

Pensions & Private Capital LGPS Panel Meeting

Minutes

Meeting date Tuesday 24 February

Time 14:00 -15:30

Location Microsoft Teams meeting

Attendees

Rob Barr (Chair)	Lorraine Martin, Strathclyde Pension Fund
Clair Alcock, Scheme Advisory Board	Lucie Mills, Northedge
Mel Butler, Surrey Pension Fund	Paul Munn, Par Equity
Trevor Castledine, LGPS Central	Phoebe Rountree, British Business Bank
Nigel Peaple, LGPS Central	Lucia Villamour, Endless
Simon Cunnington, Border to Coast	Eamon Nolan, YFM
Jill Davys, Redington	Jeffrey Dong, Swansea Pension Fund.
Maria Espandinha, Pensions UK	Eloise Veljovic, Palatine
Sarah Forster, The Good Economy	
Lorna Kelly, Maven Capital Partners	

In attendance

Michael Moore, UK Private Capital	Karen Hurst, UK Private Capital
Tom Taylor, UK Private Capital	Muzaina Ghrew, UK Private Capital
Sarah Adams, UK Private Capital	

Observers

Liam Cloughton, HMT	Rachel Clegg, Scottish Government
Adam Blissett, HMT	

Apologies

Paddy Dowdall, Greater Manchester Pension Fund	Tiffany Tsang, Pensions UK
David Walker, Hymans Robertson	

1. Chair's introduction

The Chair welcomed everyone to the meeting, acknowledging it is a busy and important time for LGPS, thanking all for their attendance. An opportunity was given for any feedback on the previous panel meeting, which was noted as a productive and useful session for the panel to build on.

Reminder of the Chatham House Rule and competition law considerations.

The Chair invited Michael Moore to provide introductory comments. It was noted that this panel is founded on the spirit of collaboration and thanked attendees for their contribution to this important work. UK Private Capital's name change was highlighted, noting that it reflects the evolution of the organisation from its venture capital origins to encompass growth strategies, private equity, and private credit. Attendees were

reminded of UK Private Capital's National Investment Policy Forum is taking place in London this July, and other regional events.

2. Approach of LGPS pools to reforms

Trevor Castledine, LGPS Central

Trevor provided an update on LGPS pooling reforms on behalf of LGPS Central, highlighting the significant expansion growth from 8 to 15 partner funds, representing approximately £100bn in assets under management. He outlined the need to manage increasing complexity, along with a clear pathway for future governance and transition planning, including the transition of legacy market assets.

It was noted that partner funds continue to set objectives, risk appetite, and fiduciary duty, while there has been a transfer of responsibility for areas such as portfolio design and manager design, which will transfer over time to LGPS Central. Relationship building for the new model is well underway, including the hiring of good quality people from external consultants. There was mention of a consultative design of a target asset class solution suite and detailed fund-by-fund transition plans. Overall, LGPS Central is combining existing and new components to work with partner funds.

It was noted that many funds already have a local strategy and have been working together to draft local strategy statements, standardising and aligning them as much as possible whilst acknowledging their sovereignty. There is capability to co-invest, and emphasis was placed on driving value, including moving away from doing everything through fund structures going forward. It was highlighted that private market managers need to become better at reporting ESG and impact data. There was reference to working on impact targets and assessment criteria with partner funds, noting challenges in reporting on private markets.

Panel members were invited to ask any questions or share their views on the presentation. Discussion points included:

- Panel members shared reflections on the partnership model.
- The need for clear interactions with strategic authorities, either alongside or above administrative authorities.
- Ongoing efforts to convene the pools around a more consistent framework were noted, with many agreeing that greater uniformity in data would be beneficial.

Simon Cunnington, Border to Coast

Simon covered the same themes as Trevor in outlining the process. He noted that this is the first time they will have a contiguous border and reiterated the need to develop advisory capabilities to support this major change. It was noted that Border to Coast already have the internal expertise to deal with this. Trevor referenced just short of half a billion in UK opportunities, and a tilt to the Border to Coast region where appropriate. It was also noted that partner fund approaches vary, with some having invested in opportunities with local flavour, and others less so.

Panel members were invited again to ask any questions or share their views on the presentation. Discussions included:

- The potential difficulty of meeting the requirements was discussed, which will depend largely on the appetite of partner funds. Market mapping was highlighted as an important tool. It was also noted that any approach should ideally be replicable elsewhere using the same fund manager or structure. Another potential approach discussed was the creation of a broader fund that provides wider exposure for the manager whilst maintaining a regional focus.
- Growing awareness among officers of the importance of geographic diversification, with exploration underway around the distinction between different definitions of local investment approaches.
- Recognition that combined authorities are at different stages in terms of knowledge and understanding of their roles within the wider ecosystem.
- The importance of knowledge sharing was emphasised, including the potential for a knowledge hub.
- Consideration of governance capacity was discussed, including the potential burden of sitting on multiple boards.
- Ticket size and the ability to invest across regions were discussed as potential challenges, noting that many funds already invest across multiple UK regions. It was acknowledged that there are differing perspectives on this issue, particularly as pools grow larger, global private equity will also scale accordingly. Therefore, the focus should be on impact.

3. Local investment within the LGPS

A discussion was held on the definition of local. Karen provided background and noted that in the past, local had been defined as UK, a definition which UK Private Capital has supported to capture activity across the UK that also has benefit to relevant local areas. It was noted that the wording in the Pension Schemes Bill may suggest that local could be more specific to the pool or fund area, and that UK Private Capital has received enquiries from members regarding what this would mean for UK-wide funds.

Panel members were asked for their views on the definition of local. Some private capital representatives noted uncertainty as to whether they would be considered as local under a more specific definition but expressed a desire to be included on any list produced given their regional focus and UK-wide contribution. It was noted that some pools have a clear expectation of delineated local investment, for example defining Wales as local for WPP. Participants also highlighted risks associated with overly narrow definitions of local, including potential challenges in attracting co-investment. It was further noted that whilst some may not be able to commit to a single defined area, they could communicate the outcome and impact of investments made.

4. Monitoring private capital investment by LGPS

There was discussion on plans for reporting and how LGPS investment can best be monitored. Scheme Advisory Board and others have work under way.

5. Policy Updates

Phoebe Rountree, British Business Bank

- Provided background on the British Business Bank and its established role as a major investor in UK venture capital.
- Updated on the British Growth Partnership Funds, noting a £200 million investment pipeline in development. The immediate focus is closing Fund I, with future fund options under discussion.
- Introduced Venture Link, a platform designed to enhance transparency in the venture market through knowledge sharing, detailing the funds and businesses that British Business Bank invests in. British Business Bank have expressed interest in feedback from LPs on how to make Venture Link as useful and informative as possible.

Sarah Forster, The Good Economy

- Provided an update on The Good Economy's Profile on SME Finance and the *Scaling Up Local Investing* series.
- There is strong market interest in investing in businesses for local growth and job creation, but stakeholders often lack understanding of the businesses themselves, which remains a key challenge.

6. Closing Remarks

- Members were invited to share further reflections on progress in relation to pooling, and the definition of "local" in practice.
- The Chair thanked all attendees for their participation and thanked the presenters for their contributions to the meeting.