

LGPS INVESTMENT POOLING: PRESS RELEASE

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Proposals for the creation of the LGPS Central investment pool submitted to the Government

Nine Midlands-based local government pension funds have submitted a detailed business case to the Government for the creation of a multi-asset investment pool called LGPS Central. The submission has been made in response to the Government's request for detailed investment pooling proposals to be made by 15 July 2016 and follows a review meeting with Government officials in June.

The LGPS Central investment pool will aim to be a regional centre of excellence in investment management and a collaborative platform for participating funds. It will deploy the successful internal investment management capabilities of participating funds and will seek to develop them further to meet funds' future requirements.

The business case addresses the Government's four criteria for investment pooling ^(note 1) as follows –

- 1 Scale.** With £34 billion of assets, the LGPS Central investment pool will exceed the Government's expectation for the new investment pools to have at least £25 billion of assets.
- 2 Governance.** Participating funds will create an FCA-regulated investment management company owned equally by them and will use an Authorised Contractual Scheme (ACS) and other legal structures for assets. The planned governance arrangements are aligned with participating funds' requirements and are expected to meet the Government's criteria for robust governance.

- 3 Cost savings and value for money.** It is projected that the LGPS Central investment pool will deliver cost savings of over £200 million by 2034, net of transition, set up and operating costs. The savings will be delivered through economies of scale, mandate rationalisation, fee negotiations and more use of direct management.
- 4 Infrastructure investment.** The Government is encouraging more investment in infrastructure and the LGPS Central investment pool is exploring national infrastructure investment platform options. The weighted target allocation to infrastructure investment for the LGPS Central investment pool is expected to rise to over 5% of assets.

It is planned that the corporate structure and governance arrangements for the LGPS Central investment pool will be set up in the coming months and that the new investment pooling arrangements are set up by 1 April 2018.

Ends

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Notes

- 1** The Government's investment reform criteria and guidance for the Local Government Pension Scheme were published on 25 November 2015 (www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance).
- 2** The value of the participating funds' portfolios as at 31 March 2015 totalled £34 billion. At the same date, the funds' membership stood at 850,000 and participating employers totalled 1,850.