



Pension Fund Committee

16 October 2018

Title	London CIV Governance Changes
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – London CIV CEO’s letter Appendix 2 – Notice of Dissolution
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Summary

LB Barnet Pension Fund is required by Government over an extended timescale to transfer its investments to oversight by the London CIV. London Authorities are being asked to approve new governance arrangements for the LCIV as detailed in this paper.

Recommendations

The Pension Fund Committee recommends that Council agrees to:

- Revoke the Council’s delegation of the joint discharge of the relevant functions to the Pensions CIV Joint Committee (“PCSJC”).
- Endorse the new governance arrangements referred to in the paper and in the letter signed by the Chief Executive of London CIV and the Chief Executive of London Councils dated 13 June 2018 (appendix 1) “New Arrangements”).
- Confirm and accept that the new governance arrangements supersede the PCSJC, support the dissolution of the PCSJC, and the making of appointments to the new Shareholder Committee and additional non-executive appointments and a Treasurer observer.

1. WHY THIS REPORT IS NEEDED.

Background

- 1.1 London Borough of Barnet together with all the other London Authorities is a shareholder in the London CIV, the entity set up collectively to select investment managers on behalf of the London Authorities.
- 1.2 When the LCIV was established the main forum for shareholder engagement was the Pensions CIV Joint Committee ("PCSJC") to which one representative from each borough attended. Their role included the appointment of the Board of the LCIV, approving the budgets and charges to London Authorities, approving the annual accounts and other statutory functions. The PCSJC meet quarterly.
- 1.3 The current LCIV governance structure was noted by the Pension Fund Committee on 18th March 2014. It was then agreed by Council on 8th April 2014, when the following resolution was passed:

RESOLVED - That the Council

- 1. Agree to become a shareholder in a private company limited by shares which will be incorporated to be the Authorised Contractual Scheme Operator (the ACS Operator) of the Common Investment Vehicle;*
 - 2. Contribute £1 to the ACS Operator as initial capital;*
 - 3. Agree to join the London Boroughs "Pensions CIV Joint Committee", to be formed under section 102 of the Local Government Act 1972 and to delegate to such Joint Committee those functions necessary for the proper functioning of the ACS Operator, including the effective oversight of the ACS Operator and the appointment of Directors.*
- 1.4 Since establishment, it has become evident that the PCSJC attended by over 30 representatives was excessively large for engagement between the LCIV and London Authorities. Therefore, following consultation with London authorities, the LCIV proposed that it be replaced by two entities:
 - a) Two Shareholder General Meetings (one the AGM) each year that comprises one representative of each borough whose role is to take those decisions previously delegated to the PCSJC.
 - b) A shareholders committee of 12 comprising of both Councillors and Officers (S151 officers) who engage with the LCIV on behalf of all London Authorities. This Committee has no formal powers. The Chairman of the Barnet Pension Fund Committee is on the Shareholders Committee.

- 1.5 Each London Authority was asked to approve the Governance changes. These have been the subject of consultation and were agreed by the PCSJC on 14 March 2018, the Leaders Committee on 20 March 2018 and the London CIV AGM on 12 July 2018. The changes were also agreed by the Society of London Treasurers. The new governance arrangements do not alter the rights of London CIV shareholders under the existing Shareholders Agreement.
- 1.6 In addition to the above changes, two London Authority representatives have been appointed as non-executive directors of the London CIV Board.
- 1.7 If the Pension Fund Committee is content with the revised governance structure, a resolution will be made to Council to revoke their previous resolution and endorse the new governance structure.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To endorse the governance structure in line with the outcomes of consultation with all London Authorities.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The option of retaining the current governance arrangements has been rejected by all London Authorities.

4. POST DECISION IMPLEMENTATION

- 4.1 The decision requires ratification by Council.

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 to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities (2015-2020).

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

- 5.2.1 There are no direct resources issues for the council. Improved Pension Fund performance or reduced costs will in the lower term impact favourably on contributions paid by employers (including the Council) to the Pension Fund.
- 5.2.2 Pooling is intended to save costs and fees will be considered as part of the evaluation of the LCIV offerings.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution – Article 7, details the responsibilities of the Committee, including to the appointment of Pension Fund investment managers.
- 5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permits the appointment of investment managers after taking into consideration proper advice. Regulation 8 provides powers of direction for the Secretary of State. The Local Government Pension Scheme: Investment Reform Criteria and Guidance issued by the Dept. for Communities and Local Government (November 2015) requires LGPS funds to pool their investment for manager selection and monitoring purposes.

5.5 Risk Management

- 5.5.1 Risk management is central to the Local Government Pension Scheme (LGPS). LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.
- 5.5.2 One of the stated purposes of the LCIV is to improve governance relating to fund manager appointments and monitoring thereby reducing the risk of poor investment performance to the Pension Fund and employers.

5.6 Equalities and Diversity

- 5.6.1 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, marriage and civil partnership.

- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

- 5.7.1 N/A.

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Criteria and Guidance for Pooling

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf