

## **Of the consultation proposals Open consultation**

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

**Published 11 July 2023, closes 2 October 2023**

#### **List of consultation proposals**

##### **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 so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above 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 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. We 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.

##### **Investment in 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**

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.

## **Investment consultancy services**

To amend regulations to set requirements funds with respect to investment consultants in line with the CMA order.

### **Definition of investment**

To amend investment regulations to correct an inconsistency in the definition of investment.

## **QUESTIONS**

### **Chapter 2: Asset pooling in the LGPS**

**Question 1:** Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

**Question 2:** Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

**Question 3:** Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

**Question 4:** Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

**Question 5:** Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

**Question 6:** Do you agree with the proposals for the Scheme Annual Report?

### **Chapter 3: LGPS investments and levelling up**

**Question 7:** Do you agree with the proposed definition of levelling up investments?

**Question 8:** Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

**Question 9:** Do you agree with the proposed requirements for the levelling up plan to be published by funds?

**Question 10:** Do you agree with the proposed reporting requirements on levelling up investments?

#### **Chapter 4: Investment opportunities in private equity**

**Question 11:** Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

**Question 12:** Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

#### **Chapter 5: Improving the provision of investment consultancy services to the LGPS**

**Question 13:** Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

#### **Chapter 6: Updating the LGPS definition of investments**

**Question 14:** Do you agree with the proposed amendment to the definition of investments?

#### **Chapter 7: Public sector equality duty**

**Question 15:** Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

