

## **LGPS CENTRAL POOLING UPDATE**

### **1. Introduction**

- 1.1 This report continues the series of updates requested by Committee on progress towards delivering investment pooling. It summarises the main activity since the last update presented in December 2020.

### **2. Recommendation**

- 2.1 The Committee is asked to note the position as set out in the report.

### **3. LGPS Central Joint Committee**

- 3.1 Members will recall that the Joint Committee is the public forum for the eight Councils, in their capacity as Administering Authorities, who make up the LGPS Central Pool (being Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire). It provides 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.
- 3.2 Joint Committee is made up of one elected member from each of the eight partner funds and a scheme member representative nominated by the trade unions. Seven of the eight partner funds had local elections in May 2021, and it is anticipated there will be some changes to elected member representation following annual Council meetings.
- 3.3 The Chair of the Pension Fund Committee is the Fund's representative on the Joint Committee and is the current Vice Chair of the Joint Committee. The Council acts as Clerk to the Joint Committee and that role is undertaken by the Pensions lawyer.
- 3.4 The next LGPS Central Joint Committee meeting is scheduled for 18 June 2021. As the Joint Committee is advisory, it has been confirmed that the meeting can be held virtually. Accordingly, the meeting will be held via MS Teams with a live broadcast. At the time of writing, the Agenda is being prepared and will be published on the Fund's website via the link below: -

<https://www.cheshirepensionfund.org/members/wp-content/uploads/sites/2/2020/11/Joint-Committee-Papers.pdf>

### **4. LGPS Central - Pooled Funds**

- 4.1 Appendix 1 attached lists the thirteen pooled funds which have now been established by LGPS Central Ltd and the assets invested as at April 2021. The table also highlights those funds in which the Cheshire Fund is invested. Performance of the Fund's investment in these funds is included in the regular reporting presented to Investment Sub-Committee.



4.2 Partner Funds have collectively requested that five further pooled funds are developed in 2021-22 relating to Global Sustainable Equities, Private Equity 2021/22 vintage, Private Debt, Targeted Return, and Indirect Property. The Cheshire Fund, subject to Committee recommendation, will be exploring investment in Global Sustainable Equities and Private Equity.

## 5. Cheshire Pension Fund asset transition

5.1 The table below summarises the transition of Fund assets into the pool as at March 2021.

	Asset Values £m	% of Assets owned
Assets pooled with LGPS Central Ltd	1,090	17%
Seven Shires Collective procurement (LGIM)	1,968	30%
Direct Property	400	6%
Private Equity funds	218	4%
Baillie Gifford Active equities	869	14%
Other assets	1,629	25%
Cash	277	4%
<b>Total Assets</b>	<b>6,451</b>	<b>100%</b>

- 5.2 Members will note that some of the Fund's assets are not yet pooled, this is due to
- In preparing for pooling, seven partner funds jointly procured passive management funds, awarded to LGIM. These offer significant fee efficiency.
  - Transfer of directly owned property incurs significant stamp duty costs which undermines the case for transition - this is an issue across all LGPS funds.
  - The fund holds legacy investments in several closed ended private equity funds which will take many years to unwind.
- 5.3 Decisions on the transfer of remaining Fund assets will be subject to the development of pooled fund business cases and approval by Pension Fund Committee.



LGPS Central Fund : Pooled funds AUM at April 2021	Asset Class	Inception	£m	CPF invested £m
<b>Passive Funds</b>				
UK Passive Equity Fund	Equities	04-2018	1,044	
Global (Ex UK) Passive Equity Fund	Equities	04-2018	2,444	
Global Passive Equity Dividend Growth Factor Fund	Equities	Apr 2018	521	
All World Passive Equity Climate Multi Factor Fund	Equities	Oct 2019	3,073	635
Global Multi Factor Equity Fund	Equities	Jan 2021	121	
<b>Sub total</b>			<b>7,203</b>	635
<b>Active Funds</b>				
Global Equity Active Multi Manager Fund	Equities	Mar 2019	2,750	348
Private Equity Primary Partnership 2018 LP	Private Equity	May 2019	150	20
Private Equity Co-Investment Partnership 2018	Private Equity	Apr 2019	107	2
Emerging Markets Equity Active Multi Manager	Equities	Jul 2019	730	-
Global Investment Grade Corporate Bond Fund	Bonds	Jan 2020	1,570	-
Emerging Market Debt Fixed Income	Bonds	Dec 2020	637	148
Multi Asset Credit Fund	Fixed Income	Apr 2021	680	150
<b>Sub-total</b>			<b>6,624</b>	<b>668</b>
		<b>Total</b>	<b>13,827</b>	<b>1,303</b>
Funds being launched in 2021				
Infrastructure (launched May 2021)				
Global Sustainable Equities				
Private Debt				
Private Equity 2021				



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