

## **Pensions CIV Sectoral Joint Committee (PSJC)**

### **17 December 2014**

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 17 December 2014 at 2:30pm in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Mr Mark Boleat chaired the meeting from item 3.

#### **Present:**

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	Cllr Mark Shooter
Bexley	Cllr John Waters
Brent	Cllr Shafique Choudhary
Camden	-
Croydon	Cllr Simon Hall
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Derek Levy (Deputy)
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	Cllr Iain Cassidy
Haringey	Cllr Jason Arthur
Harrow	Cllr Keith Ferry
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Michael O'Sullivan (Deputy)
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	Cllr Adrian Garden
Lewisham	Cllr Mark Ingleby
Merton	-
Newham	Cllr Ted Sparrowhawk (Deputy)
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Sutton	Cllr Sunita Gordon
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	-
Wandsworth	Cllr Guy Senior (Deputy)
City of Westminster	Cllr Suhail Rahuja

#### **Apologies:**

Enfield	Cllr Toby Simon
Greenwich	Cllr Don Austen
Islington	Cllr Richard Greening
Merton	Cllr Imran Uddin
Newham	Cllr Forhad Hussain
Wandsworth	Cllr Maurice Heaster

Officers of London Councils were in attendance as was Mr Chris Buss (Chair of Technical Sub-Group).

## **1. Declaration of Interests**

1.1. There were no declarations of interest that were of relevance to this meeting.

## **2. Apologies for Absence & Notification of Deputies**

2.1. Apologies and deputies are listed above

## **3. Election of Chair**

3.1. Mr Hugh Grover (Programme Director London LGPS CIV) called for nominations for the position of Chair of the Pensions CIV Sectoral Joint Committee (PSJC) and Mr Mark Boleat was nominated by Councillor Yvonne Johnson and seconded by Councillor Guy Senior. In the absence of any other nominations Mr Boleat was elected as Chair and took over chairing the meeting.

## **4. Election of Vice-chairs**

4.1. The Chair invited nominations for up to two Vice-chairs.

4.2. Councillor Clare Harrison nominated Councillor Peter Brayshaw to be the Labour Vice Chair. Councillor Peter Brayshaw was elected as the Labour Vice Chair of the PSJC<sup>1</sup>.

4.3. Councillor Guy Senior nominated Councillor Maurice Heaster to be the Conservative Vice Chair. Councillor Maurice Heaster was elected as the Conservative Vice Chair of the PSJC.

## **5. Terms of Reference & Notifications of Membership**

5.1. The Chair introduced a report that informed members of the current Terms of Reference of the PSJC, as agreed, in principle, by London Councils' Leaders Committee at its meeting on 11 March 2014. The report also notified members of the PSJC membership.

5.2. Members of the PSJC asked who the members of the Technical Sub Group (TSG) were. Hugh Grover confirmed that the TSG was constituted of officers from the following boroughs: Barking and Dagenham, Brent, Croydon, Ealing, Hackney, Lambeth, Newham, Tri Boroughs and Wandsworth.

5.3. It was noted that the boroughs of Bromley, Havering and Hillingdon were currently not participating in the CIV, but should they decide to participate later they would have to contribute the same amount of funds to join the CIV as the other boroughs.

### **5.4. The Committee:**

- Noted the contents of the report and the membership of the PSJC, and
- Noted the Terms of Reference at the annex of the report.

## **6. Background & Progress Update**

6.1. The Chair invited Mr Hugh Grover to introduce this item and deliver a presentation (attached at Appendix 1 of these minutes) based on the supporting report and he did as follows:

---

<sup>1</sup> Since the meeting it has been announced that Councillor Brayshaw has died and as such the position of Vice Chair falls for re-election at the next meeting.

- The current structure of the LGPS in London could be argued to be inefficient, but is based on decisions and regulations made many years ago and any move towards greater collaboration and efficiency must recognise the historic position.
- 29 London boroughs and the City of London Corporation have agreed to work together with the aim of establishing a Collective Investment Vehicle. It was noted that the LPFA were not direct participants in the arrangements, but that officers kept LPFA colleagues in touch with progress and the LPFA could be investors later if they chose to.
- A company had been established (London LGPS CIV Ltd.) to be the regulated Authorised Contractual Scheme (ACS) operator. 23 three London local authorities were initial shareholders, seven boroughs (Ealing, Harrow, Lambeth, Lewisham, Southwark, Tower Hamlets and Waltham Forest) were currently going through the formalities of becoming shareholders.
- The company would need a range of partner suppliers to be procured. The procurement of an Asset Servicer (covering custodian, depository and fund administration services) would be key to the CIV. This procurement was nearing conclusion and the outcome was expected to be announced in the New Year.
- Work to date had been undertaken against a set of guiding principles agreed by London Councils' Leaders' Committee in February 2014.
- The implementation programme was being delivered through three interrelated projects:
  - i. Setting up the underlying company structure;
  - ii. Preparing the company as a FCA authorised and regulated operator of an ACS fund;
  - iii. Setting up the fund for launch.
- Programme partners included the Pensions Working Group (PWG), Technical Sub-Group (TSG) and expert advisors (Eversheds, Deloitte, Mercer). The TSG was made up of pension experts from the boroughs and had been pivotal in setting up the CIV and had put in a great deal of effort. The expert advisors were all on a fixed fee.
- The overarching governance structure had been designed to provide the participating boroughs with a high degree of oversight and influence over the operating company and the fund. However, ultimate decisions relating to the fund would be made by the operator but would reflect the needs and wishes of the boroughs.
- The ACS structure had been chosen over other similar international structures because:
  - It would keep borough funds UK domiciled;
  - It is FCA regulated, which delivers an additional level of assurance to the participants;
  - It provides a high degree of and tax efficiency, delivering tax advantages beyond those already available to the boroughs;
  - It is data transparent and provides a level of 'look through' to the underlying assets that some other structures do not allow.

