

# Warwickshire Local Pension Board

21 January 2025

## LGPS 'Fit for the Future' consultation update

### Recommendations

That the Local Pension Board notes and comments on this report.

#### 1. Executive Summary

- 1.1 The Government is part way through a process of review of the LGPS. The latest stage entails consultation which was launched in November entitled “LGPS Fit for the Future”, with a deadline to respond of 16 January 2025 (9 weeks from the date of issue).
- 1.2 At the time of writing this report, a special meeting of the Pension Fund Investment Sub Committee (PFISC) has been arranged for the 13<sup>th</sup> January 2025 to endorse a Fund response. The consultation and draft responses were provided in an appendix to that report and are for convenience reproduced here at Appendix 1.
- 1.3 An earlier report was taken to the December Pension Fund Investment Sub Committee (PFISC) introducing the consultation and setting out the key themes and issues arising from it. A copy of that report (which is a public report) can be found here: [Link to 9th December 2024 PFISC Papers](#). A slide deck summarising key issues was provided in that report and for convenience is reproduced here at Appendix 2.
- 1.4 By the time of this Local Pension Board meeting on the 21 January, the PFISC will have endorsed a response and it will have been submitted. The LPB will be updated at its meeting on any further developments in the response before it was submitted.
- 1.5 The draft response was compiled following discussions with Committee members, advisers, and officers of the Fund, and taking into account the draft joint response compiled by the partner funds of the Border to Coast Pension Partnership.
- 1.6 The Government has also issued [The English Devolution White Paper](#) which sets out plans to consider a reciprocal requirement for Strategic Authorities to work with LGPS schemes and asset pools to develop investment opportunities that are appropriate for pensions investment.

## 2. Financial Implications

- 2.1 The proposals in the consultation will have potential financial implications for funds. The draft response to the consultation sets out the potential risks and benefits of the proposals. . Risk adjusted net financial returns and pool performance will be an important consideration.

## 3. Environmental Implications

- 3.1 The draft response to the consultation sets out the potential risks and benefits of the proposals. .

## 4. Supporting Information

- 4.1 Of the various issues raised in drafting the consultation response, the following issues were highlighted to the PFISC in January:
- We believe that LGPS Funds should retain control over the **strategic asset allocation**, and that through a combination of their investment strategy and strategic asset allocation LGPS funds retain enough ability to direct investment strategy in order to achieve their investment objectives (Questions 1-4).
  - The consultation suggestion that pools should be the **primary advisers on investment strategy**. This potentially creates conflicts of interest that would require appropriate management. LGPS Funds should still have access to independent financial advisers to advise pension fund committees generally, and to provide advice on bespoke issues from time to time (Question 5-6).
  - If **all funds are to transfer into pools**, transfers should be managed in a way that minimises costs to LGPS Funds. This may require more time than the stated deadlines or alternative approaches to what is considered “pooled”. In addition, low cost assets (e.g. passive equity) if pooled should match or better the already low costs currently being incurred (Question 7-10).
  - The Border to Coast Pension Partnership is well placed to meet the stated minimum requirements for pools as set out in the consultation, for example already being FCA registered and already having a plan to develop the new requirements, e.g. an advisory facility. There could be additional benefits from further collaboration between pools and the Border to Coast Pension Partnership is open to collaboration.

- Regarding **local / UK investing**, we agree that LGPS Funds should have access to the widest investment opportunity set possible, including local investing. However, it is not necessarily in the best interests of the members of a pension fund that their money is invested locally. However, the consultation is not asking for comments on these points. If local investing targets are to be set then LGPS Funds should have the final authority to set them, and when local investments are made they must clearly meet the investment objectives of the Fund. There should be appropriate controls in place to manage local or UK investing and pools would be well placed to provide this or procure it. The UK Opportunities Fund recently launched by the Border to Coast Pension Partnership is a good example of how pools can help LGPS Funds. We recognise that some LGPS Funds may wish to retain autonomy over local investing where they have the capacity/infrastructure to manage it and where they have an appropriate local opportunity set. However, whilst having this option available is helpful, we would prefer to have available the option for local investing to be managed through pool vehicles as this could better manage conflicts of interest and provide the benefits of the additional expertise that the pools can access (Questions 13-17).
- **The proposals regarding governance are broadly welcomed** (Questions 18-25). Implementing the Scheme Advisory Board (SAB) Good Governance requirements will benefit the LGPS as a whole. A key area of concern however is the frequency of biennial reviews and therefore the availability of the capacity required to deliver these (capacity of reviewers and capacity of Funds to service and respond to reviews). The requirement for **committee member training** to match Local Pension Board member training is welcomed however this puts more time expectations upon on committee members and may make it more difficult to recruit and retain pension committee members. The proposal to have an independent adviser as a member of a pension committee (Question 26) should be left to LGPS committees to decide as this has pros and cons, however we do agree with the need for LGPS Funds to have independent advisers.
- Regarding **pool governance**, we agree that pools should have appropriate shareholder and member representation. The Border to Coast Pension Partnership already has shareholder representation on its board and member representation at its Joint Committee.

## 5. Timescales associated with the decision and next steps

5.1 None.

## Appendices

1. Appendix 1 – LGPS Fit for the Future Consultation draft proposed response (including proposed responses in bold/italic), as reported to PFISC on 13 January 2025.
2. Appendix 2 – Copy of consultation issues and considerations slide deck as reported to PFISC on 9 December 2025.

## Background Papers

1. [Link to LGPS Fit for the Future Consultation Website](#)
2. [Link to Pensions Investment Review Interim Report](#)
3. [Link to Pension Fund Investment and the UK Economy](#)

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Cllr Chris Kettle (Chair, PFISC); Cllr Bill Gifford (Vice Chair, PFISC)