



LGPS Central Joint Committee

Date: Friday 14 January 2022
Venue: Virtual via MS Teams
Time: 10.00-12.30

There will be a live webcast of the meeting.

AGENDA

| Item No. | Item Description | Page Nos. |
|----------|---|-----------|
| 1. | Meeting Protocol (including timing of any break) | |
| 2. | Welcome and Introductions | |
| 3. | Apologies for Absence Councillor Adrian Hardman (Worcestershire) | |
| 4. | Declarations of Interest Members to declare any interest under the following categories: <ul style="list-style-type: none"> • Disclosable Interest • Outside Bodies Interest • Family and Friends or Close Associate Interest | |
| 5. | Minutes To approve the Minutes of the last meeting, attached | 3 - 8 |
| 6. | Public Question Time/Open Session <ul style="list-style-type: none"> • A period of up to 15 minutes will be set aside for the taking of questions and answers • Questions must be received in writing by the Clerk to the Joint Committee (address below) by noon of the second working day before the day of the relevant meeting • No person may submit more than one question to any one meeting and no more than one question may be asked on behalf of an organisation at any one meeting. No question may be sub-divided into more than two related parts | |
| 7. | Joint Committee Terms of Reference To approve the updated Joint Committee Terms of Reference | 9 - 18 |



| Item No. | Item Description | Page Nos. |
|----------|---|-----------|
| 8. | Practitioners Advisory Forum Update Update on the work of the Practitioners' Advisory Forum (PAF) and its working groups, which supports the Joint Committee in delivering pooling objectives | 19 - 24 |
| 9. | Pool Risk Register Review of the pooling risk register as at December 2021 | 25 - 30 |
| 10. | LGPS Central Update To receive a presentation from LGPS Central Ltd | 31 - 56 |

| | |
|---|---|
| Attendees: | |
| Councillor Myles Hogg (Cheshire), Vice Chair | |
| Councillor David Wilson (Derbyshire) | |
| Councillor Thomas Barkley (Leicestershire) | |
| Councillor Eric Kerry (Nottinghamshire) | |
| Councillor Thomas Biggins (Shropshire), Chair | |
| Councillor Philip Atkins (Staffordshire) | |
| Councillor Milkinder Jaspal (West Midland Pension Fund) | |
| Councillor Elizabeth Eyre (Worcestershire) | |
| Mr Malcolm Cantello, Scheme Member Representative | |
| LGPS Central Ltd (presenting for item 10) | |
| Joanne Segars | Chair |
| Mike Weston | Chief Executive |
| John Burns | Deputy Chief Executive |
| Gordon Ross | Chief Investment Officer |
| Ian Brown | Head of Private Markets |
| David Evans | Investment Director, Passive Funds |
| Mark Davies | Investment Director, Active Equities |
| Jaswant Sidhu | Senior Portfolio Manager, Private Equity |
| Valborg Lie | Stewardship Manager |
| Ross McLean | Interim Compliance Manager |
| Patrick O'Hara | Director of Responsible Investment & Engagement |
| Leigh White | Communications Manager |
| Vicky Clark | Client Relationship Manager (Interim) |

For further information, please contact:

Chris Bujac, Clerk to LGPS Central Joint Committee
 Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP
chris.bujac@cheshirewestandchester.gov.uk



LGPS Central Joint Committee Minutes of the meeting held on Friday 18 June 2021 Virtual Meeting – Broadcast Live

Present:

Councillors: Biggins (Chair), Hogg (Vice-Chair), Atkins, Barkley, Jaspal, Kerry, Sutherland, Wilson

Scheme Member Representative: Malcolm Cantello (MC), Unison

Other Attendees:

Partner Fund officers: Justin Bridges Rachel Brothwood, Chris Bujac (Clerk), Tom Davies, Rachel Howe, Michael Hudson, Bhulesh Kachra, Maggie Sheppard (MSh), Neil Smith, Keith Palframan, Nigel Stevenson, Melanie Stokes, Rebecca Taylor, Rob Wilson (RW)

LGPS Central Ltd (LGPSCL): Ian Brown (IB), Cara Forrest, Mike Hardwick, Susan Martin, Eithne McManus, John Nestor, Patrick O’Hara (PO’H), Gordon Ross (GR), Joanne Segars (JS), Mike Weston (MW)

Observer: None

1 MEETING PROTOCOL

1.1 The Clerk explained the virtual meeting protocol that would apply to the meeting.

2 CHAIR AND VICE CHAIR (Agenda item 5)

2.1 The Joint Committee agreed to take Agenda Item 5 immediately after the meeting protocol.

2.2 It was noted that, under the Committee’s Terms of Reference, the Chair and Vice Chair hold their offices until the first meeting after 1st May in the year following their election.

DECIDED: That Councillor Biggins be re-appointed as Chair and that Councillor Hogg be re-appointed as Vice Chair.



3 WELCOME AND INTRODUCTIONS (Agenda item 2)

- 3.1 The Chair welcomed the new members of the Committee (Councillors Wilson and Barkley) and the new Clerk.

4 APOLOGIES FOR ABSENCE (Agenda item 3)

- 4.1 It was noted that Councillor Hardman had sent his apologies and that there was no substitute. There were no further apologies.

5 DECLARATIONS OF INTEREST (Agenda item 4)

- 5.1 There were no declarations of interest.

6 MINUTES

- 6.1 **DECIDED:** That:

6.1.1 the minutes of the Committee's meeting held on 20th November 2020 be received; and

6.1.2 there were no matters arising or clarifications required from the minutes.

7 PUBLIC QUESTION TIME/OPEN SESSION

7.1 Members of the public submitted written questions prior to the meeting in the period prescribed under the public questions protocol that had previously been adopted by the Committee.

7.2 Questions were read out by the Clerk and a response was read out on behalf of LGPSCL. It was noted that there was insufficient time for all questions received to be responded to in the meeting and that written responses to those questions would be issued following the meeting in accordance with the protocol.

Note: All questions and responses have subsequently been published on the LGPS Central Joint Committee webpage at:

<https://www.cheshirepensionfund.org/members/about-us/how-we-manage-the-fund/governance-structure/pfc/>



8 JOINT COMMITTEE TERMS OF REFERENCE

8.1 Members received a report explaining that the Committee's Terms of Reference require its provisions to be reviewed annually, and that minor updates were proposed. MC proposed that additional minor amendments be made:

- references to Councils should be amended to Administering Authorities; and
- the public questions protocol should be amended to make it clear that "the public" includes all pension scheme members.

DECIDED: That the Terms of Reference be approved as set out in the report, subject to the requested amendments.

9 PRACTITIONERS ADVISORY FORUM UPDATE

9.1 Members received a report updating them on the work of the LGPS Central Practitioners Advisory Forum.

9.2 Committee members noted the content of the report and asked whether there would be a further update on cost savings. MSh confirmed that work to update the cost savings model was underway with a further update to the Committee in autumn 2021. MSh also confirmed that the transfer pricing policy review referenced in the report was nearing final recommendation.

9.3 **DECIDED:** That the Practitioners' Advisory Forum report be noted.

10 POOL RISK REGISTER

10.1 Members received a report on the Pool Risk Register noting that the register relates to the Investment Pool in its widest sense and is not a reflection of the risk assessment of either LGPSCL or individual Partner Funds and that, although there are inevitably some areas of common ground, this was not a risk register for those entities.

