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|  | <p><b>Pension Fund Committee</b></p> <p><b>15 March 2016</b></p> |
| <p style="text-align: right;"><b>Title</b></p>                                    | <p><b>Update Report London Collective Investment Vehicle</b></p> |
| <p style="text-align: right;"><b>Report of</b></p>                                | <p>Chief Operating Officer</p>                                   |
| <p style="text-align: right;"><b>Wards</b></p>                                    | <p>n/a</p>   |
| <p style="text-align: right;"><b>Status</b></p>                                   | <p>Public</p>  |
| <p style="text-align: right;"><b>Urgent</b></p>                                   | <p>No</p>  |
| <p style="text-align: right;"><b>Key</b></p>                                      | <p>No</p>  |
| <p style="text-align: right;"><b>Enclosures</b></p>                               | <p>None</p>  |
| <p style="text-align: right;"><b>Officer Contact Details</b></p>                  | <p>Iain Millar, Head of Treasury Services<br/>0208 359 7126</p>  |

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| <p><b>Summary</b></p>   |
| <p>This report summarises progress made in setting up the London Local Government Pension Scheme Collective Investment Vehicle (London CIV).</p> <p>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.</p> |

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| <p><b>Recommendations</b></p>   |
| <p><b>1. That the Pension Fund Committee note the progress update on starting up the CIV.</b></p> |

**1. WHY THIS REPORT IS NEEDED**

- 1.1 To ensure that the pension fund is being invested prudently and in accordance with the investment strategy.

## **2. REASONS FOR RECOMMENDATIONS**

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 Pension Fund may retain independent mandates. The Pension Fund may delegate any investment decisions to the CIV at a future date and will benefit from negotiated fee reductions which will be achievable by investing through the CIV

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Chief Operating Officer and Chief Finance Officer will carry out any actions considered necessary.

## **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)**

- 5.2.1 As administering authority for the London Borough of Barnet Pension Fund, the Council is required to invest any funds not required for the payment and administration of pension fund contributions and benefits.

- 5.2.2 On 22<sup>nd</sup> October 2015 Pension Fund Committee delegated the following authority to the Chief Operating Officer, in consultation with the Chair of Pensions Committee:

1. to settle any contracts concerned with the CIV on behalf of the Council and Pension Fund,
2. to sign the CIV Articles of Association, the Shareholders Agreement and subsequent deeds of agreement.
3. to invest sums required for regulatory capital to the London CIV to meet the requirements for FCA (Financial Conduct Authority) authorisation. The anticipated level of investment £150,000

5.2.3 The London CIV was fully authorised by the FCA on the 15<sup>th</sup> November 2015 with permission to operate a UK based Authorised Contractual Scheme Fund. (the ACS Fund). The ACS Fund will operate as an umbrella fund with a range of funds providing access over time to the full range of asset classes that the participating boroughs require implementing their investment strategies.

5.2.4 The first sub-fund has been opened, an active global equities fund, and three authorities transferred a total of £500 million of assets on 2 December 2015. A further eight sub-funds will be opened over the coming months and these will be a mix of active and passive asset classes.

5.2.5 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 .

5.2.3 The London CIV is being developed through a three stage approach .The first stage is a commonality approach to deliver scale benefits for the boroughs and fee income for the CIV to cover operating costs . The second phase from 2017-18 will involve developing the fund with new managers selections in new asset classes, to conclude by March 2018 and to move into phase 3 ,business as usual.

### 5.3 **Social Value**

5.3.1 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 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 Part 15 – Annex A – the terms of reference of the Pension Fund Committee include:

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.

### 5.5 **Risk Management**

5.5.1 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.

## **5.6 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.

5.6.2 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.

## **5.7 Consultation and Engagement**

5.7.1 Not applicable

## **5.8 Insight**

5.8.1 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/our-key-themes/local-government-finance/london-pension-collective-investment-vehicle/pensions-civ>

- 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>