Brent	**Pensions Fund Sub-Committee** 08 November 2016 **Report from the Chief Finance Officer**
For Information Purposes	Wards affected: ALL

Update on the London CIV and the Fund's Investment Options

1. INTRODUCTION

1.1 This is an update on the London CIV and the timescales attached to making Investments within it. It also updates on challenges the CIV due to delays with on-boarding investments and selecting new managers.

2. RECOMMENDATIONS

2.1 The Committee is asked to note the following report.

3. DETAILS

3.1 The London Collective Investment Vehicle (CIV) was set up to support London Councils and their £25bn Pension Investments make better financial returns through using economies of scale to lower investment fees. Local Government Pension Schemes are required to consider investing through them and it is anticipated by December 2018 that all new investment would occur through CIVs.

3.2 This fits with the Pension Fund's intention to invest through the CIV, wherever possible to reduce unnecessary costs.

3.3 Of the 7 CIVs, the London one is the farthest ahead. Already, LGIM and Baillie Gifford have on-boarded to the CIV. The Pension Fund will achieve over £200k annual savings through investing through this pathway. There were significant delays due to trying to get the investments to pool within the ACS (Authorised Contractual Scheme).

3.4 However, the preferred ACS approach did not work for the London CIV in relation to on-boarding LGIM. LGIM reduced its fees so significantly faced as a result of the CIV negotiations that the London CIV chose to keep them out of the London CIV pool to benefit the affected Councils. This has posed a problem for the London CIV as it will not achieve some of the income that it anticipated, as its model is that it generates its funding off investments within the ACS.

3.5 Combined with the slower than anticipated delivery of new investment options within the CIV, this has led to the recognition that it would have funding problems in the short term. This led the London CIV to inform the various Pension Funds that it would need to identify additional monies over the next couple of years to pay for the operations of the CIV. The London CIV has estimated that it will need £5m to £6m in annual running costs to pay for the appropriate level of skills but it will need to pay for this prior to having the investment options to offer the various Funds.

3.6 After robust representation from members, the London CIV agreed to send out a briefing note explaining the situation in greater detail and presenting a case to the London funds for a route to covering the anticipated gap. Brent Pension Fund is awaiting this at the time of the report's writing. When it does, it will share it with members.

3.6 The London CIV has a rigorous approach in selecting managers but due to the regulations, its 'conveyor belt' of investment options will be delayed. Active Global Equities will be available by October 2017 and Fixed Income by December 2017, as shown in table below. However, there is a second route to obtaining CIV investments: buying into existing investment options that through their commonality across the London CIV partners are being on-boarded, similar to LGIM. These include other Diversified Growth Funds and Multi-Asset credit options will also made available as they are on-boarded on to the CIV. Timescales are to the latter unknown but it is likely that at least one will be on-boarded in quarter 1 and 2. This latter route may be an easier route for the Pension Fund in the immediate future as this timescale might be delayed and Brent Pension Fund will need to a number of re-allocations.

CIV Time-Scales for Investment Opportunities

Current Funds	Quarter 1 2017	Quarter 2 2017	Quarter 3 2017	Quarter 4 2017
Baillie Gifford (£72m) LGIM (£335m)	Multi-Asset Credit and other Diversified Growth Funds as they are on-boarded and become available	Multi-Asset Credit and other Diversified Growth Funds as they are on-boarded and become available	Active Equities	Fixed Income

3.7 Similarly, the Pension Fund currently has the option to invest outside the CIV if nothing appropriate is available. PRS (Private Rented Sector) is such an option. It fits the Council's strategic allocation as it straddles two classes, providing some equity return and regular cash-flow. Like multi-asset credit, it offers a lower risk profile than equity but has a better return as a class than bonds. There are a number of LGPS Funds investing in this market, especially in London and the Southeast. The Pension Fund will examine options over November and December to determine whether this an appropriate fit for the Pension Fund.

3.8 It is also important to examine where a significant number of Pension Funds share the same investment manager to examine the option to achieve economies of scale by negotiating together, preferably through on-boarding these investment assets into the London CIV. What holds true for PRS may equally hold for other classes of investment.

3.9 The Pension Fund intends to focus on bringing investment options to the Sub-Committee meeting in February, subject to availability. Completing the strategic re-allocation of the Fund is necessary to meet its long-term return targets and match its liabilities.

4.0 Financial Implications

4.1 Not Applicable as there are investment decisions held within.

5.0 Legal Implications

5.1 Not Applicable

6.0 Diversity Implications

6.1 Not Applicable

Contact Officers

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