

# Pensions CIV Sectoral Joint Committee Item no: 11

## Quarterly Client Engagement and Stakeholder Report

**Report by:** Jill Davys **Job title:** Assistant Director, London CIV

**Date:** 12 April 2017

**Telephone:** 020 7934 9968 **Email:** [Jill.davys@londonciv.gov.uk](mailto:Jill.davys@londonciv.gov.uk)

---

**Summary:** This report provides the Committee with an update on the levels of engagement taking place with the London Local Authorities and feedback from the recent annual conference

---

**Recommendations:** The committee is recommended to note the report and provide feedback on the draft event schedule

---

## **Quarterly Client Engagement and Stakeholder Report**

### **Overview**

1. This report provides the Joint Committee with an overview of the progress being made in developing client and wider stakeholder engagement.
2. The report sets out current investments on the CIV platform, current levels of engagement with the participating Local Authorities. It also provides the Committee with an overview of the scale of engagement in terms of the meetings taking place and the events schedule and feedback from the recent LCIV Annual Conference.
3. Key points are included within the body of the report, but supplementary information is provided in a series of appendices which the Committee may find of interest and are aimed at providing the Committee with a range of information which has been or is being developed for clients and stakeholders.

### **Investments in Sub-Funds**

4. With the launch of the 6<sup>th</sup> sub-fund in December, this brought in the 18<sup>th</sup> London Local Authority (LLA) as an investor on the CIV platform of sub-funds taking total assets under management (AUM) as at the end of December to £3.336bn. Since the end of the year, further subscriptions in to the LCIV RF Absolute Return Fund have occurred, from both an existing investor and a new investor. It is anticipated that the 3 new sub-funds due to launch under the CQC strategy (commonality, quantum and conviction) will bring on board another 2-3 LLAs and between £1.6bn-£1.8bn AUM. The table below provides an update on the sub-funds and the number of investors as at 31<sup>st</sup> December 2016.

SUB-FUND* (Underlying Manager)	PRICE (Pence)	SUB-FUND SIZE 31/12/16 £M	INCEPTION DATE	LONDON LOCAL AUTHORITIES INVESTED 31/12/16
<b>GLOBAL EQUITY SUB-FUNDS</b>				
LCIV Global Equity Alpha (Allianz Global Investors)  <i>Benchmark: MSCI World Index Total Return (Net) GBP</i>	120.8	625	02/12/15	3
LCIV BG Global Alpha Growth (Baillie Gifford)  <i>Benchmark: MSCI All Countries World Gross Index</i>	124.9	1,489	11/04/16	9
<b>MULTI-ASSET /REAL RETURN SUB-FUNDS</b>				
LCIV PY Total Return (Pyrford)	107.3	201	17/06/16	3
LCIV Diversified Growth (Baillie Gifford)	111.6	346	15/02/16	5
LCIV RF Absolute Return (Ruffer)	111.5	347	21/06/16	4
LCIV NW Real Return (Newton)	101.4	326	16/12/16	3
<b>Totals</b>		<b>3,336</b>		<b>18</b>

- Indications of interest at the time of the global equity procurement search suggested that interest in the 3 new global equity funds could amount to investments of over £1bn, however, it is anticipated that this will take time to come through into realised investments as the LLA's progress their strategic asset allocation review. We are currently planning an event to facilitate for the LLA's to explore the strategies in more detail with presentations from the underlying managers scheduled to take place on 11<sup>th</sup> May 2017. Sub-fund information sheets will be prepared in advance to provide potential investors with a high level overview of the sub-funds.
- Whilst recognising that passive life funds will not be coming onto the CIV platform for some time, the fee savings delivered through the standard LGIM CIV rates led to savings for 13 LLA's. Negotiations have been ongoing with BlackRock and proposals presented to 5 investing LLA's setting out a London CIV rate schedule for London funds.
- Taking into account the new sub-fund openings and the passive fee savings, 25 LLA's will have been in receipt of savings from either direct investment in sub-funds or from life funds. We are still awaiting news from some of the BlackRock investors as to whether they will proceed with the new fee scales, in which case this could increase to 27 LLAs.

