



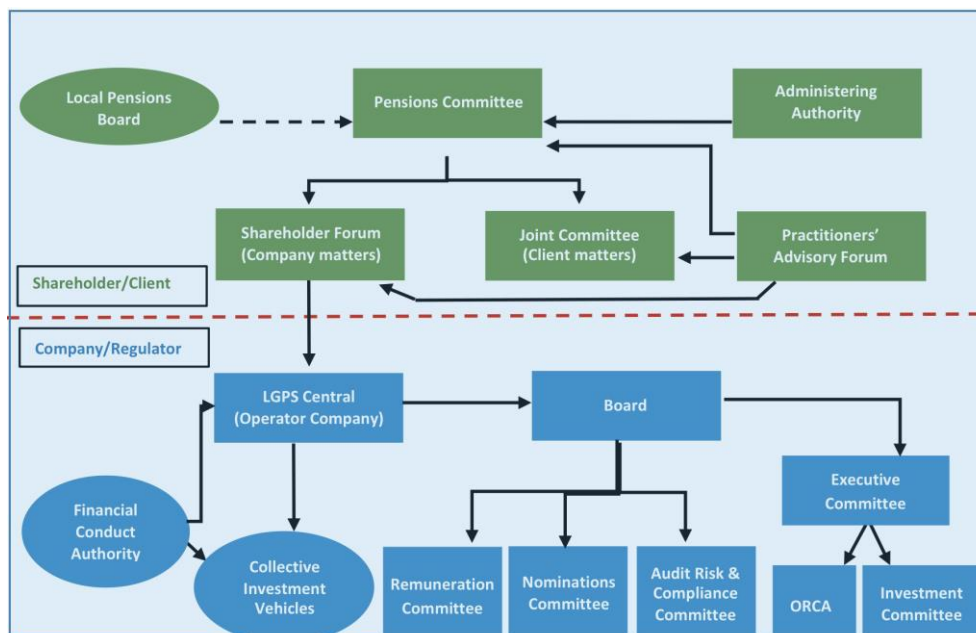
LOCAL PENSION COMMITTEE – 10th JUNE 2022
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
LGPS CENTRAL JOINT COMMITTEE AND ANNUAL GENERAL MEETING UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Committee with an update regarding LGPS Central's (Central) Joint Committee and Annual General Meetings and other relevant matters.

Background

2. Government instigated 'pooling' of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets. Administering authorities formed their own groups and eight asset pools were formed, which are now all operational. The scale of each pool gives significant buying power in the investment market, that would not normally be accessible to funds.
3. The Leicestershire Pension Fund (Fund) is a stakeholder from two different perspectives:
 - a co-owner of the company (shareholder) and
 - as a recipient of investment services
4. These interests are managed through the Shareholders Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement, Investment Statement Strategy and Conflict of Interest Policy



5. The Joint Committee, deals with the 'Investor' functions related to Fund's investment in the collective investment vehicles. The Joint Committee meets twice a year. It is comprised of eight members, representing each of the partner funds, these representatives may be different to those on the Shareholders' Forum, dependent on the authority. This is a public forum for Councils within the pool to receive 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.
6. The Joint Committee provides assistance, guidance and recommendations to the individual councils, 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 councils.
7. The supervisory body of Central is the Shareholders' Forum, which focuses on shareholder issues. The Shareholder's Forum includes representatives from each of the eight pension funds. The members are usually elected representatives, typically the Chairs of the Local Pension Committee, but this is at the discretion of the individual funds.
8. The Shareholders Forum meets at least twice a year to agree certain reserved matters; this provides a greater degree of control than for most private companies. Their powers as shareholders are set out in a Shareholder Agreement and include:
 - Amending or adopting new strategic plans
 - Admitting new members to the Pool
 - Appointment and removal of Directors
 - Approve accounts and appoint auditors
 - Approving capital expenditure over £5million
9. The Shareholders' forum normally precedes general meetings of the company, this allows discussion in advance of decisions being made at the meeting.