10.2 Members asked what was being done to reduce regulatory/political risks and RW confirmed that risks were being managed and that mitigating actions would be addressed more clearly in future reports.

10.3 Members also asked whether resource and succession planning risks were considered and MW and JS confirmed that this was something that was taken seriously and reviewed regularly by the LGPSCL board.

10.4 **DECIDED:** That the Investment Pool Risk Register report be noted.



11 LGPS CENTRAL PERFORMANCE UPDATE

- 11.1 Members received a presentation from LGPSCL on investment and Client Key Performance Indicator (**KPI**) performance in the period to March 2021.
- 11.2 JS gave an update on the company and explained that its team was growing to meet the needs of Partner Funds. Three new funds had been launched in 2021 and the company was on track to deliver five further funds before the end of the year. IB asked that it be noted that the company was grateful for the great support it had received from the Partner Funds in helping to launch the new private equity fund.
- 11.3 Members asked whether the targets for the new funds were appropriate and GR explained they were considered to be realistic for the relevant asset classes.
- 11.4 GR provided an Investment Performance summary update for Equities and Fixed Income assets and IB provided an update on Private Market funds.
- 11.5 PO'H explained how LGPSCL takes responsible investment (**RI**) and engagement into account in investment decisions. Members queried how the company assessed its RI integrated status and PO'H explained that this was externally audited. Members asked whether the company proposed shareholder resolutions as part of its RI stewardship. PO'H explained how the company actively engages with other shareholders to support shareholder resolutions, proposing a shareholder resolution was not usual, but confirmed it was a tool that the company would use where appropriate.
- 11.6 MW provided an update on KPIs. It was noted that the KPI relating to compliance was flagged red reflecting the company's zero tolerance for any breach, regardless of materiality. Members queried whether zero tolerance was a fair reflection of company performance. MW explained current approach was felt to be most appropriate and there continues to be dialogue between the company and the Partner Funds when reporting this KPI. Members asked that future reports provide more details of the materiality any breaches impacting the KPI along with a summary of any remedial actions being taken.
- 11.7 Members asked whether there was any lag in the Partner Funds investing through LGPSCL. MW explained that the more assets the company manages, the more cost savings it has the potential to deliver, but that transition is complex and getting assets into the pool must not be to the detriment of investment performance.
- 11.8 Members asked about when cost savings would result in LGPSCL breaking even. MW explained that, from a client perspective, the company aims to



deliver its services as cost effectively as possible. Company break event will be reported to the Partner Funds in their capacity as Shareholders via LGPSCL shareholder meetings.



THIS PAGE IS INTENTIONALLY LEFT BLANK



LGPS Central Joint Committee Friday 14 January 2022

Item 7: Joint Committee Terms of Reference

1. Purpose of the report

- 1.1 This report asks the Committee to endorse its updated Terms of Reference and protocol for dealing with public questions at meetings.

2. Recommendation

- 2.1 That the Terms of Reference (set out in Appendix 1) and the protocol for dealing with public questions (set out in Appendix 2) be approved by the Committee.

3. Background

- 3.1 The Committee's current Terms of Reference provide for review on at least an annual basis, to ensure that they remain fit for purpose as the partnership between the Partner Funds develops.

4. Review of Terms of Reference

- 4.1 The proposed amendments are largely administrative in nature (e.g., to include cross referencing to key documents rather than copy and paste text across) but there is one proposed substantive change as described below.

5. Public Questions

- 5.1 Members of the public are permitted to ask questions at Committee meetings and the Committee has previously adopted a protocol for dealing with public questions which is set out in the Terms of Reference.
- 5.2 Currently the protocol states that public questions must be received by noon of the second working day before the day of the relevant meeting. This means, for example, that when a Joint Committee meeting takes place on a Friday, the deadline for receipt of questions is noon on the Wednesday of the week of the Joint Committee meeting.
- 5.3 For recent Joint Committee meetings, it has become evident that the proximity of the question submission deadline to the meeting mitigates against the ability to effectively manage the volume of public questions, and to ensure that questions



submitted very close to the deadline receive the same level of focus and attention as those submitted earlier.

- 5.4 To address this, it is proposed that the deadline for submission of public questions is moved to five days before the meeting. This deadline would continue be published well in advance of the meeting date. This deadline is also after the publication of the Joint Committee meeting papers.
- 5.5 The proposed changes to the Terms of Reference and public questions protocol are shown in tracked changes in Appendix 1 and Appendix 2 respectively.



Appendix 1
Joint Committee Terms of Reference

LGPS CENTRAL JOINT COMMITTEE TERMS OF REFERENCE

The Joint Committee is a public forum for the Administering Authorities (**Authorities**) within the LGPS Central Pool (**the Pool**) to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues.

The Joint Committee shall provide assistance, guidance, and recommendations to the individual Authorities in connection with the functions set out below taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating Authorities.

Membership

- The Joint Committee shall consist of one elected member from each Authority.
- Each Authority may nominate one or more elected member (s) to attend any meeting of the Joint Committee or its sub-committees in place of an appointed member from an Authority, subject to prior notification being given to the Clerk to the Joint Committee or his or her nominee.
- Each Authority may remove its appointed members or substitute members and appoint different members and substitutes by giving written notice to the Clerk to the Joint Committee or his or her nominee.
- Each appointed member or substitute shall be entitled to remain on the Joint Committee for so long as the Authority appointing them so wishes but shall cease to be a member or substitute if he or she ceases to be a member of the appointing Authority or if that Authority removes the appointed member.
- Any casual vacancies will be filled as soon as reasonably practicable by the Authority from which such vacancy arises by giving written notice to the Clerk to the Joint Committee or his or her nominee.
- Each member of the Joint Committee shall comply with any relevant codes of conduct of their Authority when acting as a member of the Joint Committee.
- A Trade Union representative shall be appointed as a non-voting member of the Joint Committee to represent the scheme members across the Authorities' pension funds.

Role and function

1. To provide oversight of the objectives of the Pool as detailed in the Inter Authority Agreement listed below:
 - ~~to meet the investment objectives of the participating LGPS funds;~~



Appendix 1
Joint Committee Terms of Reference

- ~~• to establish a collaborative platform through which the Authorities can aggregate their pension assets with a view to providing scale economies and improved investment efficiency;~~
- ~~• to develop internal investment management capabilities for the collective benefit of the Authorities in order to provide wider investment choice and market competition;~~
- ~~• to create capacity to invest in asset classes which individual funds may find difficult to access;~~
- ~~• to stimulate innovation, and provide an opportunity for funds to engage with the investment industry in finding new and creative approaches to the funding challenges faced by the LGPS (and the wider pensions sector);~~
- ~~• to act as a responsible, long term investor, using its influence to promote the highest standards of corporate stewardship;~~
- ~~• to create a regional centre of excellence for investment management, able (in the long term) to offer services to other pension funds, charities and endowments; and~~
- Following transitioning arrangements, to invest each Shareholder's pension assets including any assets administered for and on behalf of other parties either through the collective investment vehicle(s) operated by LGPS Central Ltd, as the primary and exclusive collective investment vehicle(s) for all eligible pension assets, or by appointing LGPS Central Ltd to manage any non-eligible pension assets outside of such vehicle(s).

