



Pension Fund Committee

28 October 2021

Title	London LGPS CIV Limited (London CIV) Regulatory Capital
Report of	Director of Resources
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Recommendation to Council
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Summary

The London CIV (LCIV) is a company owned by the 31 London borough pension funds and the City of London pension fund to facilitate joint investment management. Council have been asked to agree changes to the LCIV Articles and Shareholder Agreement so that the £150,000 of capital advanced is classified as equity rather than redeemable debt. This note is for information.

Officer Recommendations

That Pension Fund Committee note the recommendation to Council to delegate approval and signing of the changes to the LCIV's Articles of Association and Shareholder Agreement to the Director of Resources.

1. BACKGROUND

- 1.1 The Barnet Pension Fund (and other Borough pension funds) contributed £150,000 capital to the LCIV following its established in 2014. Participation in LCIV was made at Council (8 April 2014). LCIV are required by the Financial Conduct Authority to alter the company Articles and the Shareholders Agreement to reclassify the capital from redeemable debt to equity. The impact is that the right to demand repayment of the capital is lost although there remain the opportunity to request repayment provided this meets with FCA approval. Council have been asked to approve the changes to the LCIV governance documentation.

LCIV Attendance at Committee

- 1.2 The forward plan included attendance at the meeting by LCIV to provide an update on pooling developments. However, as the meeting clashes with their first client conference to be held 28 and 29th October, attendance has been deferred unto the December Committee meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 If changes to the LCIV regulatory capital are not implemented, then the FCA could lose confidence in the LCIV's ability to make these changes. The FCA could withdraw the LCIV's "licence to operate". This is not an option as the LCIV manage £24bn of London Pension Fund's LGPS assets for a large number of beneficiaries and require ongoing FCA authorisation to operate.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The option of not approving the changes is not supported because of the implications set out in 2.1 and the disruption that would cause to the investment of Barnet Pension Funds' assets.

4. POST DECISION IMPLEMENTATION

- 4.1 Completion requires the agreement of all shareholders. If this is achieved, no further action is required.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

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

- 5.2.1 LCIV is not seeking any additional capital. London CIV has incurred costs in relation to legal and accounting advice which is estimated to cost around £100,000. However, London CIV has confirmed that this can be accommodated within existing budget provision in the current year.

5.3 Social Value

5.3.1 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 See recommendation to Council (appendix 1). Pension Fund Committee are responsible for the appointment and monitoring of fund managers, which includes the London CIV.

5.4.2 The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee

5.5 Risk Management

5.5.1 Risk management is central to the 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 Good governance is essential to ensuring that risks are identified and managed.

5.6 Equalities and Diversity

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.6.2 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

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 Corporate Parenting

5.7.1 N/A

5.8 Consultation and Engagement

5.8.1 LCIV have engaged widely with London Boroughs on the need for the proposed changes.

5.9 **Insight**

5.9.1 N/A.

6. **ENVIRONMENTAL IMPACT**

6.1 There are no environmental implications arising from this report, although London CIV funds do facilitate investments to respond to climate risk and responsible investment more generally.

7. **BACKGROUND PAPERS**

7.1 None.
