

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

### **18 October 2016**

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Tuesday 18 October 2016 at 2:00pm in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

#### **Present:**

City of London	Mark Boleat (Chair)
Barking and Dagenham	Cllr Dominic Twomey
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	-
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	-
Haringey	Cllr John Bevan (Deputy)
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	Cllr Iain Simpson
Lewisham	Cllr Liz Johnston-Franklin (Deputy)
Merton	Cllr Imran Uddin
Newham	Cllr Forhad Hussain
Redbridge	-
Richmond Upon Thames	-
Southwark	-
Sutton	Cllr Sunita Gorden
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	-
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Tim Mitchell (Deputy)

#### **Apologies:**

Barnet	Cllr Mark Shooter
Bromley	Cllr Teresa Te
Croydon	Cllr Simon Hall
Greenwich	Cllr Don Austen
Hammersmith & Fulham	Cllr Iain Cassidy
Haringey	Cllr Clare Bull
Havering	Cllr John Crowder
Lewisham	Cllr Mark Ingleby
Redbridge	Cllr Elaine Norman
Richmond-upon-Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Westminster	Cllr Sulhail Rahuja

Officers of London Councils were in attendance as were Hugh Grover (CEO, London CIV), Julian Pendock (CIO, London CIV), Brian Lee (COO, London CIV), Jill Davys (AD Client Management, London CIV), and Ian Williams (Chair, Investment Advisory Committee).

## **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.
- 2.2. The CEO to look into whether members should declare a deferred pension scheme as a declaration of interest at the PSJC.

## **3. Minutes of the AGM Meeting held on 14 June 2016**

- 3.1. The minutes of the PSJC meeting held on 14 June 2016 were agreed.

## **4. London CIV Business Planning**

- 4.1. The CEO introduced the report. He said that the key points could be found at paragraphs 10 to 14 of the report. Northern Trust said that the CIV had opened more sub-funds than any similar organisations. Passive investments were not generating any income because those assets now remained outside of the London CIV. The aim was to bring further detail to the PSJC meeting on 13 December 2016, including a resource plan and rationale.
- 4.2. The process of opening sub-funds had become easier, but there was no way of knowing if boroughs would individually move into these sub-funds (this was part of the budget issue for the CIV).
- 4.3. The following issues were discussed:
  - Councillor Heaster asked for clarification for the sub-fund AuM fees being “significantly down” (paragraph 15, page 7). Brian Lee said that there was a £250,000 shortfall in passive funds, and a £100,000 deficit owing to the delay in the launch of some sub-funds (amounting to just over £300,000 in total).
  - Councillor Malhotra voiced concern that some projects had been deferred. He said that greater prioritisation needed to take place. The CEO acknowledged the challenge responding that significant progress had been made, albeit not necessarily as planned.
  - Councillor Greening said that he would prefer a fuller report. He said that a more realistic approach was needed and to stick with the principles of saving money. It was not possible to accurately forecast how large the transfer of assets would be and what fees would come from it.
  - Councillor Simon suggested that boroughs that had benefited from the reduced fees for passive investment should pay a percentage of the savings

to LCIV. The CEO responded that the issue was being discussed with Officers/Treasurers and options would come to a future meeting.

- Councillor Greening said he was concerned at the excessive regulatory costs. He agreed that it would be preferable to look at Councillor Simon's proposal rather than levying the boroughs more.

4.4. The Committee:

- (i) Noted the contents of the report;
- (ii) Agreed that a more detailed report would be brought to the PSJV on 13 December 2016; and
- (iii) Agreed to look into the possibility of boroughs with savings accruing from passive funds outside of LCIV paying a percentage of the savings to LCIV.

**5. Investment Report and Fund Update**

- 5.1. Julian Pendock introduced the report. He said that with a great deal of volatility in the market at present the Allianz and Baillie Gifford sub-funds had both been performing well.
- 5.2. Jill Davys informed the PSJC that the Stewardship Working Group had met in the summer and the draft minutes were attached to the report. She confirmed that there had been approximately 5 alerts within a six month period.
- 5.3. Councillor Malhotra asked if further reports could contain a cumulative total of funds under management, in order to see how the funds were performing.
- 5.4. The Committee noted the report.

**6. Global Equity Procurement**

- 6.1. Julian Pendock introduced the report informing members that tender submissions had been received from over 200 fund managers, 58 meetings had been arranged with fund managers, and that the fees being offered had been very encouraging.
- 6.2. Councillor Simon asked whether tax savings would be identified as well as cost benefits. The CEO responded that the CIV was very tax efficient and that tax savings would be identified where it was possible to do so.
- 6.3. Councillor Simpson asked whether the start-up fees would go down once the size of the sub-funds increased. The CEO noted that start-up fees would indeed go down over time.
- 6.4. The Committee noted the report.

**7. Investment Advisory Committee (IAC) Update**

- 7.1. Ian Williams, Chair of the IAC, introduced the report. He informed members that the IAC had been working closely with LCIV to develop the Business Plan.
- 7.2. The Committee noted the report.

## **8. Review of Benefits**

- 8.1. The CEO said that efforts would be made to quantify the savings made although defining fund manager fee savings was a complex issue that would increase in complexity over time as boroughs started to make new investments that were not part of the initial 'commonality' approach and therefore it would be difficult to define a prior fee position against which to make the comparison.
- 8.2. Councillor Greening said that a fuller picture of the costs, benefits and future estimations (including any "guesswork") was required, preferably in a table format. This could be carried out through the deputy chairs of the PSJC. Councillor Simpson suggested including a timeframe, as well as costs and benefits. The CEO said that ranges for the benefits might need to be incorporated.
- 8.3. Councillor Simon asked whether transition arrangements for new funds would be supported by the CIV. The CEO said that it was on the agenda to go through a procurement exercise to generate a framework contract with a number of Transition Managers for the boroughs to call off.
- 8.4. The Committee:
  - (i) Noted the report, and
  - (ii) Agreed to look into having costs, benefits and future estimations, in a table form, in future Benefits reports that went to the PSJC.

## **9. Remuneration Committee Policy & Terms of Reference**

- 9.1. Councillor Greening felt that the total remuneration figure of £500,000 was excessive (page 52). The CEO said that this figure was set by the FCA and was not an indicative amount in terms of what LCIV staff might be paid, but simply part of the FCA's regime for identifying 'Code Staff'. The Chair confirmed that it was the regulator that required this figure. The CEO said that he would take legal advice on this issue to ascertain if it was possible to use a lower figure.
- 9.2. The Committee:
  - (i) Noted the report; and
  - (ii) Agreed to look at taking out the figure of £500,000 for the total remuneration of code staff (page 52, paragraph 6.3 for the report) and consider putting in a reference to the FCA's handbook for this remuneration instead.

*The Exempt minutes were agreed (Item E3)*

**The meeting closed at 15.05pm**