

Committee(s): Pensions	Dated: 12 September 2023
Subject: Department for Levelling Up, Housing & Communities (DLUHC) Consultation on Local Government Pension Scheme	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	ALL
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£
What is the source of Funding?	N/A
N/A	Y/N
Report of: The Chamberlain	For Information
Report author: Kate Limna – Corporate Treasurer	

Summary

On 11 July 2023 the Department for Levelling Up, Housing & Communities (DLUHC) issued a consultation on the Local Government Pension Scheme entitled “*Local Government Pension Scheme (England and Wales) Next Steps on Investments*”. The Consultation is seeking views on proposals relating to investments of the Local Government Pension Scheme (LGPS) and covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The scope of the consultation is on proposals for new requirements on LGPS administering authorities. The consultation is for 12 weeks from 11 July to 2 October 2023.

The Government believes that while the primary purpose of the investments is for long term stable returns in order to pay pensions for its members, there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is important for financial stability of local councils and ultimately is in the interests of local taxpayers.

As a reminder, administering authorities are responsible for the asset allocations of their Fund and these are set so as to ensure stable employer contribution rates and that pensions can be paid out now and in the future. Each Fund's asset allocation will depend on their funding position, deficit recovery plan and how mature they are.

The consultation is seeking views on proposals in 5 areas as follows:

- The acceleration and expansion of pooling with administering authorities confirming how they invest their funds and why. There is a proposal for a deadline for listed asset transition by March 2025, and going forward the government wants to see a transition towards fewer pools to maximise the benefit of scale.
- Funds will be expected to have a plan to invest up to 5% of assets to support levelling up in the UK.
- Proposals of an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.

- Proposed amendments to the LGPS Regulations to implement requirements in pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- A technical change to the definition of investments within the LGPS regulations.

There are a total of 15 questions and these are set out in the Appendix and the full consultation document can be found [here](#).

Responses to consultations are delegated to the relevant Chief Officer, in this case the Chamberlain and we will be formalising the response over the next few weeks. Key concerns are around the practicalities of transferring assets within a short time frame and definitions around levelling up and private equity. We will be liaising with the London CIV and other administering authorities.

Recommendation:

Members are asked to note the report.:

Appendix

Appendix – Consultation Questions: Local Government Pension Scheme (England and Wales): Next Steps on Investments:

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**Consultation Questions: Local Government Pension Scheme (England and Wales):
Next Steps on Investments**

Chapter 2: Asset pooling in the LGPS

No	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?
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?
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?
4	Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?
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?
6	Do you agree with the proposals for the Scheme Annual Report?

Chapter 3: LGPS investments and levelling up.

Qu	Question
7	Do you agree with the proposed definition of levelling up investments?
8	Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
9	Do you agree with the proposed requirements for the levelling up plan to be published by funds?
10	Do you agree with the proposed reporting requirements on levelling up investments?

Chapter 4: Investment opportunities in private equity

Qu	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?
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.

Qu	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.

Qu	Question
14	Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

Qu	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