2. To provide oversight of the delivery of client service.
3. To provide oversight of delivery against the LGPS Central business case.
4. To deal with common investor issues, with a particular focus on Responsible Investment

Practitioners' Advisory Forum

The Practitioners' Advisory Forum (PAF) shall provide a central resource for advice, assistance, guidance, and support for the Joint Committee and shall support the functions of the Joint Committee. PAF shall provide technical support at meetings of the Joint Committee and shall act as a conduit for the Joint Committee to communicate back to the respective Authorities and/or direct to LGPS Central Ltd as appropriate.

Meetings

- The Clerk to the Joint Committee will be the Head of Paid Service or nominee of Cheshire West and Chester Council who will work within a budget set by the Authorities.



Appendix 1 Joint Committee Terms of Reference

- The Joint Committee will meet twice a year in June and December with the location to be rotated around the Authorities.
- The Clerk to the Joint Committee or his or her nominee will give notice to the public of the time and place of the meeting in accordance with Part VA¹ of the Local Government Act 1972. At least five clear working days before a meeting, the clerk to the Joint Committee or his or her nominee will send a summons signed by the Clerk to the Joint Committee or his or her nominee electronically to every Member. The summons will give the date, time and place of each meeting and specify the business to be transacted and will be accompanied by such reports as are available.
- Each Authority will publish a link on its own website to the relevant page on Cheshire West and Chester Council's website providing access to the Joint Committee's agendas and minutes.
- The Chair and Vice Chair of the Joint Committee will be elected by the Joint Committee from amongst its members and shall hold those offices until the first meeting after 1st May in the following year. Both the initial and subsequent Chairs and Vice Chairs may be re-appointed to serve a further term or terms.
- If there is a quorum of members present but neither the Chair nor the Vice Chair is present at the meeting of the Joint Committee, the other members of the Joint Committee shall elect one of the members of the Joint Committee as Chair of the Joint Committee for that meeting only.
- The quorum of a meeting will be at least five members who are entitled to attend and vote.
- Each elected member shall have one vote on any recommendations. Any matter will be decided by a simple majority of those members of the Authorities represented in the room at the time the question was put. In the case of an equality of votes the Chair shall have a second or casting vote but before exercising this, the Chair shall consider whether it is appropriate to defer the matter to the next meeting of the Joint Committee. The Chair shall take account of the governing principles to the LGPS Central pooling agreement when exercising the casting vote.
- The member appointed as a substitute shall have the same voting rights as the member for whom he or she is substituting and who does not attend. Where the appointed member attends the substitute member shall not have any right to vote after the conclusion of the item of business being discussed when the appointed member arrives but may remain at the meeting as an observer.
- The Chair will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.
- The Clerk to the Joint Committee or his or her nominee shall arrange for written minutes to be taken at each meeting of the Joint Committee and shall

¹ Meetings of councils and their committees are expected to be open to the public, except in the circumstances set out in Part VA of the Local Government Act 1972.



Appendix 1 Joint Committee Terms of Reference

send them to the members of the Joint Committee for on-line approval within three weeks of the meeting. At the next meeting of the Joint Committee, the Chair shall move that the minutes of the previous meeting be ratified as a correct record. If this is agreed, the Chair of the Joint Committee shall sign the minutes.

- Any elected member of the Authorities who is not a member of the Joint Committee may speak at a meeting of the Joint Committee if the Chair of the Joint Committee invites him or her to do so but an elected member of the Authorities who is not a member of the Joint Committee shall not be entitled to vote at a meeting of the Joint Committee.
- Meetings of the Joint Committee shall be open for members of the public to attend unless the Joint Committee determines that it is necessary to exclude members of the public in accordance with Part VA of the Local Government Act 1972 or the Joint Committee determines that it is necessary to take action because of a disturbance. Copies of the agenda for meetings of the Joint Committee and any reports for its meetings shall be open to inspection by members of the public at the offices of all the Authorities unless the Clerk to the Joint Committee determines that any report relates to items in which his or her opinion are likely not to be open to the public.
- In accordance with Part VA of the Local Government Act 1972, the Joint Committee shall exclude the public from its meetings whenever it is likely, in view of the nature of the business to be discussed or the nature of the proceedings that, if members of the public were present, confidential information would be disclosed to them in breach of the obligation of confidence.
- If any member of the public interrupts proceedings, the Chair will warn the person concerned. If they continue to interrupt, the Chair will arrange for their removal from the meeting room and will suspend the meeting until the member of the public has left or been removed.
- If there is a general disturbance in any part of the meeting room open to the public, the Chair may call for that part to be cleared.
- Each Authority will undertake the overview and scrutiny function on its own behalf in accordance with their constitutions.
- As a guide the items that may be included~~Items for inclusion~~ in the meetings, but not limited to, are as follows:

1. Update on delivery against the objectives of the Pool
2. Investment Performance, **Responsible Investment** & Cost Reporting
3. Risk Register
- 2.4. Key Performance Indicators
- 3.5. Benchmark Reporting
4. **Service Level Agreement Reporting**
- 5.6. Update on delivery against the LGPS Central Business Case



Appendix 1 Joint Committee Terms of Reference

- ~~6.7. Department for Levelling Up, Housing & Communities (DLUHC) & Scheme Advisory Board (SAB) Reporting~~ ~~MHCLG & SAB Reporting~~
- ~~7. Responsible Investment~~
8. Investment Outlook
9. Training/LGPS Central Events Programme
10. Other Relevant Common Investor Issues

Terms of Reference Review

These terms of reference will be reviewed annually at the first meeting after 1st May in each year.

Approved ~~18th June 2021~~ 14 January 2022



Appendix 2 Public Questions Protocol

LGPS CENTRAL JOINT COMMITTEE – PUBLIC QUESTIONS

This note sets out the procedure for members of the public who wish to submit a question to be asked at the Joint Committee.

At each meeting of the Joint Committee, the public (including active members, deferred members, pensioner members, survivor members or employee members of the Authorities' pension funds that comprise LGPS Central) will be able to submit questions to the Chair of the Joint Committee to which the relevant member or officers supporting and attending the Joint Committee will respond.

A period of up to 15 minutes will be set aside for the taking of questions and answers.

Questions must be received by noon of the ~~second~~ fifth working day before the day of the relevant meeting. This normally means, for example, that when a Joint Committee meeting takes place on a ~~Wednesday~~ Friday, the deadline for receipt of questions is noon on the ~~Monday~~ Friday of the week ~~prior to~~ of the Joint Committee meeting.

Questions must be submitted in writing to the address below:

Chris Bujac
Clerk to LGPS Central Joint Committee
Cheshire West and Chester Council
4 Civic Way, Ellesmere Port, Cheshire CH65 0BE
chris.bujac@cheshirewestandchester.gov.uk

Please state your name and address. The Chair cannot accept anonymous questions.

Questions that have been accepted will be published on the Authorities' website together with the name (but not the address) of the questioner. No person may submit more than one question to any one meeting and no more than one question may be asked on behalf of an organisation at any one meeting. No question may be sub-divided into more than two related parts.

If the Chair of the Joint Committee considers that the number of questions received is such that they cannot all be answered within 15 minutes, they will, after consulting with the Vice-Chair, select those which are to be put to the Joint Committee meeting. Any question which cannot be dealt with at the meeting because of lack of time will



Appendix 2 Public Questions Protocol

be dealt with by a written answer to be sent within 5 working days of the Joint Committee meeting by the member or officer of whom the question was asked. The Chair will determine the order in which questions will be put and may group together similar questions. Questions will be read out at the relevant meeting by the Chair or Vice-Chair.