- Advice from Counsel had given assurance that participating London LGPS funds, and potentially LGPS funds beyond London, could invest through the CIV without the need for procurement.
- Each participating authority had contributed £25,000 to a dedicated fund held by London Councils. A further £50,000 had been requested as two further payments of £25,000, with the first being invoiced as soon as the necessary finance systems were in place and the second at the start of the next financial year. This total of £75,000 per participating borough was expected to be sufficient to establish the CIV and leave around £500,000 as a contingency or, if not used, to pay some of the first year's running costs.
- A detailed operating budget was being worked on by the TSG and would be brought to the next meeting for member consideration.
- It was planned to launch the CIV in the summer of 2015, but this depended on finalising the company's operating model, recruiting key staff and achieving FCA authorisation.

6.2. **The Committee** considered and noted the contents of the report

## 7. Fund Manager Analysis

7.1. The Chair invited Mr Hugh Grover to introduce this item and deliver a presentation (attached at Appendix 1 of these minutes) based on the supporting report and he did as follows:

- Technical Sub-Group officers were in discussions with Investment Managers to collect data covering current borough investments with a view to constructing a proposal for the structure of the fund for launch, which the participating boroughs would be asked to consider early in 2015 and to make investment decisions later in the year.
- The strategy for constructing the fund for launch was based on collectivising investment mandates where two or more boroughs had essentially procured the same product.
- The ACS fund would be structured as an 'umbrella' fund with separate sub-funds for each investment mandate. Each sub-fund would be ring-fenced to prevent cross contamination and would be managed by one Investment Manager (i.e. no mixing of managers within sub-funds).
- Initial analysis had suggested that up to £10 billion of borough assets could be transitioned onto the fund for launch, but decisions would be needed later about what scale might be achievable/manageable for launch.
- Fee savings could be in excess of £3 million, but would not be evenly spread across boroughs. However, benefits would grow over time and individual boroughs could increase their benefits by making decisions to transition from current investments to those offered by the CIV.
- The fund would be able to provide a wide range of investment opportunities, but it was noted that an ACS could not invest in a 'Life Fund', which meant that some fund managers had to re-design their structures to enable them to participate in the CIV.
- Some thought had been given to oversight and decision making for the fund beyond launch, including scrutiny of fund manager performance.

More work would be needed on this as part of the development of the operating model.

- Alternative investments would be made available through the CIV as part of its development over time. A survey was underway across the boroughs to see what types of investments the participating boroughs might want to see.

7.2. In discussion the question of any link to the new borough Pensions Boards was raised. It was noted that there would be no direct link.

7.3. The Chair noted that more work would be done on fund manager scrutiny and how meetings would be structured to allow boroughs the level of manager engagement that they would need. It was noted that part of coming together in such a collaborative venture would require an element of trust across boroughs.

7.4. It was noted that the TSG had looked into whether the CIV would have a statement of investment principals. As the CIV would not be making investment decisions (this would remain with each individual borough) then a SIP would not be needed – boroughs would invest in sub funds that they believed would suit their purposes the best.

7.5. **The Committee** considered and noted the contents of the report

## **8. Asset Servicer Procurement Update**

8.1. The Committee received a report that provided members with the background and a progress update relating to the procurement of the Asset Servicer, which was a key provider to the CIV

8.2. **The Committee** noted the contents of the report and the on-going progress of the procurement of an Asset Servicer.

## **9. Committee Dates for 2015**

9.1. **The Committee** noted and agreed the following dates for the Pensions CIV Sectoral Joint Committee in 2015:

Wednesday 25 February 2015  
Wednesday 25 March 2015 (3pm start)  
Wednesday 27 May 2015  
Wednesday 29 July 2015 (proposed AGM)  
Wednesday 23 September 2015  
Wednesday 4 November 2015

9.2. It was noted that all PSJC meetings would be held in the Conference Suite at London Councils and would commence at 10.30am, *with the exception of the Wednesday 25 March meeting, which will start at 3pm.*

The meeting closed at 4.05pm