an update be provided.

3.0 BACKGROUND INFORMATION

- 3.1 DLUHC civil servants have been indicating for some time that a consultation on several key policy areas for the LGPS is expected to be issued in the near future. This consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds and investing LGPS assets to support the levelling-up agenda. Ultimately, a consultation on implementation of TCFD requirements was released separately on 1 September.
- 3.2 At a speech on 9 December 2022, the Chancellor of the Exchequer announced that Government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy. It was once again reiterated that Government will be releasing new pooling guidance for consultation. This was expected in 'early 2023'.
- 3.3 The Chancellor of Exchequer delivered his Budget on 15 March. It was stated that the Government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets. A forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver and the Government stands ready to take further action if needed. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.

At the time of writing, the consultation has still not been issued.

- 3.4 The Pension Regulator (TPR) has published its review of the first wave of TCFD disclosures produced by pension schemes. The review covers key findings, what has been done well and what could be improved. The improvements suggested by TPR largely have an overarching objective of increasing ease of understanding for members who may be reading the disclosures. These suggestions include ensuring appropriate background information, clarity between different scheme sections and ensuring reports met accessibility checks.

3.5 On 11 May 2021, the government's legislative programme was laid out and included a Boycotts, Divestment and Sanctions Bill. In February 2022, an amendment was moved to the Public Service Pensions and Judicial Offices Bill including a power for the Secretary of State to make guidance in this area. Subsequently, this received royal assent. No consultation or guidance on this matter has been forthcoming.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The implications of the proposals arising from the consultations will be assessed as a part of responses to the consultations.

5.0 LEGAL IMPLICATIONS

5.1 Not relevant for this report. MPF follows prospective Scheme changes in order to be aware of and prepare for future legislative or statutory changes.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. Refer section 4.

7.0 RELEVANT RISKS

7.1 A failure to provide the Local Pension Board with information on legislative changes and the Fund's activities could hinder the Board in fulfilling its statutory duties.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environmental, Social and Governance matters are a standing item on the IMWP agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising directly from this report. Levelling Up is intended to provide everyone with the opportunity to flourish by addressing geographical inequality.

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APPENDICES

None

BACKGROUND PAPERS

HM Government. Levelling Up the United Kingdom

CIPFA: Managing Risk in the Local Government Pension Scheme

SUBJECT HISTORY (last 3 years)

Council Meeting	Date