A question **must** relate to a matter for which the Joint Committee has responsibility.

A question may be rejected if it: -

- i) is illegal, improper, irregular, frivolous or offensive;
- ii) will, if answered, disclose confidential or exempt information;
- iii) relates to a matter or issue in respect of which a response has already been given under any of the Authorities' complaints procedures, or which is currently being dealt with in accordance with other formal processes, such as court or tribunal proceedings or which is the subject of threatened court or tribunal proceedings by the person asking the question or a person or group which they represent;
- iv) relates to a matter or issue of a purely personal concern to the individual asking the question or their family members;
- v) is lengthy or a speech;
- vi) is an unintelligible question.



**Appendix 2
Public Questions Protocol**

THIS PAGE IS INTENTIONALLY LEFT BLANK



LGPS Central Joint Committee Friday 14 January 2022

Item 8: Practitioners' Advisory Forum Update

1. Purpose of the report

- 1.1 To update the Joint Committee on the work of the Practitioners' Advisory Forum and its constituent working groups.

2. Recommendation

- 2.1 That the Practitioners' Advisory Forum Report be noted.

3. Background

- 3.1 The Practitioners' Advisory Forum (PAF) is the senior officer working group appointed by the Partner Funds within the LGPS Central Pool (the Pool) to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. Colleagues from LGPSC Central Ltd (LGPSC) also attend every PAF meeting.
- 3.2 PAF has four working groups which support Partner Fund decision making, the working groups are:
 - Finance Working Group
 - Governance Group
 - Investment Working Group
 - Responsible Investment Working Group.
- 3.3 The Partner Funds have also established an Internal Audit working group which provides a co-ordinated approach to enable the Joint Committee, individual partner funds, and their respective external auditors to be satisfied on the standards of control operating across the pool.

4. PAF Activity

- 4.1 The main activity and achievements of PAF and its working groups since the last report to Committee in June 2021 have been: -
 - **Transfer Pricing:** The review of transfer pricing was referenced in the last report to Joint Committee. Following PAF and LGPSC discussions, with relevant external advice, shareholders have approved a recommendation to amend the transfer pricing (which refers to the rules that apply to the pricing of transactions between entities under common control). This had the effect



of reducing charges to clients without detriment to LGPSC’s overall financial position and its duty to pay an appropriate level of tax.

- Fund Launches:** Investment Working Group (IWG) has continued its lead role to work with LGPSC on the launch of new products including recommending product business cases to PAF for approval. Two products from the 2020-21 business plan, along with five products in the 2021-22 business plan were due to launch this year. The table below summarises the current position on the launch of these funds recommended for launch by IWG.

| Product | Current Position |
|---------------------------|--|
| Infrastructure | Launched |
| Direct Property | Procurement concluded November 2021. Launch expected by mid 2022. |
| Global Sustainable Equity | Procurement concluded November 2021. Launch expected by March 2022 |
| Private Equity 2021 | Launched |
| Private Debt | Launched |
| Target Return | Procurement ongoing Launch expected before March 2022 |
| Indirect Property | Requirements being reviewed with Partner Funds |

- Strategic Asset Allocation review:** PAF received the output from the annual review of Partner Funds’ strategic asset allocation plans held in September 2021. This is a key discussion, led by the Investment Working Group, enabling Partner Funds to share emerging thinking on future asset allocation requirements with each other and with LGPSC. This informs product development both in terms of future requirements for new products and/or changes in demand for existing products.
- Client Reporting:** The reporting sub-group, in conjunction with LGPSC, has concluded its review of monthly and quarterly investment performance reporting requirements and outputs. PAF agreed the recommendations for a more streamlined reporting approach which is now being delivered by LGPSC.
- Responsible Investment:** The Responsible Investment Working Group provided updates to PAF on its review of LGPSC’s responsible investment activity, including voting at investee company meetings. The group also co-ordinated the agenda for the Responsible Investment Summit held in October 2021 – this was a successful event attended by many Councillors and officers from Partner Funds. Given the importance of integrating Responsible Investment into all investment considerations, PAF has agreed



that Investment Working Group will incorporate Responsible Investment matters going forward.

- Governance:** At the request of PAF, the Governance Working Group is undertaking a review of the Inter Authority and Shareholder Agreements. Such reviews are good practice to ensure the agreements remain up to date and reflect operational arrangements. The review of the Shareholder Agreement is being conducted in conjunction with LGPSC and includes consideration of the original eight shared objectives and Reserved Matters. Any changes collectively agreed will require formal approval by all Partner Funds and LGPSC with reporting to Joint Committee and the Shareholder Forum as required.
- Partner Fund Support Office:** In recognition of the resource required to support Partner Funds in delivering pooling, a Partner Fund Support Office (PFSO) was established in late 2019. PAF reviewed the role and scope of the PFSO in summer 2021. The PFSO is an important resource in supporting the Pool's governance framework and working group meetings. It consists of two posts plus funding for external advice when required. It is funded equally by the Partner Funds at a forecast cost of £18,000 each per year (this sum includes provision for collective external advice).
- Internal Audit Plan:** The Internal Audit Working Group has continued to deliver the rolling programme of audit reviews. PAF approved terms of reference for audits of LGPSC investment management controls, pool governance and LGPSC investment performance reporting to clients. The audit of LGPSC investment controls has been completed with internal audit reporting satisfactory assurance on the controls in place. The other audits are in progress and will be reported to PAF in due course.
- Key Performance Indicators:** PAF has received regular overviews of LGPSC's performance in meeting agreed key performance indicators. A KPI sub-group meets regularly with LGPSC to review the position in more detail to support PAF. (The LGPSC presentation at Item 10 will provide more information on client KPI delivery for Joint Committee).
- Shareholder Role:** In recognition of its dual role, PAF has dedicated time in one meeting per quarter to give focus to the Partner Funds' role as Shareholders of LGPSC. PAF has received presentations on key shareholder related matters. This enables PAF to engage with LGPSC on emerging issues during the year, with any key points being reported to the Shareholders' Forum.



4.2 In the coming months PAF's activity will include: -

- Engaging with LGPSC on its 2022-23 Business Plan and Budget proposals, including key Partner Fund outcomes and assessing the financial impact for Partner Funds and LGPSC. PAF will be supported by the Finance Working Group. The 2022-23 Business Plan and Budget will be presented to Shareholders in February 2022. This is a Reserved Matter requiring unanimous approval.
- Approving the final product launches due this year (on advice from the Investment Working Group).
- Working with LGPSC to further develop the Pool's Responsible Investment outcomes and climate stewardship commitments.
- Agreeing the Pool response, where applicable, to the long waited DLUHC consultation on LGPS investment regulations and statutory guidance (DLUHC indicate this is to be launched this year although no fixed date has been confirmed).

5. **DLUHC Annual pool returns**

5.1 In summer 2021, DLUHC (then MHCLG) launched the annual asset data collection for completion by all eight investment pools showing the pooling position as at 31 March 2021.

5.2 The pooling providers were requested to submit the return on behalf of their asset owners by early September 2021.

5.3 Working collectively, the Central Pool submission was returned on time, in summary it showed: -

- The pool continues to develop and launch new products, with actual AUM in pooled LGPSC products standing at 25% of total Partner Funds' AUM as at March 2021, projected to rise to 47% as at March 2024.
- AUM in pooled LGPSC products and other collaboratively procured products (life funds and sustainable equity framework mandates/products) standing at 49% of total Partner Funds' AUM at March 2021, projected to rise to 66% by March 2024.
- Total forecast cumulative net savings to 2034 of £127m on investment products that were live at the time of submitting the return (including life funds and sustainable equity framework savings).
- Total forecast cumulative net savings to 2034 of £325m across all products (including life funds and sustainable equity framework savings).
- Significant savings continue to be realised on external manager fees, with savings of 40-60% on products launched within the last year.



