



Pension Fund Committee

14 December 2021

Title	London CIV Presentation
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None.
Officer Contact Details	George Bruce, Head of Pensions, George.bruce@barnet.gov.uk - 0208 359 7126
Summary	
The London CIV will be attending the meeting to discuss their recent pledge of net zero by 2040 and also to discuss changes in assets under management and plans for new fund launches.	
Officers Recommendations	
The Pension Fund Committee is invited to note the presentation from London CIV.	

1. WHY THIS REPORT IS NEEDED

1.1 Statutory guidance on asset pooling in the Local Government Pension Scheme requires that the Barnet Pension Fund select and utilise a pooling entity whose responsibility is to select and manage fund managers. Barnet has selected the London CIV as its pooling entity. Monitoring of the LCIV is required to ensure that the Pension Fund is being invested prudently and in accordance with the Pension Fund investment strategy.

1.2 Representatives from the London CIV will be attending the Committee meeting and have been asked to discuss their recent net zero by 2040 pledge and also the growth in assets under management and planned new offerings. The press release on net zero stated:

“London CIV has committed to become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. It will also become a net zero company across operational and supply chain emissions as early as 2025.

Alongside its main commitment, London CIV has set interim targets for its investments including a 35% carbon intensity reduction by 2025 (relative to 2020), and 60% by 2030 across funds invested via the London CIV Fund range worth £12.9bn in total. London CIV plan to achieve its goals by decarbonising existing funds through targeted engagement, contributing to avoided emissions, launching new net zero funds and eventually contributing to negative emissions. In 2022, it will also calculate the impact of the passive funds included in the London CIV pool worth £13.0bn and release a detailed roadmap to demonstrate a credible course of action to achieve its pathway to net zero on time.”

1.3 Currently Barnet has investments and commitments valued in aggregate at £250 million in four LCIV funds; emerging market equities, sustainable Equities, private debt and renewable infrastructure and will be discussing investments in two new funds (multi-asset credit and global bonds) at this meeting. LCIV have been asked to discuss the impact of the net zero commitment on these investment funds.

1.4 The update from the LCIV will inform future pooling discussions.

2. REASONS FOR RECOMMENDATIONS

2.1 The terms of reference of the Pension Fund Committee require the Committee to monitor the performance of its fund managers.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4. POST DECISION IMPLEMENTATION

4.1 The Chief Financial 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 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 as set out in the Barnet Plan 2021-25.

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

5.2.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy. Pooling with the London CIV delivered savings of £435,000 in 2020/21.

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 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is 'If required, to appoint and monitor: Pension Fund investment managers'

5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provides the power to appoint investment managers. The regulations no longer have a specific reference to monitoring investment managers but state "the authority must reasonably believe that the investment manager's ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it", Regulation 9(3). Only through periodic monitoring can the Committee achieve this requirement.

5.4.3 Draft statutory guidance issued in 2019 requires that Pool members [LGPS pension schemes] should transition existing assets into the pool [London CIV] as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.5 Risk Management

5.5.1 A key risk is that of poor investment performance. The performance of the fund managers is monitored by the Pension Fund Committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser. If a fund manager's performance is considered inadequate, the fund manager can be replaced, although it may not be possible to replace the London CIV with an alternative pooled fund provider.

5.6 Equalities and Diversity

5.6.1 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 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

5.8.1 Not applicable

6. ENVIRONMENTAL IMPACT

6.1 Not relevant to this report.

7. BACKGROUND PAPERS

7.1 None