

	<h2 style="margin: 0;">Pension Fund Committee</h2> <h3 style="margin: 0;">19 July 2016</h3>
<p style="text-align: right;">Title</p>	<p>London Collective Investment Vehicle Update and Response to Local Government Pension Scheme Reform Consultation</p>
<p style="text-align: right;">Report of</p>	<p>Chief Operating Officer</p>
<p style="text-align: right;">Wards</p>	<p>n/a</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p><i>Appendix – Copy of response to LGPS pooling review Letter (to follow)</i></p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services 0208 359 7126</p>

Summary

This report summarises progress made in setting up the London Local Government Pension Scheme Collective Investment Vehicle (London CIV).

The London CIV has now received Financial Conduct Authority (FCA) authorisation. In due course the Committee may transfer assets or invest directly into funds held in the CIV, where this is deemed as beneficial for the Fund to do so.

Recommendations

1. That the Pension Fund Committee note the progress update on investing in the London CIV.
2. That the Committee note the London Borough of Barnet (LBB) response to the Local Government Pension Scheme (LGPS) pooling review made in consultation with the Chair of the Pension Fund Committee at section 5.2.7. (copy to follow).

1. WHY THIS REPORT IS NEEDED

- 1.1 To update the Committee and to provide reassurance that the pension fund is being invested prudently and in accordance with the investment strategy.

2. REASONS FOR RECOMMENDATIONS

As for 1.1 above.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Not relevant in the context of this report..

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 and compliance with the proposed Local Government Pension Scheme pooling arrangements.

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

UPDATE ON THE CIV

- 5.2.1 The London CIV is fully authorised by the FCA Governance and decision making will remain with participating London Boroughs, the investment decision makers for funding strategy, asset allocation and investment strategy. The Pensions Sectoral Joint Committee (PSJC) made up of Elected Member representatives is the supervisory body with responsibility for oversight and scrutiny, policy decisions and strategic objectives of the London CIV. The PSJC is supported by the Investment Advisory Committee (representative officers who provide advice and guidance on investment mandates. All London Boroughs will now participate in the London CIV following the respective decisions of Hillingdon and Bromley to join.
- 5.2.2 Five sub –funds have been opened. Fourteen authorities transferred a total of £2.3 billion of assets. A further eight sub-funds will be opened over the coming months and these will be a mix of active and passive asset classes.
- 5.2.3 As reported at the meeting of the Committee held on 15 March 2016, the London CIV has now reached a stage where managers with multiple mandates across London have provided their best and final offers on fees for

inclusion in the CIV. Each borough which currently invests with that manager will be asked in the near future whether they wish to transfer existing funds with that manager to the CIV under the CIV fee schedule. One of the passive equity sub-funds currently being set up is with Legal and General Investment Management and will be offered to the Barnet Pension Fund.

Progress on developing passive fund structure has been delayed. The CIV team are working on a workable solution but a fund transition date has not been set. No funds have yet been transitioned from LBB Barnet Pension Fund to the CIV.

5.3 RESPONSE TO THE GOVERNMENT'S INVESTMENT POOLING REFORM OF THE LGPS

5.3.1 The London CIV has been co-ordinating the response to the Government's investment pooling reform of the LGPS to deliver efficiencies through collective investment, the Government's expectation is that all investments should be made through a collective pool.

5.3.2 The pooling reform requires the development of a transition plan from individual LGPS funds to one of the national pools in three year time blocks from 2018. Liquid assets are to transfer. The following are exempted from pooling.

- Life Policies
- Directly held property
- Illiquid assets
- Local investment
- Buy-ins
- Hedging instruments
- Working capital/cash.

5.3.3 A detailed response from individual LGPS pools is required by the submission date of the 15th July 2016. (LGPS administering authorities are not required to submit an individual response).

5.3.4 Pension Fund Committee is requested to note the response made from the Interim Chief Executive in consultation with the Chair of the Pension Fund Committee to highlight local issues to be appended to the London CIV response for submission on 15th July 2016: That an individual administering authority should have the following discretions:

1 Discretion to invest in any national pool if a current or new fund manager cannot be accessed through the London CIV.

2 Discretion to withhold current illiquid funds in the longer term if the business case demonstrates that costs of transition outweighs the benefits of pooling.

3 Discretion to make long term local investment decisions subject to the business case.

5.4 Social Value

5.4.1 Membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.5 Legal and Constitutional References

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

5.5.2 Under the Council's Constitution, Responsibility for Functions, Annex A – the terms of reference of the Pension Fund Committee include the following responsibilities:

- To appoint Pension Fund Investment Managers.
- To determine the appropriate course of action on any matter not specifically listed above that pertains to the leadership and/or strategic management of the Pension Fund, in particular any matter which could materially affect its financial performance or long-term standing.

5.6 Risk Management

5.6.1 The Pension Fund's asset allocation may not maximise potential investment return. This can be addressed by restructuring the fund portfolio to reflect changes in market conditions and expectations of future returns through asset classes and fund managers accessible through the London CIV.

5.7 Equalities and Diversity

5.7.1 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.

5.7.2 The rules governing admission to and participation in the Pension Fund are in keeping with this public sector equality duty. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

5.8 Consultation and Engagement

5.8.1 As agreed by the Committee at its meeting on 22nd October 2015, consultation has taken place with the Chairman of the Committee.

5.9 Insight

5.9.1 Not applicable

6 BACKGROUND PAPERS

6.1 London Councils Pensions CIV Sectoral Joint Committee Item No 5
London CIV Progress update

<http://www.londoncouncils.gov.uk/node/26840>

6.2 Pension Fund Committee 22 October 2015 Agenda Item 10

<http://barnet.moderngov.co.uk/documents/s26669/Update%20Report%20London%20Collective%20Investment%20Vehicle.pdf>

6.3 Pension Fund Committee 15 March 2016 Agenda Item 9

<http://barnet.moderngov.co.uk/documents/s30434/Update%20Report%20London%20Collective%20Investment%20Vehicle.pdf>