## Meetings with London Local Authorities

8. This section provides an update to the Committee on the attendance by LCIV officers at meetings with stakeholders over recent months. The focus has primarily been on attending local Committee meetings to provide an update to the various Pension and Investment Committees on progress.
9. In addition meetings with officers have also taken place to discuss in more depth issues as they arise, focusing on specific requirements at a fund level, be that they are looking at sub-fund options for investment, governance arrangements, future product offerings etc.
10. The table below sets out the number of meetings that London CIV officers have attended both with Pension and Investment Committees and other forms of engagement:

Meetings Attended by LCIV Officers 1st June 2016 - 31st March 2017	
Pension Committee and Investment Meetings	19
Meetings with officers	23
Attendance at Pension Board	1
Attendance at Pension Fund AGMs	2

11. Efforts have also been made over recent months to build relationships with the investment advisers and consultants to Pension Funds. It is recognised that advisers and consultants play a crucial role in assisting funds with their investment strategies and therefore building relationships with these advisers will help in two way communications with the LLA's both in terms of understanding their needs and highlighting potential areas for investment but also crucially in helping consultants and funds understand what we are delivering now and in the future.
12. In addition, following the recognition that passive life funds could not easily be accommodated on the CIV platform, we have worked closely with the managers of these funds to facilitate a standard London-wide fee offering and have brought existing investors and managers together to discuss the options being proposed.

## Events

13. A number of events have been organised over the last few months for investing LLA's, some of which have been open to just officers and others open to both Members and officers. Since January this year, attendees have been asked for feedback on the events to ascertain how well they have been received and the relevance of the topics to the authorities.
14. **October 2016 (Officers only) – CIV Update (hosted by Eversheds):**
15. This was a general update on LCIV progress and plans but also included contributions from River & Mercantile covering Equity Risk Management and AON Hewitt who presented the report that they had produced for CIPFA titled "Guidance for Administering Authorities on Pooling and Governance".
16. Whilst no formal feedback was sought, verbal comments following the event indicated that attendees found the event a useful catch up on progress at the CIV.

17. **January 2017 (officers only) – Fixed Income /Cashflow Seminar (hosted by Russell Investments):** The event was timed to coincide with the finalisation of the actuarial valuation and work being undertaken on Investment Strategy Statements to help further thinking on this asset class. Prior to the event, LCIV had carried out a survey to better understand LLA requirements for cashflow, this indicated high levels of demand for multi-asset credit, corporate bonds, private debt, property and infrastructure
18. Presentations were given by a number of prominent fund managers in this area: Blue Bay; Capital; M&G and Russell Investments on duration hedging. In addition, LCIV provided introductory scene setting and fixed income survey results. A panel of investment advisers also added to the discussion in terms of the advisory work they were doing with clients and actuarial results.
19. The seminar was attended by around 30 LLA colleagues with very positive feedback on the event received from those in attendance.
20. **February 2017 (Members & Officers) – Stewardship Seminar (hosted by City of London, sponsored by FTSE Russell):** The event was designed to provide a general overview of stewardship and responsible investment related topics and was attended by 34 clients with a mix of Members and officers attending. The seminar was chaired by Cllr Johnson (Chair of the Member Stewardship Working Group) and panel discussion chaired by Dr Peter Kane (Chair of the Officer Stewardship Working Group).
21. Feedback from the Seminar is attached as an annex to this report for information at Annex A.
22. **March 2017 (Members & Officers) – LCIV Annual Conference (sponsored by LCIV Fund Managers):** This was the CIV's inaugural annual conference for its shareholders and investors with high levels of attendance from both Members and officers from the LLAs. The agenda for the day included key note speeches from the Chair and the Minister for Local Government, but was primarily focussed on providing clients with the opportunity to meet with LCIV's current range of Fund Managers.
23. Feedback from the conference was positive, although only around a third of attendees completed feedback, however, verbal feedback on the day and subsequent was also positive. The full feedback survey results are attached at Annex B for information.
24. Of those responding, 88% were either highly likely or somewhat likely to attend future events with the remainder not specifying.
25. Planning is already commencing for the next annual conference, although this is likely to take place in June 2018, given the local election cycle in London.
26. **Future Events 2017:** A series of seminars and workshops are being scheduled for the remainder of the year and the Committee are asked to consider the draft schedule of events and provide feedback on timing and content. The schedule also covers other key events, such as external conferences that officers are currently aware of. The Schedule is set out in Annex C for information.