5.4 DLUHC has not yet published any feedback following receipt of the annual submission data from the eight pools. Further information will be presented to Joint Committee when this feedback is received.



THIS PAGE IS INTENTIONALLY LEFT BLANK

LGPS Central Joint Committee Friday 14 January 2022

Item 9: Practitioners' Advisory Forum - Pool Risk Register

1. Purpose of the report

- 1.1 This report continues the series of updates to the Committee on the LGPS Central Investment Pool risk register, developed in collaboration with LGPSC Ltd (the **Company**) and the Practitioners Advisory Forum (**PAF**) to assist with monitoring the risks associated with Investment Pooling and its implementation.

2. Recommendation

- 2.1 It is recommended that the Investment Pool Risk Register Report be noted.

3. Background

- 3.1 The Pool Risk Register reflects the risks as assessed by PAF, in conjunction with the Company, to the Investment Pool in its widest definition. It should not be seen as a reflection of the risk assessment of either the Company or individual Partner Funds, although there are inevitably some areas of common ground.
- 3.2 The Risk Register continues to be monitored on an ongoing basis by the Company and PAF, with updates being presented to Joint Committee to provide assurance and good governance over the risks around investment pooling.
- 3.3 The Pool Risk Register captures key risks surrounding investment pooling that could impact across all parties in the LGPS Central Pool. It shows how these risks are being managed or mitigated. Some high risks will remain due to external factors which the Pool may not be able to mitigate or manage.

4. Risk Register Structure

- 4.1 The risks covered by the risk register have been divided into eight categories to identify the types of risk that the investment pool might face as it moves forward. The risks have therefore been categorised as (in no particular order):

| Risk | Description |
|---------------------------|--|
| Resources | Includes recruitment and retention at both LGPSC Ltd but also Partner Funds as well as budgetary constraints |
| Regulatory Environment | Recognises the regulatory arena in which both the pension funds and the company operate |
| Political | Encompasses both changing attitudes to investment pooling but also the wider political environment |
| Reputational | Risks around negative press coverage around what is a major change management project, but also challenges around Environment, Social & Governance (ESG) risks |
| External and Third Party | Recognises reliance placed on external providers and concentration of suppliers in some areas |
| Strategic | Risks of divergence from strategic objectives of delivering investment pooling including delays to product development and transition of assets |
| Investment | Recognising that investments have inherent risks and returns can fluctuate, liability valuations change over time impacting partner fund asset allocation which in turn may change products required from LGPSC. |
| Operational and Financial | Encompass cyber security, budget management and day to day operational management |
| Covid19 | This was Introduced as a new separate risk category in June 2020, but has now been encompassed as business as usual and any impact of Covid19 reflected in the relevant risk areas above. |

- 4.2 The magnitude of risks within the register are assessed against the two factors:
- **Likelihood** – the probability that a risk will materialise
 - **Impact** – the consequences if the risk were to materialise

4.3 These are scored on a matrix, which indicates overall levels of risk as follows:

| | |
|----------------------------|---|
| High risk (red) | Need for early action / intervention where feasible, although recognise that there are some high risks that have to be accepted as they arise due to external forces which cannot be controlled |
| Medium risk (amber) | Action is required in the near future |
| Low risk (green) | Willing to accept this level of risk or requires action to improve over the longer term |

5. Risk Register Update

- 5.1 The risk register has recently been reviewed and updated to reflect any changes to risk levels.
- 5.2 The Appendix to this report provides a high-level summary of the latest risk assessment for each of the nine key risks, as at October 2021 and shows the assessment trend over the last seventeen months. Committee will note that the Appendix shows the risk assessment pre and post control measures.
- 5.3 The Appendix also includes commentary explaining any changes in the level of risk assessed. Since the last report to Committee two post control risk ratings have changed, one (Political Risk) reducing and one closing (Covid 19) which is now being treated as business as usual and any impact shown within the respective risk areas. Commentary has also been provided regarding (Regulatory risk) given that this is still red.
- 5.4 Regulatory Risk has an unchanged high rating, continuing to reflect that there are a number of new LGPS regulations and initiatives on the horizon that will impact Partner Funds' capacity. LGPSC are comfortable in meeting their regulatory obligations and any potential regulatory changes. The remainder of the risks have been assessed as medium or low risk.



APPENDIX

High-level risk assessment as at October 2021

| Risk | Pre-Control Jun 20 | Post-Control Jun 20 | Pre-Control Oct 20 | Post-Control Oct 20 | Pre-Control Jun 21 | Post-Control Jun 21 | Pre-Control Oct 21 | Post-Control Oct 21 | Commentary |
|------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--|
| Resource | High | Medium | High | Medium | High | Medium | High | Medium | No Change |
| Regulatory | High | Medium | High | Medium | High | High | High | High | No Change - The primary driver of the red rating is the number of new LGPS regulations and initiatives on the horizon that will impact Partner Funds' capacity. LGPSC are comfortable in meeting their regulatory obligations and any potential regulatory changes |
| Political | High | High | High | High | High | High | High | Medium | The primary driver of the change in Risk is due to the new municipal period having commenced with minimal disruption, this event takes place once every 4 years and there was a potential for new people to start work within this environment. We have controls in place to help educate and train new members on pooling and how this works, as part of the induction process. |



| Risk | Pre-Control Jun 20 | Post-Control Jun 20 | Pre-Control Oct 20 | Post-Control Oct 20 | Pre-Control Jun 21 | Post-Control Jun 21 | Pre-Control Oct 21 | Post-Control Oct 21 | Commentary |
|---------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--|
| Reputational | High | Medium | High | Medium | High | Medium | High | Medium | No Change |
| Procurement & Third Party | High | Medium | High | Medium | High | Low | High | Low | No Change |
| Strategic | High | High | High | High | High | Medium | High | Medium | No Change |
| Investment | High | Medium | High | Medium | High | Medium | High | Medium | No Change |
| Financial & Operational | High | Medium | High | Medium | High | Medium | High | Medium | No Change |
| Covid 19 Impact | Medium | Low | Medium | Low | High | Low | Closed | Closed | As COVID 19 is now considered as BAU risk, this has been incorporated within Resource Risk. COVID 19 risk (standalone) has therefore now been marked as 'Closed' to avoid duplication and will be removed from the report going forward. |



THIS PAGE IS INTENTIONALLY LEFT BLANK

JOINT COMMITTEE MEETING

LGPS Central Ltd Update

14 JANUARY 2022



Agenda

In collaboration with our Partner Funds...

