



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	12 December 2024
Classification:	Public
Title:	Mansion House Speech
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptringgs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 This report provides an update on proposed reforms to the Local Government Pension Scheme (LGPS), following the Chancellor's Mansion House speech on 14 November 2024.
- 1.2 Following the speech, the Ministry of Housing, Communities and Local Government (MHCLG) released a consultation for the LGPS, which focuses on the areas of asset pooling, UK and local investment and governance. The consultation is attached at appendix 1.

2. Recommendations

- 2.1 The Committee is recommended to:
 - Note and comment on the proposed reforms to the LGPS, as set out by the Chancellor at the Mansion House speech.

- Note the attached LGPS consultation, which requires a response by 16 January 2025.

3. Background

- 3.1 The Mansion House speech is an annual address to the financial and professional services industry, given by the Chancellor of the Exchequer. The speech took place on 14 November 2024, with UK Chancellor, Rachel Reeves MP, delivering her first Mansion House speech on behalf of the current government.
- 3.2 The Chancellor set out a number of proposals within the pensions sector, including consolidation of defined contribution (DC) schemes and the LGPS. Proposed reforms for the LGPS include legislation to require the 86 LGPS administering authorities to consolidate their assets into fewer, larger pools of capital. These reforms are viewed by the government as key drivers for pension funds to support the future economic growth of the UK.
- 3.3 Following the speech, the government issued its interim response to the Pensions Investment Review (PIR), as well as a consultation on the future of the LGPS, covering asset pooling, UK and local investment, and LGPS governance.
- 3.4 The consultation is attached at Appendix 1.

4. Pensions Investment Review (PIR)

- 4.1 On 14 November 2024, the government published its interim findings to phase 1 of the Pensions Investment Review, which was launched by the Chancellor in July 2024. This report focused on DC and LGPS schemes, with ambitions to legislate the minimum size, and maximise the number of DC schemes and consolidate LGPS assets into larger asset pools.
- 4.2 As part of the PIR, the MHCLG published two consultations for the DC and LGPS sectors. The LGPS specific consultation covers the areas of asset pooling, UK and local investment and governance.
- 4.3 The next stage of the review will be to consider if further government intervention is required to ensure the reforms are having a positive impact on UK economic growth. The Government intends to publish its final proposals next year, as part of the Pensions Schemes Bill.

5. LGPS Consultation

- 5.1 The MHCLG published the Local Government Pension Scheme (England and Wales): Fit for the Future consultation on 14 November 2024. The consultation focuses on three key areas: asset pooling, UK and local investment, and governance.

Asset Pooling

5.2 The consultation focuses on existing pool models and the capacity to meet future needs, with the government believing that pools are not well placed to deliver future reforms under current arrangements. The proposed reforms are set out as follows:

- Pool companies will need to be authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies. The London CIV is already FCA approved.
- Administering Authorities (AAs) will set out high level strategies for their funds, with implementation of the strategies fully delegated to the pools.
- AAs would be required to take principal investment advice from the pool company.
- All listed assets to be transferred by 31 March 2025, and all legacy assets transferred to the management of the pool company by 31 March 2026.
- Pools to develop capabilities to manage and carry out due diligence on local investments.

UK and Local Investments

5.3 The government has ambitions for greater collaboration across AAs, combined authorities and pools, to increase local investments and benefit local communities across the UK. The proposed reforms are set out as follows:

- Requirements for AAs to define what local means and set out local investment allocation targets as part of the investment strategy statement (ISS).
- AAs to work with combined authorities and similar bodies. This would be the Greater London Authority (GLA) in the case of London funds.
- Requirements for funds to report on the impact of local investment within the Annual Report (AR).

Fund and Pool Governance

5.4 The government has set out a number of proposals based on recommendations submitted by the LGPS Scheme Advisory Board (SAB), as part of its Good Governance project. The proposed reforms are set out as follows:

- Requirement for AAs to appoint a senior LGPS officer who has responsibility for management and administration of the Fund.
- AAs to participate in a biennial independent governance review and implement improvement plans if required.
- AAs to be required to publish governance, administration and training strategies.
- AAs to consider the appointment of an independent advisor.
- Requirement for improved accessibility and transparency within Annual Reports.
- Pool companies would need to appoint representatives from partner AAs on their Boards and would be required to publish asset performance and transaction costs.

6. Next Steps and Recommendations

- 6.1 The Committee is recommended to note and comment on the proposed reforms to the LGPS, as set out within this report. In addition, the Committee should note the attached LGPS consultation, as attached at Appendix 1.
- 6.2 Officers will draft a response to the consultation and circulate this to Committee members for comment, with a view to submitting by the deadline, 16 January 2025.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES

Appendix 1: Local Government Pension Scheme (England and Wales): Fit for the Future consultation