

60-second summary

Preparing LGPS funds' annual reports - new investment disclosures:
updated guidance now published



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The Scheme Advisory Board (in conjunction with DLUHC and CIPFA) has published [new guidance](#) for preparing LGPS funds' annual reports. It replaces the 2019 guidance produced by the (now disbanded) CIPFA Pensions Panel. Funds in England and Wales are now expected to report progress on pooling and levelling up, and how much they invest in private equity and in the UK. In Scotland, the guidance is advisory only, but funds are encouraged to adopt it on a best practice basis (although we note it covers a range of issues that don't impact Scottish funds).

Funds to use 'best endeavours' for 2023/24

The new guidance applies to 2023/24 annual reports that are due for publication by 1 December 2024, and those for later years. Funds should use their best endeavours to comply fully with the requirements for 2023/24. However, they should exercise judgment if doing so would require disproportionate effort or cost, because of changes to the content. Where funds consider significant variation from this guidance to be appropriate, they should provide an explanation why.

Consistent presentation of asset allocations

All funds must set out their asset allocation at the end of the accounting period in a more accessible and consistent format. Figures should reflect actual rather than strategic allocations, and any 'pooled investment vehicles' should be broken down directly into the underlying asset classes.

To encourage greater granularity on reporting, net-of-fees investment performance must be reported for the 12 months corresponding to the accounting period for each fund manager or asset class, alongside an appropriate benchmark chosen by the authority. Benchmarks should not change from year to year – if a new benchmark is adopted, there must be an explanation given.

Progress on pooling and levelling up

On pooling, funds **must**:

- Provide commentary and data on how they implemented their pooling policy during the year.
- Include a narrative on the pace of pooling and an explanation for assets that haven't been pooled.
- Report the costs incurred and the gross and net savings achieved as a result of pooling assets. These figures must relate to the accounting year in question, and a cumulative total from the inception of pooling to the end of the accounting period must also be shown. It's important to note that this must be in line with the single methodology agreed by all LGPS pools.
- Provide a breakdown of their assets into 'pooled', 'under pool management' and 'not pooled'.

On levelling up, funds **may** wish to report:

- The levelling up ambition set by the fund and yearly progress made.
- The amount and type of levelling up investments made through the pool and outside the pool.

Private equity and investments in the UK

Funds must set out the amount that they've allocated to global private equity and UK private equity investment, including any undrawn commitments.

The government also wants to understand the LGPS's allocation to UK public markets. To that end, funds must report on the amounts that they have allocated to UK-listed equities and UK government bonds (as well as other bonds with explicit UK government guarantees).

Funds must also set out their amounts allocated to UK infrastructure. For the purposes of this guidance, 'UK infrastructure' refers to infrastructure assets located on the land or territorial waters of the UK (or where the physical cable/asset connection is to the UK), irrespective of the domicile of the vehicle through which the investment is made. Again, this should include any undrawn commitments.

Some of these categories may overlap. For example, some private equity meets the definition of levelling up assets – in which case, both values should be reported.

Stewardship activities

Funds should also provide details of environmental, social and governance issues, and other initiatives such as engagement with companies or any collaborative ventures with other funds. This might include, for example:

- Whether the fund is a signatory to the UK Stewardship Code.
- Details of any bodies of which the fund is an active member, subscriber or signatory eg CIPFA, PLSA, LAPFF.
- Links to the fund's policies on responsible investing (RI).
- Summary information on where and how voting rights have been exercised.

Plan, work together and reach out to service providers

To establish what can be included in the 2023/24 report, it will be necessary to plan ahead, while working with auditors. It's also essential to note the following terms, which are used for different elements in the guidance:

- 'Must': compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
- 'Should': compliance is anticipated but discretionary. Where non-compliance may be significant or material for the readers, the non-compliance should be identified and explained.
- 'May': compliance is recommended but discretionary.

Most of the information should be readily available from the respective LGPS pool and the fund's investment managers. Nevertheless, it will be important to request this information as soon as possible. Investment advisers can help with any areas of uncertainty.

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