- Introduction – Company Update
- Investment Performance and Overview of Product Development
- Responsible Investment & Engagement
- Net Zero
- Key Performance Indicators
- Looking ahead



Introduction

Joanne Segars
Chair



LGPS Central Update

Assets Under Management



c.£26bn

Investment Vehicles



19

Number of Staff



66

Cost Savings



c.£270m

Net by 2033/34

Responsible Investment



Commitments to Net Zero and Signatory to 2020 Stewardship Code

Compliance



100%

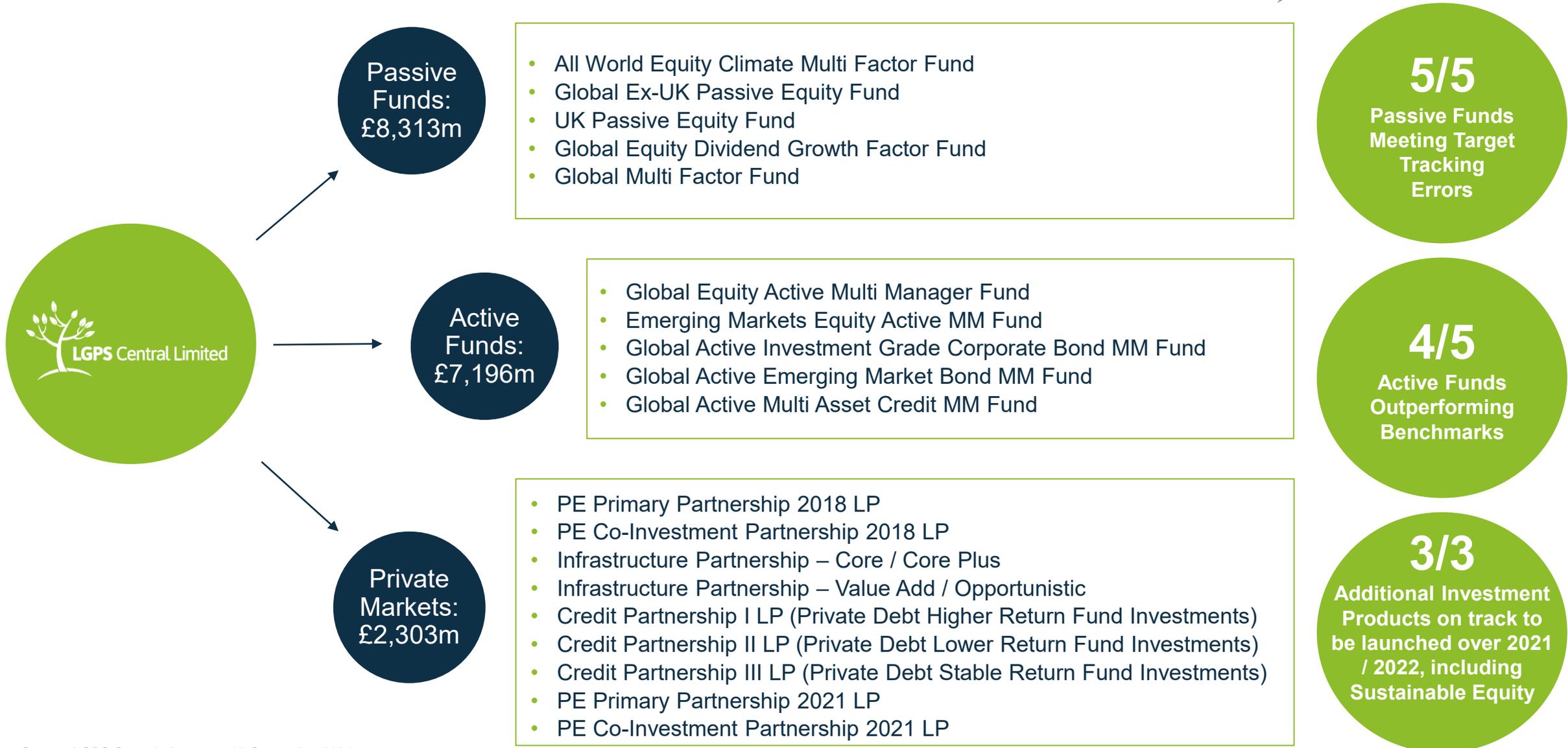
Unqualified AAF Report

Investment Performance Summary

Gordon Ross
Chief Investment Officer



LGPS Central Product Overview



LGPS Central Fund Performance:



| Annualised Performance Since Inception to 30 September 2021 | Inception Date | Fund (% p.a.) | B'mark (% p.a.) | Tracking Error |
|---|----------------|----------------|-----------------|-----------------|
| Passive ACS Funds | | | | |
| LGPS Central Limited UK Passive Equity Fund | April 2018 | 4.90 | 5.11 | |
| LGPS Central Limited Global Ex-UK Passive Equity Fund | April 2018 | 12.13 | 12.33 | |
| LGPS Central Limited Global Equity Dividend Growth Factor Fund | April 2018 | 10.89 | 11.10 | |
| LGPS Central Limited All World Equity Climate Multi Factor Fund | Oct 2019 | 14.86 | 14.64 | |
| LGPS Central Limited Global Multi Factor Fund | Jan 2021 | 9.76 | 9.84 | |
| Annualised Performance Since Inception to 30 September 2021 | Inception Date | Fund (% p.a.)* | B'mark (% p.a.) | Target (% p.a.) |

5 Passive Funds launched

5 Active Funds launched

9 Private Market Strategies Launched

| | | | | |
|--|------------|-------|-------|-------|
| Active ACS Funds | | | | |
| LGPS Central Limited Global Equity Active Multi Manager Fund | March 2019 | 17.07 | 15.88 | 17.38 |
| LGPS Central Limited Emerging Markets Equity Active MM Fund | July 2019 | 6.37 | 6.73 | 8.73 |
| LGPS Central Limited Global Active Investment Grade Corporate Bond MM Fund | March 2020 | 10.95 | 9.83 | 10.63 |
| LGPS Central Limited Global Active Emerging Market Bond MM Fund | Dec 2020 | -0.31 | -1.18 | -0.39 |
| LGPS Central Limited Global Active Multi Asset Credit MM Fund | April 2021 | 1.39 | 0.02 | 1.84 |

| | | | | |
|---|----------|------|------|------|
| Scottish Limited Partnerships | | | | |
| LGPS Central PE Primary Partnership 2018 LP | Jan 2019 | 30.5 | 16.3 | 20.3 |
| LGPS Central PE Co-Investment Partnership 2018 LP | Jan 2019 | 51.4 | 14.7 | 18.7 |

Source: LGPS Central / Northern Trust

Where inception dates are less than one-year, absolute performance shown. Performance of Scottish Limited Partnerships shown to 30 June 2021. Due to the nature of private markets, performance reports lag by one quarter and are since inception.

