



West Midlands Pension Fund working in partnership with LGPS Central

Overview of the Local Government Pension Scheme and Asset Pooling

The Local Government Pension Scheme (LGPS) is a salary-related, defined benefit scheme. The LGPS operates on a funded basis which means that contributions from employees and employers are paid into a fund and then invested, and from which pensions are paid. There are 87 LGPS funds in England and Wales.

The West Midlands Pension Fund (WMPF) is one of these 87 Funds and administers benefits for over 320,000 members and 670 employers across the West Midlands region.

In recent years, the Ministering of Housing, Communities and Local Government (MHCLG) have been looking at ways of improving investment returns and reducing deficits, but also to enable greater capacity for investment in infrastructure.

In the summer 2015 Budget, MHCLG invited local authorities to come forward with proposals to pool investments to reduce costs while maintaining overall investment returns. A proposal for a Central Pool was put forward and formally approved in November 2016. This Pool was called LGPS Central Limited.

LGPS Central Limited was officially launched in April 2018 and is regulated by the Financial Conduct Authority.

What is an Investment pool and what are the benefits?

For LGPS purposes, an Investment pool is a method of collective investment. It is a way of putting sums of money from different pension funds into one large fund (LGPS Central Ltd) which are then spread across many investments and managed by investment managers. The Pool then can use the combined buying power of its partner funds to reduce costs, improve investment returns, widen the range of available asset classes for investment and ensure good governance, which benefits the stakeholders of the LGPS. The Investment returns which the pool achieves are then distributed back into individual Funds.

Which Local Authority Pension Funds are in LGPS Central?

LGPS Central is one of eight LGPS Pools in England and Wales and is responsible for the collective investment assets of eight pension scheme administrating authorities across the Midlands areas.

The eight Pension scheme administrating authorities which make up LGPS Central are :-

- West Midlands Pension Fund
- Derbyshire Pension Fund
- Leicestershire Pension Fund
- Nottinghamshire Pension Fund
- Shropshire Pension Fund

- Staffordshire Pension Fund
- Cheshire Pension Fund
- Worcestershire Pension Fund

Will pooling affect my pension benefits?

The pooling of investments has no negative impact on member benefits. The LGPS is a statutory public service pension scheme, so the scheme's benefits and terms are set out in regulations passed through parliament. The LGPS is a defined benefit pension scheme which means the pension you get is based on how long you have been a member of the scheme and how much you earn and will not be directly affected by stock market changes or performance of investments.

Even though the West Midlands Pension Fund is a partner of LGPS Central. The Fund will continue to retain its separate identity and still hold responsibility for our investment strategy. The Fund remains accountable for providing pension benefits to our members.

What has been the progress so far?

WMPF has transitioned approximately £6.1 billion of assets over to the LGPS Central Pool so far, towards a potential combined total of £45 billion from all eight Funds. WMPF has a further £7.4 billion of assets that is looked after under an advisory agreement with LGPS Central. The Fund has procedures in place to monitor and measure the assurance of our investments and to ensure good governance.

Will the pool ensure my pension is being invested sustainably?

LGPS Central is committed to Responsible Investment (RI). They believe that RI, including the integration of environmental, social and governance issues, is not only the right thing to do but that it supports long-term returns. LGPS Central has made RI a core part of its investment process in every asset class, in every investment mandate it holds and in its dialogue with investee companies and other stakeholders.

LGPS Central strongly believes in working with firms which they invest in to ensure they're run in a responsible way. Recent examples of how the Pool has done this include:

- Engagement with Royal Dutch Shell through a collaboration of investors under the umbrella of ['Climate Action 100+'](#) to limit Shell's net carbon footprint in line with the Paris Agreement, and to link executive pay to the attainment of these goals.
- Following engagement via the ['30% Club'](#), which was led by LGPS Central, Tullow Oil Plc announced the appointment of two new board directors, which brought the proportion of female board directors to 33% (equal to the [Hampton-Alexander](#) target) and the number of BAME directors to two (exceeding the [Parker Review](#) target).
- Through collaborative investor coalition "The Mining & Tailings Safety Initiative", the Pool engages with mining companies on human rights and environmental risks to ensure global mining businesses recognise their responsibilities to communities and implement sufficient safety standards.



"I've joined a group of Partner Fund shareholders and investor clients who are committed to the successful development of the LGPS Central Pool and to capturing the long-term economic and governance gains from pooling the management of their pension scheme assets. The common goal of providing a secure retirement income to a combined scheme membership of approximately one million people, at a cost which is supportable by about 2,000 local employers, will help LGPS Central Limited and our Partner Fund owners/clients move forward together, in partnership."

Mike Weston, the CEO of LGPS Central Limited