

Committee: London Borough of Merton Pension Committee

Date: 28 March 2019

Wards: All

Subject: 2019 London Collective Investment Update March

Lead officer: Caroline Holland - Director of Corporate Services

Lead member: Councillor. Mark Allison.

Contact officer: Roger Kershaw- AD Resources

This is a Public Document

This document replaces the document published with the original agenda as it has recently come to light that the original document contained information which was exempt from publication under Schedule 12A of the Local Government Act 1972 (information relating to the financial or business affairs of the Council).

Recommendations:

No recommendation- information only

Merton Pension Fund is a shareholder of the London LGPS CIV Ltd which is authorised and regulated by the Financial Conduct Authority. All thirty-two London authorities (including the City of London) are members of the London CIV.

Members are asked to note the update on London CIV

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides the Pension Committee an update on LCIV's structure, governance arrangements and the investment options available to the Local Authorities to invest via the LCIV platform.
- 1.2 The London CIV was launched in December 2015 and aim to deliver broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk adjusted performance."
- 1.3 London CIV's currently have £8.1bn AUM across 14 sub-funds, on London CIV platform and £9bn on its passive holdings via Black rock and Legal & General.

2. DETAIL

2.1 As at end of December 2018 Merton Pension Fund had invested £260m across five LCIV sub funds and another £68m via Blackrock Low carbon passive fund. In total Merton Pension Fund have invested £334m. This is 49.9% of the total Fund. This is line with the government pooling regulation.

2.2 The table below details the LCIV offers as at end of February 2019.

Fund	Inception Date	AUM (£m) (28/02/2019)	# LLAs
UK Equities			
LCIV UK Equity Fund	18-May-17	£412m	2
Global Equities			
LCIV Income Equity Fund	08-Nov-17	£230m	2
LCIV Global Equity Focus Fund	17-Jul-17	£735m	5
LCIV Global Equity Fund	22-May-17	£584m	3
LCIV Sustainable Equity Fund	18-Apr-18	£267m	2
LCIV Global Alpha Growth Fund	11-Apr-16	£2,387m	13
LCIV Global Equity Alpha Fund	02-Dec-15	£114m	1
Emerging Market Equities			
LCIV Emerging Market Equity Fund	11-Jan-18	£359m	6
Multi Asset			
LCIV Real Return Fund	16-Dec-16	£185m	2
LCIV Global Total Return Fund	17-Jun-16	£308m	5
LCIV Absolute Return Fund	21-Jun-16	£877m	10
LCIV Diversified Growth Fund	15-Feb-16	£654m	9
Fixed Income			
LCIV MAC Fund	31-May-18	£655m	9
LCIV Global Bond Fund	30-Nov-18	£171m	2
Total AUM		£7.94bn	

People

2.3 Since the last update to the Pension Committee (March 2018) the LCIV had significant changes in its governance arrangements and staffing. As at March 2019 it has 25 staff in post. This is a 10 FTE increase since March 2018. This makes the pool have sufficient resources to engage, communicate and provide more investment options to the local Authorities in accordance with their investment strategy.

2.4 The LCIV welcomed its new Chief Executive Officer, Mike O'Donnell in March 2019. Mr O'Donnell joins the Local Government Pension Scheme pool from his roles as associate director of local government at the Chartered Institute of Public Finance & Accountancy, and interim executive director for financial sustainability at Newham LBC.

2.5 He also spent 10 years as finance director at Camden LBC, and eight years as non-executive director and chair of the audit and risk committee at the London Pensions Fund Authority

2.6 The London CIV is currently in the process of recruiting for the chief investment officer post.

Governance Arrangements and Merton involvement.

- 2.7 London CIV commissioned a governance review from Willis Towers Watson in early 2018. This. The Review and feedback from shareholders showed that the London CIV needs to change its Governance Arrangements and clarify its purpose and future strategy.
- 2.8 Following on from the governance review LCIV consulted on the investment strategy and on proposals for revised governance arrangements. The new governance arrangements were presented and approved at the LCIV AGM on 12th July 2018. Please see appendix 1 for more detail on the governance arrangements.
- 2.9 Merton Pension Fund chair Cllr. Owen Pritchard attends the Shareholders meeting along with the other thirty-one Boroughs Pension Committee chairs. They meet twice a year.
- 2.10 Steven Alambritis, Leader of the Council sits on the London CIV Board as a Shareholders representative. The Board is made up 12 people; one Independent Chair, 2 Non-executive directors nominated by LLAs (Merton and Wandsworth) ,5 Non-Executive Directors,3 Executive Directors and one Treasurer (observer)
- 2.11 Merton Director of Corporate Services -Caroline Holland is a member of the Shareholders Committee. This committee is made up of 12 plus London CIV Chair (8 members & 4 Treasurers) and meet every quarter.

3 ALTERNATIVE OPTIONS

- 3.1. N/A

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. N/A.

5 TIMETABLE

- 5.1. N/A

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

N/A

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. N/A

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. N/A

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. N/A

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. N/A

11 APPENDICES –

- 11.1 LCIV Governance arrangement report

12 BACKGROUND PAPERS

- 12.1. London CIV reports

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