


Non-Executive Report of the: Pension Committee Monday, 25th March 2024	 TOWER HAMLETS
Report of: Julie Lorraine, Corporate Director, Resources	Classification: Unrestricted
Local Government Pension Scheme Consultation: Next Steps on Investments	

Originating Officer(s)	Paul Audu, Head of Pensions and Treasury (Interim)
Wards affected	All

Executive Summary

This report provides an update to the Pension Board on the outcome of the consultation on the Local Government Pension Scheme entitled “Local Government Pension Scheme (England and Wales) Next Steps on Investments” which closed on 2 October 2023. Link to the Government’s response to the consultation is included in this report.

Recommendations:

The Pension Board is recommended to:

1. Note the contents of this report; and
2. Note the Government’s response to the consultation (Link to the Government’s response to the consultation is included in this report).

1. REASONS FOR THE DECISIONS

- 1.1 To inform the Pension Board about the Government’s response to the consultation and next steps.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to this report.

3. DETAILS OF THE REPORT

- 3.1 The aim of the consultation was to seek views on how to accelerate the pace of delivery of the benefits of pooling, with particular focus on pension fund investment strategy, allocation to the UK market to support high growth sectors and levelling up, and use of (and objective setting for) investment consultants.

- 3.2 The consultation also sought views on the proposed deadline for the transition of assets to the pools by March 2025 and the move to consolidate pools with a threshold £50 billion assets under management per pool.
- 3.3 The government has announced that it is minded to publishing amendment regulations and revised Investment Strategy Statement (ISS) guidance, in collaboration with the Scheme Advisory Board (SAB). Pension funds are urged to transfer all assets to the pool by the end of March 2025 or otherwise set out the rationale and value for money and the review date.
- 3.4 A preferred model of pooling to be set out in a revised pooling guidance clarifying the delegation of strategy implementation and selection of fund managers. The government supports inter-pool initiatives.
- 3.5 A specific requirement for administering authorities to publish their training policy for the Pensions Committee and report against it.
- 3.6 A requirement to provide comprehensive analysis of asset allocation, savings from pooling and asset class return relative to the benchmark in annual reports.
- 3.7 Expansion of data collection on pension funds to include asset allocation, percentage of total assets pooled and the net savings of pooling.
- 3.8 A requirement for pension funds to develop and maintain a plan to target up to 5% allocation to support levelling up and monitor and report on the effectiveness of the plan. The revised ISS will also require pension funds to commit up to 10% to private equity.
- 3.9 Tower Hamlets Pension Fund has pooled 61% of its strategic asset allocation through London CIV, while 20% of its assets is pooled under a fee arrangement via the Pool.
- 3.10 The Fund has benefited from the availability of Private Markets investments like Renewable Energy Infrastructure fund and UK Housing fund via the pool. To date, the Fund has pooled all the liquid assets in its investment strategy bar Index Linked Gilts.
- 3.11 Officers will provide updates to future Boards.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 There are no specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Tower Hamlets Council is the administering authority for the LGPS which provides pensions and other benefits for employees of the Council, Tower Hamlets Homes, Academies, various catering and cleaning contractors and a range of employers within the Fund.
- 6.2 The LGPS is a 'defined benefit' scheme which means that members benefits are not calculated based on investment performance. Contribution levels for scheme members are set nationally, and contribution levels for scheme employers including the council are set locally by the scheme actuary.
- 6.3 Increasing the level of investments in the UK and in private equity may increase fees because the nature of investments means they are more expensive to manage than for example listed passively managed equity tracking funds. However, different types of funds provide diversification may enable the Fund to adopt the correct risk/return profile to meet its liabilities and for this reason a mix of investments that includes some asset types with higher costs may be appropriate.

7. COMMENTS OF LEGAL SERVICES

- 7.1 There are no direct legal implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Link to Government response to consultation is provide below.

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report.

- Consultation outcome: Local Government Pension Scheme (England and Wales): Next Steps on Investments – government response' available online at: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments-gov-uk)

Officer contact details for documents:

Paul Audu – Head of Pensions and Treasury Tel: 020 7364 4248 (Ext. 4248)

3rd Floor, Town Hall, 160 Whitechapel Road, London E1 1BJ

Email: paul.audu@towerhamlets.gov.uk