### **Investment Advisory Committee and Working Groups**

27. The Investment Advisory Committee (IAC) is one of the key mechanisms for engaging with a wide range of LLA's. Membership is comprised of 24 LLA officers with a mix of Treasurers and Pension Fund Managers.

28. The IAC has a number of smaller working groups focussed on specific areas such as global equities, fixed income/cashflow, infrastructure, reporting and stewardship. It also provides a useful sounding board for developing work streams and for gaining an understanding of the LLA strategic investment needs, although clearly these can on occasions be conflicting given the variety of strategies and advisers across the LLAs.
29. Of particular note is the global equities group which provided invaluable input the search and selection process. It is anticipated that the fixed income/cashflow group will be similarly helpful.
30. The Chair of the IAC provides a quarterly report to the PSJC and, has recently started providing a brief update for the Society of London Treasurers (SLT). Future iterations will be drafted as a joint update from the Chair of the IAC and the CEO, and will be released quarterly to relevant officers across all LLA funds.
31. The Stewardship Working Group has been working with officers of LCIV to develop the Compliance Statement with the Stewardship Code) and providing input into the stewardship event held in February 2017. In addition, given LLA requirements to issue new Investment Strategy Statements (ISS) by 1<sup>st</sup> April 2017, the group worked with LCIV officers to compile some generic wording to assist funds where required with the ESG elements of the ISS. Again this was reviewed by the full IAC and given endorsement as a way to try to harmonise approaches across LLAs and avoid a plethora of different approaches which would be difficult for LCIV to implement.
32. LCIV is also working closely with a group of LLA's on the reporting requirements of the Pension Funds to ensure that the information being provided helps to meet the wider reporting requirements of the Funds. The Reporting and Transparency Working Group have assisted in the development of an LCIV information pack and external reporting framework (with the former still being work in progress) providing valuable feedback, along with providing suggestions on the accounts closedown process.

### **Website Development**

33. Work is now underway, led by the Programme Director, to develop a secure client portal as part of LCIV's website. This will significantly enhance communication and transparency, providing access to a wide range of reporting materials and information. The group working on reporting have supported this development and see it as a very positive step forward.

### **Future Work**

34. Work is currently underway to finalise the first series of 'factsheets' on individual sub-funds. The Reporting and Transparency Working Group have been supporting this work and have provided helpful feedback. The factsheets will be particularly aimed at providing local Committee Members with key fund information when considering the range of sub-funds for investment on the CIV.
35. LLA's have been undertaking their actuarial valuation over the last year and following that they are now finalising both their Funding Strategy Statements and their new Investment Strategy Statements. A significant number of LLA's are also undertaking strategic asset allocation reviews which are likely to lead to changes to the structure of their assets. LCIV officers are currently collating and analysing the Investment Strategy

Statements and will be looking to spend time talking to the Funds to build up a picture of their future investment requirements to ensure that the current fund launch programme for asset classes best fits their future requirements. An update on this work will be provided to the Joint Committee at its meeting in June.

36. A number of LLA's are developing strategies which commit them to carbon reduction targets over the coming years and in some cases this includes taking steps to divest completely from fossil fuel companies on the basis of the financial risks that such investments pose to the long term returns of the pension fund. Whilst this is not something that all LLA's are considering, given the depth and potential scope of the investments that could be directed to low carbon / fossil free investing or positive tilting to environmental funds, officers of LCIV are working with a small group of funds to better understand their objectives in this space to see if investments in this area can be co-ordinated.
37. LCIV has also discussed and will continue to discuss with a number of funds the best way to work more closely on investment strategies which are seeing high levels of demand and aren't immediately options for the CIV to launch dedicated sub-funds. Whilst recognising that this places additional burdens on resource, it will help to ensure that better outcomes can be achieved in terms of LLA's using economies of scale, potential to transition assets across to LCIV at a future date and to inform the future refinement of the fund development strategy to ensure alignment with LLA investment strategies.

### **Recommendations**

38. The Committee is recommended to note the report and to provide feedback on the draft schedule of events.

### **Financial Implications**

39. The financial implications are limited in terms of the costs involved in the development of client and stakeholder relationships, however, there are significant financial implications for failure to provide the right level of engagement.