Private Markets

Significant development in 2021



Actual and indicative commitments as at 31 December 2021

| | PE I | Infra | Debt | PE II | Total £m | Total % |
|-----------------|------------|------------|--------------|------------|--------------|-------------|
| Cheshire | 22 | 130 | 510 | 60 | 722 | 24% |
| Leicestershire | 10 | 70 | 160 | 30 | 270 | 9% |
| Shropshire | - | 66 | 120 | 30 | 216 | 7% |
| West Midlands | 200 | TBD | 750 | 250 | 1,200 | 40% |
| Worcestershire | - | 30 | - | - | 30 | 1% |
| Staffordshire | 10 | 120 | 90 | 40 | 260 | 9% |
| Nottinghamshire | 15 | 135 | - | 65 | 215 | 7% |
| Derbyshire | - | 50 | 50 | - | 100 | 3% |
| Total | 257 | 600 | 1,680 | 475 | 3,012 | 100% |

Product Development

THE LGPS CENTRAL APPROACH

“Bespoke” funds launched to meet Partner Fund needs



On-going manager oversight and risk management



Aim to develop established funds with proven track records



Pooled fund approach via ACS funds with ability to easily switch in and out of products



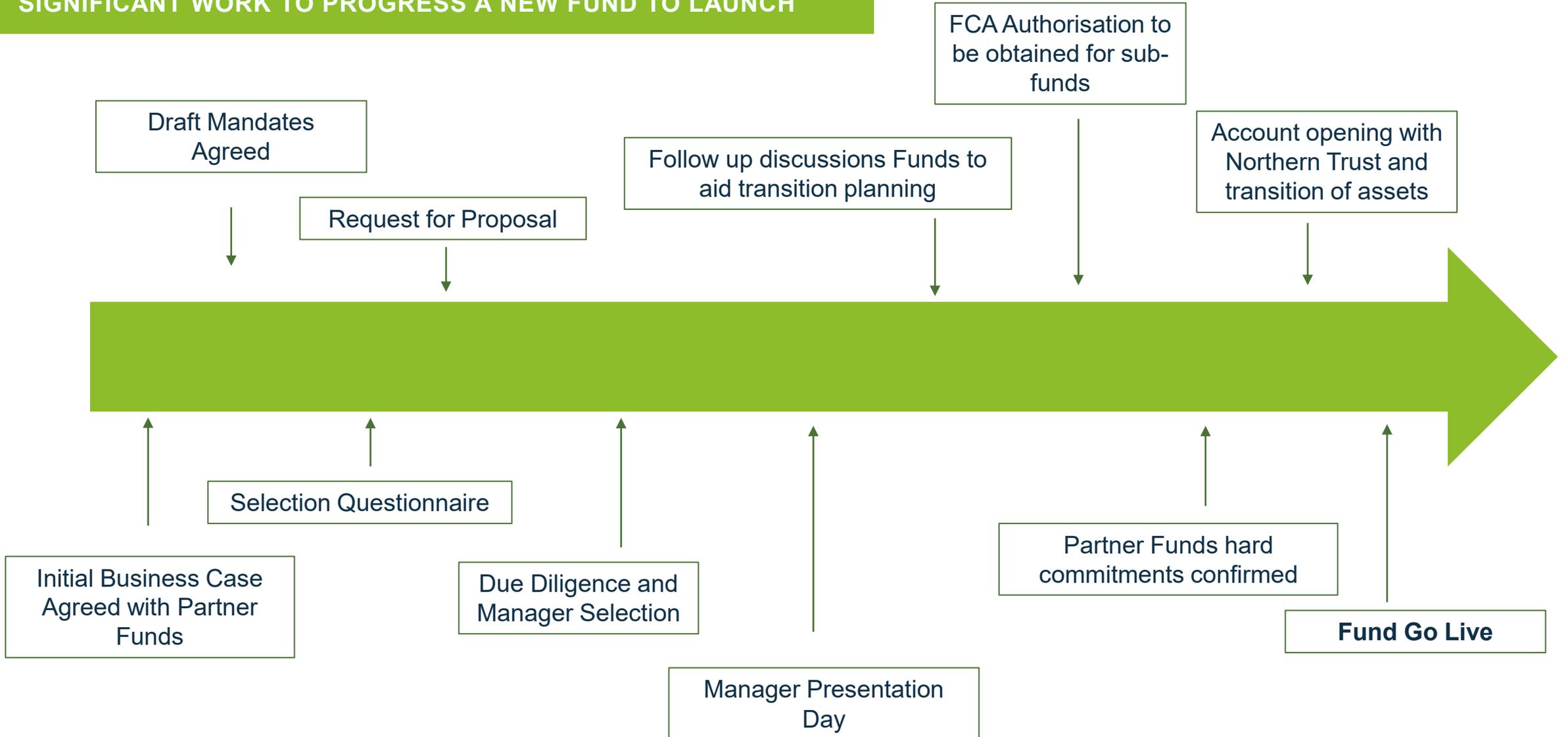
Ability to offer tailored, large client solutions to meet Partner Funds collective needs



Focus on investment performance, operational resilience and client servicing

Product Development

SIGNIFICANT WORK TO PROGRESS A NEW FUND TO LAUNCH



Product Development



LOOKING FORWARD TO 2022

Global Sustainable Equity

Funds that directly incorporate sustainability factors into the investment decision making process

Targeted Return

Fund targeting a return of cash + 3 - 4% p.a. with low correlation to equities and very diversified sources of return