Joint Committee – 18 June 2021

10. A meeting of the Joint Committee (JC) was held as a virtual meeting on the 18th June and broadcast live. It was attended by councillors and partner fund representatives as well as a number of LGPS Central employees. The Chair of the Local Pension Committee represented Leicestershire at the meeting.
11. The meeting is clerked by Cheshire West and Chester Council with agendas and papers available on the site,

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

12. There were a number of actions agreed or reports noted which are listed below:
- a. Some minor changes to the terms of reference and its provisions be reviewed annually was approved.
 - b. A Practitioners' Advisory Forum update was given. The JC noted the report and asked when an update to the cost savings (from pooling) across all partner funds would be updated. Central advised that the update to the cost savings model was due to be presented at the next JC currently planned for early 2022. This meeting took place on the 14th January 2022, with Central advising that, "LGPS Central is on target to provide Partner Funds with cost savings of £270m net by 2033/34".
 - c. JC members received the Pool risk register which was noted. JC members questioned whether succession planning risks were considered. Central confirmed this was taken seriously and reviewed regularly by the Central Board.
 - d. There were 10 public questions submitted in advance of the JC covering topics such as arms, fossil fuels and human rights which were answered by LGPS Central.

Special Resolution – transfer pricing change – August 2021

13. In August 2021 the company proposed a change in the transfer pricing agreements. This was a special resolution requiring shareholder approval that proposed reducing the mark up applied from 20% to 10% with effect from 1st April 2021. This resolution was approved by all partner funds outside of a scheduled meeting.
14. Given LGPS Central's ownership structure and financial objectives, the company is not free to follow private sector pricing and profit practices. However, it remains a commercial venture whose activities should rightly give rise to taxable income.
15. The Company is therefore subject to 'transfer pricing', which refers to the rules that apply to the pricing of transactions between entities under common control. Under HMRC transfer pricing rules, LGPS Central Limited (the Company) must apply a mark-up on services to the Authorised Contractual Schemes (ACS) (the pool's tax-transparent collective investment vehicle).

16. The company is free to levy any transfer pricing mark-up, but it must create a level of taxable income which is deemed appropriate by HMRC for the Company's activities and its risk profile. Generally, a lower mark-up is preferable from a Corporation Tax perspective (lower mark-up equates to lower profits and in turn lower tax).
17. LGPS Central had taken advice from PwC (it's tax advisor) on this matter. While PwC's work identified that a wide range of mark-ups were being applied, their conclusion was that a percentage mark-up of 10% would provide an appropriate taxable income for the Company.

Annual General Meeting – 28 September 2021

18. The Annual General Meeting was led by LGPS Central and chaired by Joanne Segars. Present for the Company are the directors and non executive directors with partner funds represented by the nominated shareholder for the Local Authority. The Leicestershire County Council Pension Fund was represented by the Chairman of the Local Pension Committee.
19. The virtual meeting was held on the 28th September where the following were agreed or noted:
- a. All shareholder resolutions proposed by the Company were approved which included:
 - i. Re-election of all directors
 - ii. Adoption of the company report and accounts for the year ended 31st March 2021
 - iii. Approval of the individual remuneration packages for the Chair and Directors
20. In addition to the above the following items were noted:
- a. Shareholders requested that Board subcommittee updates (audit, nominations and remuneration) would be considered as written rather than oral updates in future
 - b. The Board asked that consideration be given to revive three working groups that were launched last year to progress client/shareholder and company goals, these are governance, road map and trust and confidence work groups.

Company General Meeting – 22 February 2022

21. A Company General Meeting was convened on the on the 22nd February 2022. Leicestershire County Council was represented by the Chairman of the Local Pension Committee.

22. The shareholders were presented an operations update and a review of the past years activities, performance and proposed budget for note.
23. There were seven resolutions on the agenda of which four were tabled and approved, these were:
- a. Appointment of External Auditors
 - b. Approval of the Board development plan and the succession of Non-Executive Directors
 - c. Approval of the Strategic Plan (which includes a proposed budget) and Regulatory Capital Statement for the period 1 April 2022 to 31 March 2023
 - d. Approve the adoption of the revised Articles of Association for the Company
24. The remaining three resolutions were not tabled whilst additional clarifications were being sought. The Meeting was adjourned by the Chair of General Meeting Joanne Segars with a view to working with shareholders and the representatives of the local authorities to gain further clarity on the remaining resolutions before reconvening the meeting. This work has now completed and a new company meeting date was set for the 27th April 2022 where the remaining three resolutions were approved, these were:
- a. Approval of the Executive Directors Remuneration and Benefits Policy
 - b. Approval of the Non-Executive Directors Remuneration and Benefits Policy
 - c. Approval of the individual remuneration for the Executive and Non-Executive Directors.

Joint Committee June 2022

25. The next Committee meeting is scheduled for Thursday 23rd June. Invitations have been sent to shareholders and respective Section 151 officers.

Recommendation

The Board is asked to note this report.

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