### **Legal implications**

40. There are no legal implications.

### **Equalities implications**

41. There are no equalities implications.

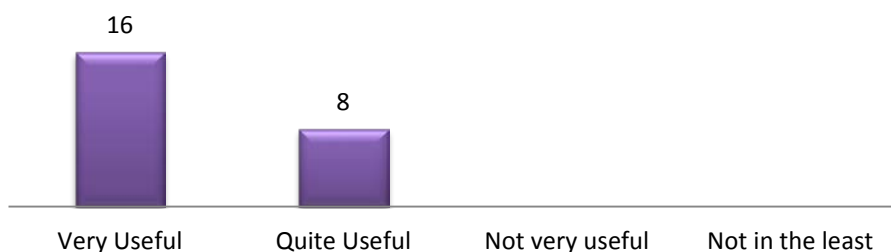
## **ANNEXES**

- Annex A      Stewardship seminar Feedback
- Annex B      LCIV Annual Conference Feedback
- Annex C

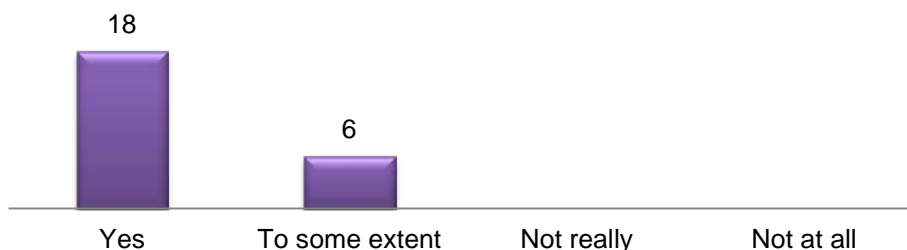
## STEWARDSHIP AND RI SEMINAR FEEDBACK

Twenty Four people completed our survey regarding the Stewardship and RI seminar on Wednesday 1<sup>st</sup> February, the findings were as follows:

### Did you find the seminar effective?



### Did it cover all your expectations?



### Further comments:

- Some slides were too small a font – not readable all the time.
- Some of the speakers over-ran.
- The Slides – many were too crowded and thereby couldn't read it.
- Excellent speakers & good choice of theme

### Relevance of Seminar Topic

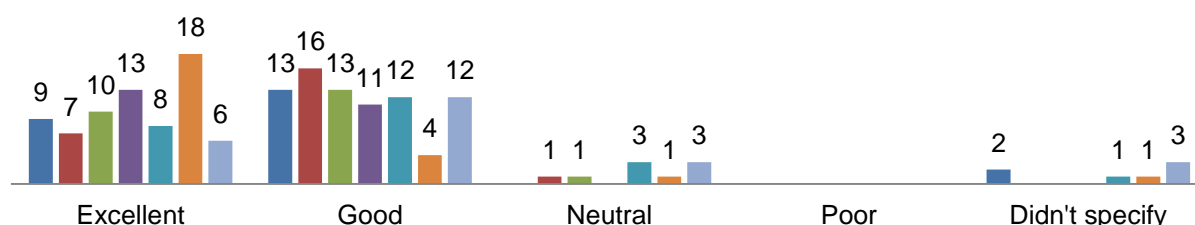
■ Welcome and Introduction - Cllr Yvonne Johnson (Chair, London CIV Member Stewardship Working Group)

■ Evaluating companies for ESG factors - John Jarrett - FTSE Russell

■ LAPFF - Cllr Denise Le Gal (Chair Surrey County Council Pension Fund)

■ Global Equity Procurement, Stewardship and London CIV - Julian Pendock (CIO) and Jill Davys (AD, Clients)