Direct Property

Fund set up to invest directly in UK property

Indirect Property

Fund of funds initially targeting residential property

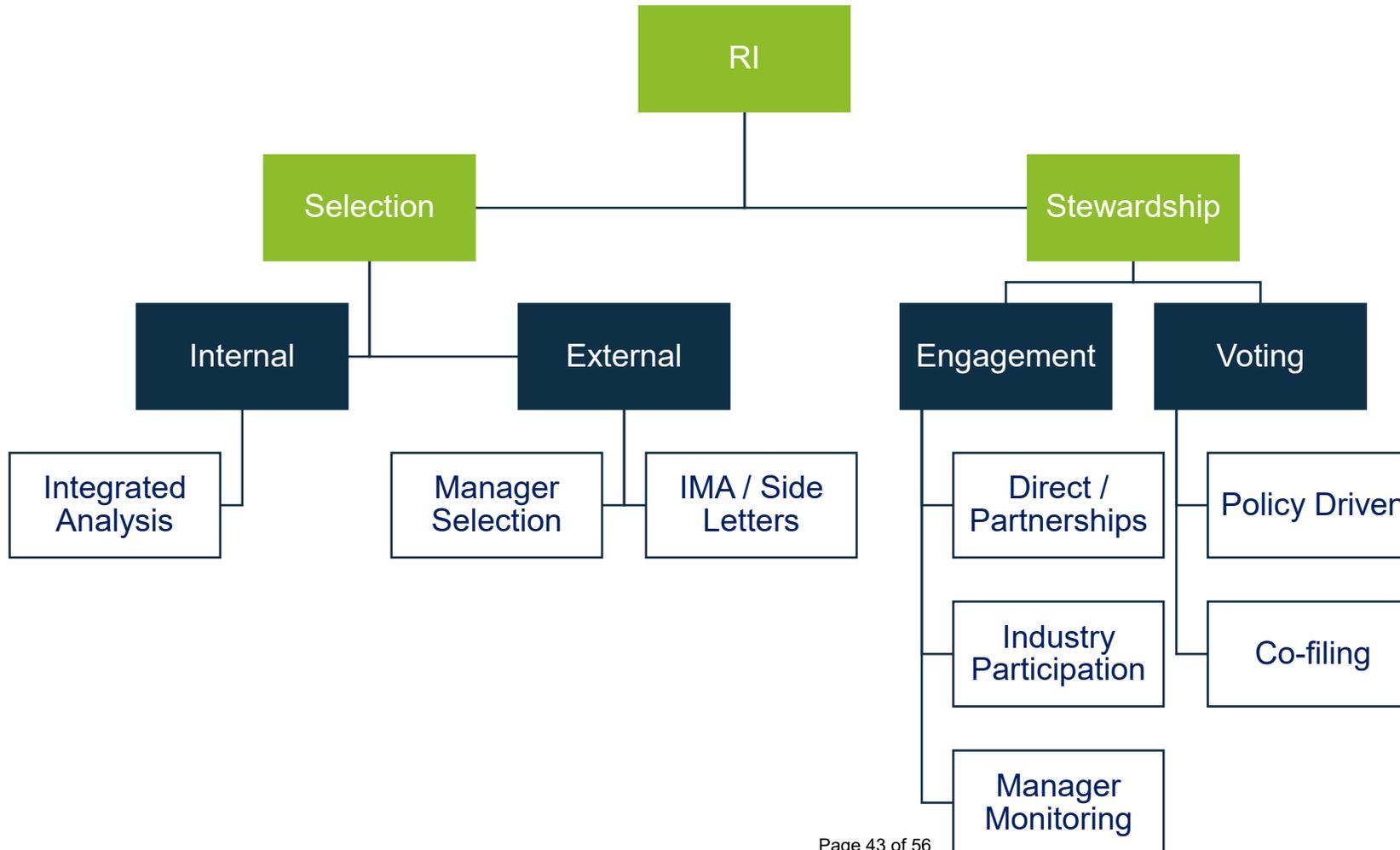
Responsible Investment & Engagement

Patrick O'Hara
Director, Responsible Investment



LGPS Central and RI&E

HOW LGPS CENTRAL TAKES RI&E INTO ACCOUNT



100% LGPSC Funds achieved RI Integrated Status

Targeted voting and engagement strategies with dedicated in-house resources

Detailed Climate Risk Reports for all Partner Funds

Responsible Investment & Engagement



SELECTION AND MONITORING UPDATE

Selection

- Active Equities – Sustainable Equities.
- TAA – Targeted Return.
- Private Debt – 4 managers due diligence conducted, RIIS achieved.
- Private Equity – 2 managers reviewed, RIIS achieved.
- Infrastructure – 3 managers reviewed, RIIS achieved.
- Property Fund – 3 managers reviewed, 1 selected.

Monitoring

- Funds – 5 funds reviewed.
- Co-Investments – 4 Co-Investments reviewed.
- Active Equity – Q1, Q2 and Q3 RI Meetings.
- Fixed Income – Q2 and Q3 RI Meetings.

Responsible Investment & Engagement

CLIMATE RISK MONITORING SERVICE UPDATE



Confidential Climate Risk Reports (including Climate Stewardship Plans) – 7 delivered and 1 in progress.



Public Climate Risk Reports – 4 delivered.



TCFD Reports – 3 delivered.



Climate Strategies – 2 delivered.



Additional Deliverables – assisted Partner Funds in Annual Report preparations, RI-related policy updates, RI/ Climate Action Plans and RI and climate change training.



Responsible Investment & Engagement



ENGAGEMENT UPDATE

- Steward Code Report Submitted – LGPSC acquiring signatory status to the Code
- LGPSC is a Founding Member and Board Director of TPI Ltd.
- Collaboration to sponsor and create the first industry specification to prevent plastic pellet pollution.
- Paris-aligned accounting engagement project.
- Investor policy dialogue on deforestation (IPDD).
- Global Investor Statement to Governments on the Climate Crisis (IIGCC) 2021.
- Collaborative engagement on carbon emissions reporting based on University College Dublin (UCD) analysis.
- Committed to increased focus on human rights in engagement.



Responsible Investment & Engagement

VOTING UPDATE

- More than 20 companies have so far put a transition plan to the vote. ClimateAction 100+ Benchmark sets a bar.
- Shell – Voted against company’s Climate Transition Plan.
- Rio Tinto – Voted against the Chair of the Board.
- Frasers Group (Sports Direct) - We voted against the remuneration policy and report.
- BHP – Voted against the company’s climate transition plan.
- Tencent Holdings Ltd – Voted against board director due to poor diversity at board level.
- Motorola – Voted against Chair over failure to engage on human rights.



An Example of Successful Engagement

PROGRESSING NET ZERO IN THE GLOBAL BANKING SECTOR

- Investor engagement spurs Barclays to announce a net-zero by 2050 ambition.
- Climate-related proposal at 2020 AGM commits company to set strategy with short- and medium-term actions.
- Developments post AGM:
 - Joins Partnership for Carbon Accounting Financials
 - Develops a methodology (BlueTrack) to measure and reduce GHG emissions
 - Sets emissions reduction targets for energy and power & utilities companies
- We voted for HSBC's special resolution on climate change at May 2021 AGM (commitment to reduce fossil fuel exposure in line with Paris).
- Engaged with HSBC CEO via Investor Forum.
- HSBC announces thermal coal phase out policy.
- Engagement across the banking sector during H2 2021 with letter to 63 global banks asking for Paris-alignment and biodiversity protection.



July 7, 2021
10:17 AM BST
Last Updated 8 days ago

Breakingviews

Bank investors are at the
vanguard of climate push

Sponsored by



LGPS Central and Net Zero

OUR APPROACH



- LGPSC is committed to aligning our portfolios to Net Zero.
- Adopt the IIGCC Net Zero Framework for internally and externally managed investments.
- Set Net Zero by 2050 target (or earlier).
- Set interim targets.
- Review targets annually and adjust accordingly.
- Focus on engagement rather than avoidance.

Responsible Investment & Engagement

PRIORITIES FOR 2022



LGPS Central's commitment to Net Zero



Onboarding New Team Members – Offers accepted for senior analyst and integration manager roles.



Procurement of ESG Tool.



Climate Risk Monitoring Service Refresh (to include Net Zero alignment).



Preparation for 2022 voting season and engagement.



Private Markets Due Diligence – New Fund Launches.



Stewardship Code Report 2022.



Key Performance Indicators (Client Focus)

Mike Weston
Chief Executive



Client Focused KPIs – Q3 2021



75% OF CLIENT KPI INDICATORS ARE “GREEN” STATUS¹

| KPI Category / Business Plan Objectives | No. of KPIs | RAG Status for each KPI | | | |
|--|-------------|-------------------------|-------|-------|-------|
| Increasing the effectiveness of our Partner Fund relationships | 2 | | | | |
| Extending, enhancing and embedding RI&E (with a particular focus on Climate) | 2 | Green | Green | | |
| Effective management of existing assets | 4 | Amber | Green | | Amber |
| Transitioning New Assets into the Pool | 3 | Green | Green | Green | |
| Continued Enhancement of operational resilience | 4 | Green | Green | Red | Green |

Amber KPIs:

- Active fund performance
- Management of budgeted operating cost vs. assets under management

Red KPIs:

- Control measure breaches

¹ Based on KPIs with available data as at 30 September 2021

Looking Forward

Facing the Future with Confidence

Summary

LGPS CENTRAL ENTERING 2022 WITH CONFIDENCE

- Continuing focus on Private Markets and Responsible Investment
- Working in **partnership with our shareholders** to drive the success of LGPS Central



- Strong investment performance at the end of 2021
- Three-year reviews to support ongoing performance of existing funds
- New fund launches on track

- Building resources and capabilities to deliver cost efficiency and enhance value for money
- Key focus on recruitment and retention

DISCLAIMER:



LGPS Central Disclaimer

IMPORTANT INFORMATION

This document has been produced by LGPS Central Limited and is intended solely for information purposes. Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future.

The information and analysis contained in this publication have been compiled or arrived at from sources believed to be reliable but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author.

This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (Nav) basis, with gross income reinvested where applicable.

All information is prepared as of **4th January 2022**

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No: 10425159.
Registered Office: Mander House, Mander Centre, Wolverhampton, WV1 3NB

“One Central team, working in partnership to invest with purpose and deliver superior returns”

