

Committee: Pension Fund Advisory Committee

Date: 8th March 2017

Agenda item: 5

Wards: All

Subject: UPDATE ON LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

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Recommendations:

- a) Note the content of this report. The report is related to a separate report to this meeting titled "Pension Fund Investment Strategy Review".
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Committee on the progress of the London CIV since the last update to the Committee on 28 September 2016, on the CIV's recent and upcoming activity, membership, current fund management arrangement and plans to expand its offering.
- 1.2 Pooling LGPS assets is enshrined in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force on 1st November 2016 and the London CIV is the vehicle through which London boroughs seek to comply with regulatory requirement.

2. CIV UPDATE

- 2.1 On 2nd December 2016, London CIV marked its first anniversary of the launch of its first sub-fund. The CIV is continuing to develop more sub-funds across many asset classes to cater for the borough members' as they seek to implement their investment strategies.
- 2.2 On 8 February 2017 shareholders approved the CIV's 2017/18 budget and 5-year forward plan.
- 2.3 The CIV launched a new sub-fund (The London CIV NW Real Return) in December 2016. The sub-fund is managed by Newton Investment Management. In addition, two sub-funds (a global equity and UK equity) are being launched (early 2017) to be managed by Newton Investment Management and Majedie Asset Management respectively. Then, Longview

global equity sub-fund is proposed to complete the offering: global equity income; sustainable equities; emerging markets and value strategies.

- 2.4 The CIV is making good progress in the search for global equity managers for four separate lots: Generic Global Equity with 6 different strategies, Emerging Markets, Sustainable Equity and Incubator Managers. The tender attracted over 200 submissions with 58 fund managers making it to the first round of interviews. The outcome of the selection process will be reported to the Committee at the earliest opportunity.
- 2.5 The CIV had assets under management of circa £3 billion at the end of 2016 and anticipates it will have approximately £5.5 billion by the end of 2017. Also, the CIV is taking active steps to strengthen its team, internal systems and processes.
- 2.6 The CIV met with the Minister for Local Government, Marcus Jones MP in December 2016 to discuss progress on pooling and the Minister has since recognised the CIV's efforts.

3. LONDON BOROUGH OF MERTON'S ACTIVITY WITH LONDON CIV

- 3.1 The outcome of the on-going review of the Pension Fund investment strategy will support the Committee in developing a pragmatic approach to pooling some assets via the London CIV to strike the right balance between maintaining a strong risk management, performance, cost and governance perspective on the one hand and demonstrating commitment to pooling to comply with the Government's reform of the LGPS on the other.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 N/A

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 The investment strategy chosen will affect the return on the Fund, its actuarial valuation and the cost to the Council.

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1st November 2016. The new Regulations clarify how LGPS funds should manage and invest their assets and their relationship with investment pools. The Regulations give the Secretary of State power of Direction to intervene in an administering authority's investment function if it failed to bring forward credible proposals for pooling

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1 N/A

8. CRIME AND DISORDER IMPLICATIONS

8.1 N/A

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1 The use of the CIV would enable a quicker, simpler process, but any delays in their ability to take investments could impinge on the Council's ability to have the new allocations and fund managers in place during 2017/18.

10. APPENDICES

None

11. BACKGROUND PAPERS

1. Notes from LB Merton/London CIV officers' meetings
2. London CIV communication – emails (October - November 2016)
3. London CIV Conference pack – 1 March 2017

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