

Pensions CIV Sectoral Joint Committee (PSJC) Meeting 10 February 2016

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 10 February 2016 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr John Waters
Brent	Cllr George Crane
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson (Vice-Chair)
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	-
Haringey	Cllr Clare Bull
Havering	Cllr Clarence Barrett (Deputy)
Harrow	-
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Rowena Bass (Deputy)
Lambeth	Cllr Adrian Garden
Lewisham	Cllr Mark Ingleby
Merton	Cllr Imran Uddin
Newham	Cllr Forhad Hussain
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Sutton	Cllr Sunita Gordon
Tower Hamlets	Cllr Clare Harrisson
Waltham Forest	-
Wandsworth	Cllr Guy Senior (Deputy)
City of Westminster	-

Apologies:

Barnet	Cllr Mark Shooter
Croydon	Cllr Simon Hall
Greenwich	Cllr Don Austen
Havering	Cllr John Crowder
Hammersmith & Fulham	Cllr Iain Cassidy
Harrow	Cllr Adam Swersky
Kingston upon Thames	Cllr Eric Humphrey
Wandsworth	Cllr Maurice Heaster (Vice Chair)
Westminster	Cllr Suhail Rahuja

Officers of London Councils were in attendance as were:

- Hugh Grover – CEO, London CIV
- Julian Pendock – Investment Oversight Director, London CIV
- Mike Weston – CEO, Pensions Infrastructure Platform (Item 4)

1. Announcement of Deputies

- 1.1. Apologies for absence and deputies were as listed above.

2. Declarations of Interest

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

3. Minutes of the PSJC meeting held on 4 November 2015

- 3.1. It was noted that an apology for absence for Councillor Mark Ingleby (LB Lewisham) had been omitted from the minutes.
- 3.2. Subject to the above amendment, the minutes of the PSJC meeting held on 4 November 2015 were agreed as an accurate record

4. Pensions Infrastructure Platform (PiP)

- 4.1. Mike Weston, CEO of Pensions Infrastructure Platform (PiP) gave a presentation on PiP and UK infrastructure noting that:

- PiP aims to facilitate more infrastructure investment into UK infrastructure by UK pension schemes and it's structures are modelled entirely with that in mind;
- It was hoped to work with the LGPS on infrastructure as there appeared to be some alignment with the government's encouragement of more LGPS investment in this asset class;
- PiP was established by 10 Founding Investor pension funds and the Pensions and Lifetime Savings Association ("PLSA" formally NAPF), including two LGPS funds;
- FCA authorisation was received in early 2016;
- Current investments included a PPP Equity fund, Solar PV and the London Super Sewer;
- The scope of opportunity for UK infrastructure covered multiple sub-sectors including transportation, energy, utilities, communications and social infrastructure;
- The efficiency of investments was one of the key objectives of PiP. Long term vision was to develop the best funds and structures, along with a mix of investments;
- In the shorter term, there could be scope for PiP to work with the LGPS and the managed PiP Multi Strategy Infrastructure Fund ("PiP MSIF") launching in Q1 2016 may be an opportunity for such collaboration. Target size would be £1billion with 10 to 20 separate assets; £250million first close and £750million to be raised from other investors;
- PiP operates a cost recovery only model and seeks only to cover its operating costs;
- PiP supported the general direction of the Project Pool's initial findings. A national collaboration would keep prices down and reduce the threat of LGPS pools competing against each other;

- No need to “reinvent the wheel” – PiP and LGPS had the same objectives for infrastructure investment and PiP was already set-up. There were overlaps between the proposed LGPS Clearing House and PiP.
- A bespoke LGPS infrastructure fund could be created, with three sub-pools that could align with the original scheme risk/return requirements. Collaboration was key in making the most of investment opportunities.

