



Pensions Board
24 July 2018

Report from the Chief Finance Officer

Update from the London Collective Investment Vehicle

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 The purpose of this report is to update the committee on recent developments within the London CIV and the timescales attached to making investment decisions.

2.0 Recommendation(s)

2.1 The Committee is asked to note the recent developments with the London CIV, in particular the outcome of the governance review and the new investments available for investment in late 2018.

3.0 Investment Overview

3.1 As at 31 March 2018 the LCIV's assets under oversight had grown to just under £15 billion, which represents around 40% of the 32 London Local Authorities total assets under management. A further £1 billion has been committed to the LCIV funds for transitioning during the second quarter. This will take the number of LLAs using the funds made available through the LCIV to 30.

3.2 Brent has 61% (£507m) of its assets under management overseen by the LCIV. 46% (£382.7m) is a passive investment product in overseas and UK equities

through Legal & General and 15% in two diversified growth funds, Ruffer 5.9% (£48.8m) and Baillie Gifford 9.1% (£75.5m). The Fund has achieved fee savings in the region of £0.1m per annum as a result of being part of the LCIV.

3.3 The LCIV continues with its programme of opening sub funds and recruiting fund managers to operate these sub funds. In setting up the single manager sub funds, LCIV will prioritise commonality of mandates among its members; quantum of assets under management; and conviction of funds in the manager. To this end, the procurement of active global equities managers and diversified growth managers has largely concluded and now has a number of offerings available. A summary of all sub funds currently available is shown in Appendix one.

3.4 The LCIV are now launching a new range of fixed income strategies. A 'meet the manager' day was organised on 16 May 2018 to present the following funds:

Multi Asset Credit Fund managed by CQS
Long/Short Multi Asset Credit Fund managed by MidOcean
Global Bonds Fund managed by Pimco
Global Liquid Loans Fund managed by Ares

3.5 These funds are expected to launch in late 2018 or as soon as commitments have been received.

3.6 In light of the investments already available (equity and diversified growth funds shown in Appendix one) and investments upcoming in 2018 (fixed income), as well as the outcome of the investment review on the same agenda, Brent officers will be meeting representatives of the LCIV over the summer to discuss the Fund's next steps in terms of the timing of future investment decisions. The outcome will be presented to the sub-committee meeting scheduled for 22 November 2018.

4.0 Governance

4.1 The London CIV commissioned a governance review which took place during the autumn of 2017. This was primarily due to a change in the wider context within which the LCIV has been operating. The Government has decided that pooling should be mandatory across the country and have set an ambitious timetable for this to be progressed. The LCIV was very consciously set up as a voluntary scheme with the decisions on investment lying with the individual pension funds. The final review which was undertaken by Willis Towers Watson and was circulated to the Pensions Committee in February 2018. The report pointed to the need to both clarify the purpose of the CIV and establish new governance arrangements that reflected this purpose. At present, the CIV is reporting to multiple different stakeholders in a complex way with the risk that none of them feel entirely satisfied with their ability to influence it. The report also recommended that the CIV strengthen its capacity to engage with individual LLAs. In response to this, the CIV has launched a consultation which funds had to respond to before the end of February 2018. Following the

outcome of the consultation LCIV have established new arrangements for shareholder engagement and decision-making.

4.2 Both the Pensions CIV Sectoral Joint Committee on 14 March and Leaders' Committee on 20 March gave their support to the proposals, including that, with the dissolution of the Pensions CIV Sectoral Joint Committee, two shareholder General Meetings and Quarterly Shareholders Committee Meetings would be held each year instead. The precise timings of these shareholder meetings are yet to be confirmed but it is expected that the first General Meeting will be 12 July 2018

4.3 The Fund, along with all other 32 London boroughs via the Society of London Treasurers, is actively engaging with the LCIV to seek clarity on and improve its governance, its investment model and how it communicates with its stakeholders. It is important that the Fund understands which decisions are being made on their behalf and the supporting decision making process.

5.0 Financial Implications

5.1 Not applicable.

6.0 Legal Implications

6.1 Not applicable.

7.0 Equality Implications

7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

8.1 Not applicable.

9.0 Human Resources

9.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer