

	<h2>Pension Fund Committee</h2> <h3>2 March 2015</h3>
<p><b>Title</b></p>	<p>Update Report London Collective Investment Vehicle</p>
<p><b>Report of</b></p>	<p>Chief Operating Officer</p>
<p><b>Wards</b></p>	<p>N/A</p>
<p><b>Date added to Forward Plan</b></p>	<p>N/A</p>
<p><b>Status</b></p>	<p>Public</p>
<p><b>Enclosures</b></p>	<p>Appendix 1 London’s Collective Investment Vehicle Presentation</p>
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<h3>Summary</h3>
<p>This report updates the Pension Fund Committee on progress on establishing the London LGPS Collective Investment Vehicle (CIV) .The establishment of the CIV is designed to reduce investment management fees and procurement costs. A further funding request has been received and the authority is requested to contribute an additional £50,000.</p>

<h3>Recommendations</h3>
<ol style="list-style-type: none"> <li>1. That the Pension Fund Committee note the progress update on starting up the CIV and,</li> <li>2. That the Pension Fund Committee approves an additional payment of £50,000 towards the cost of establishing the London Collective Investment Vehicle.</li> </ol>

**1. WHY THIS REPORT IS NEEDED**

- 1.1 To approve fund management expenditure to be met from the Pension Fund.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 To ensure that the Pension Fund has access to a wider range of asset classes through the CIV to reduce costs and to improve fund performance.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The alternative to further funding would be to withdraw support and retain independent mandates. The CIV has estimated that the additional costs would be recoverable from first years fee savings should the Pension Fund delegate any investment decisions to the CIV at a future date.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Officers to update the Pension Fund Committee on further progress on go-live timetable for the CIV.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Participating in collective working and cost sharing will provide support towards the Council's corporate priorities.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The Pension Fund Committee had previously authorises the Chief Operating Officer to confirm the Pension Fund's interest in participating in the CIV and to carry out further due diligence on the establishment of a CIV including contributing up to £25,000 to be met from the Pension Fund towards legal and setting up costs
- 5.2.2 The main advantage to the Barnet Pension Fund in joining the CIV is faster access to a wider variety of asset classes with low costs of entry and reduced management fees – without the need for a lengthy and costly procurement process and the opportunity to peer review potential managers in advance of committing funds or moving funds between managers.
- 5.2.3 The CIV is seeking an additional £50,000 from each participating Borough for the costs of establishing and running the CIV until the point when it is able to

fund itself from charges from managing assets. If all the participating Boroughs pay the additional contribution, the CIV will have raised £2.25 million and have a surplus of £536,000.

5.2.24 The recommendation is to make the contribution as the total cost of £75,000 is expected to be offset if the Pension Fund accesses the CIV funds with reduced management fees.

#### **5.4 Legal and Constitutional References**

5.4.1 This report is based on the provisions of this report is based on the provisions of Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) which have their basis in the Superannuation Act 1972

5.4.2 Constitution – Part 3 Responsibility for Functions – Section 3 – Responsibility for Council Functions delegated to the Pension Fund Committee, through the Pension Fund Governance Compliance Statement

#### **5.5 Equalities and Diversity**

5.5.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

#### **5.6 Consultation and Engagement**

5.6.1 Not Applicable.

### **6 BACKGROUND PAPERS**

6.1 None