4.2. A number of points were raised in discussion including:

- Councillor Simon asked about the scale of investment (£1billion) and how much PiP could absorb. Mike Weston said that PiP’s capacity was being expanded and there would be a phased allocation of investment, including future opportunities.
- Councillor Bull said that some boroughs would have problems in investing in certain infrastructure projects and would need an “opt out” mechanism in place. More information was needed on this. Mike Weston said that there were already certain rules in place that prevented some organisations making these investments.
- Councillor Ingleby asked how much had already been invested in infrastructure that had already been built. He also asked why investment in renewable energy was not higher up in investment opportunities for PiP. Mike Weston responded that PiP wanted to build a diverse portfolio with lots of opportunities, rather than concentrating investment in one area like renewable energy. It was important to ensure the security of the cash flow over the lifetime of the project. PiP was concerned about long term/low risk investment
- Councillor Malhotra said that the Government was restricting grants that it gave for solar energy/panels and various other green projects. He asked whether this would be a risk to PiP returns if government funding disappeared. This, in turn, would also affect the LGPS. Mike Weston said that contracts that had already been signed would have to be honored (legally).
- Members asked about the procurement process with PiP. It was felt that more transparency was needed and that a tender process should take place with regards to collaborating infrastructure investment. The CEO said that there was no legal requirement to tender in this instance because of the nature of the relationship that was being proposed. In addition, PiP would not be the only provider as it focused solely on the UK and would therefore never be a single provider.

5. London CIV CEO’s Update

5.1. The CEO introduced the London CIV update report and informed noting that:

- In November 2015, Havering became the 31st borough to join the London CIV programme.
- Following London CIV’s authorisation in October 2015 the ACS Fund had been authorised on 13 November 2015. This made London CIV the the first full-scope Alternative Investment Fund Manager (AIFM) with permission to operate an ACS Fund in local government.

- The first sub-fund of £1½billion had now been set-up, with another two to be opened within a week, under the management of Baillie Gifford.
- There was now a pressing need to proceed more quickly with the CIV, and this was currently being hindered by staff resource constraints.

5.2. The following points were raised in discussion:

- The Chair advised boroughs to look at their existing mandates and think about moving into the CIV to reduce fees.
- Councillor Greening said that he would like to see more financial information in the report and more transparency (eg the “knock-on” impact on the company’s cost recovery model of changes to the resource model).
- Councillor Malhotra asked how the fee structure for new members joining the CIV was coming along. The CEO said that each London borough (including LB Havering) paid the same. This may be different for non-London funds that wanted to join the CIV but Members would need to consider this as and when the issue arose.
- Councillor Madlani said that although the London CIV was well “ahead of the curve” on a number of these issues, it would have been useful to have had a policy already in place for new CIV joiners. The Chair said that a policy on fee structures for new CIV members would be needed, but not at this stage. The CEO said that discussions had taken place with the south east counties, but none had yet requested to join London CIV.

5.3. The Committee:

- Agreed that a financial update would be brought to the PSJC at the AGM in June 2016, and that regular financial updates would be presented to members in the future.

6. London CIV’s Response to the Government’s Pooling Criteria and Guidance and Investment Regulations Consultation

6.1. The Committee:

- Agreed that London CIV’s response to the Government’s pooling criteria and guidance would be presented on behalf of the participating authorities.

7. Fixed Income: Addressing the Challenge

7.1. Julian Pendock introduced the report noting that:

- Globally pension funds now require structurally higher cashflows as schemes mature and that traditional fixed income (FI) products can no longer be relied on to provide the required cashflows;
- Research and analysis had shown that there was very little commonality in FI across the boroughs;
- Work was underway with the Investment Advisory Committee and a number of fixed income fund managers to consider how FI might be structured on the CIV.

7.2. The Committee:

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- Noted the report; and
- Approved further work by the IAC and CIV officers to explore more fully the concept of a bespoke CIV product (or range of products) as one possible solution in the quest to secure the required cash flows.

The meeting closed at 12.30pm