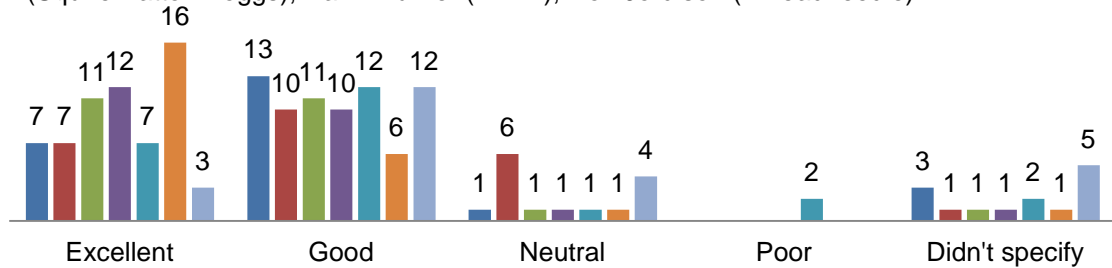
■ Approach to Sustainable Equities - Habib Subjally & Ben Yeoh, RBC Global Asset Management





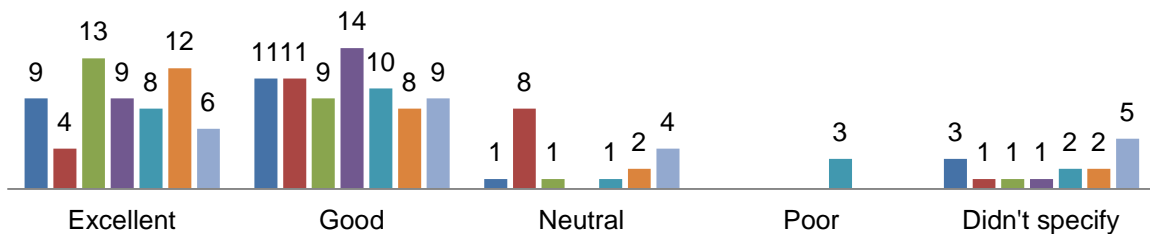
## Usefulness of Information Present

- Welcome and Introduction - Cllr Yvonne Johnson (Chair, London CIV Member Stewardship Working Group)
- Evaluating companies for ESG factors - John Jarrett - FTSE Russell
- LAPFF - Cllr Denise Le Gal (Chair Surrey County Council Pension Fund)
- Global Equity Procurement, Stewardship and London CIV - Julian Pendock (CIO) and Jill Davys (AD, Clients)
- Approach to Sustainable Equities - Habib Subjally & Ben Yeoh, RBC Global Asset Management
- Panel Discussion: Low or no carbon - What are the issues? Jillian Reid(Mercer), Clifford Sims (Squire Patton Boggs), Dawn Turner (EAPF), Don Jordison (Threadneedle)

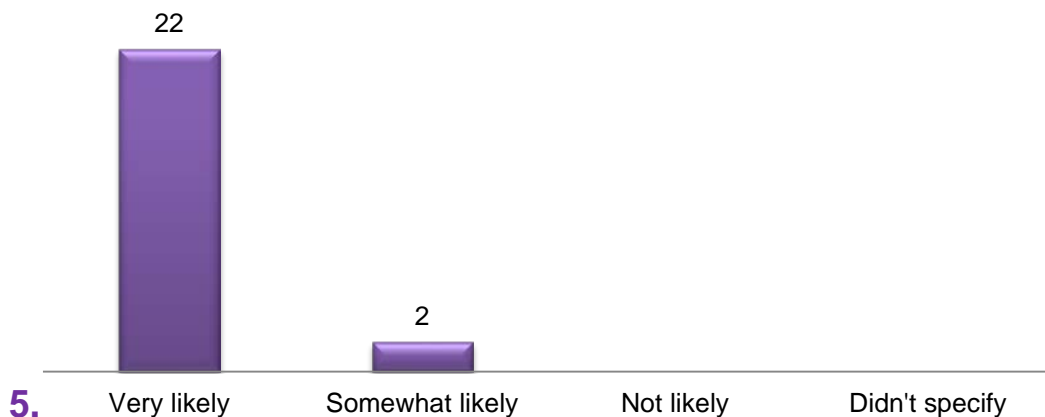


## Quality of Presentation

- Welcome and Introduction - Cllr Yvonne Johnson (Chair, London CIV Member Stewardship Working Group)
- Evaluating companies for ESG factors - John Jarrett - FTSE Russell
- LAPFF - Cllr Denise Le Gal (Chair Surrey County Council Pension Fund)
- Global Equity Procurement, Stewardship and London CIV - Julian Pendock (CIO) and Jill Davys (AD, Clients)



Based on your experience at this seminar, how likely are you to attend future seminars?

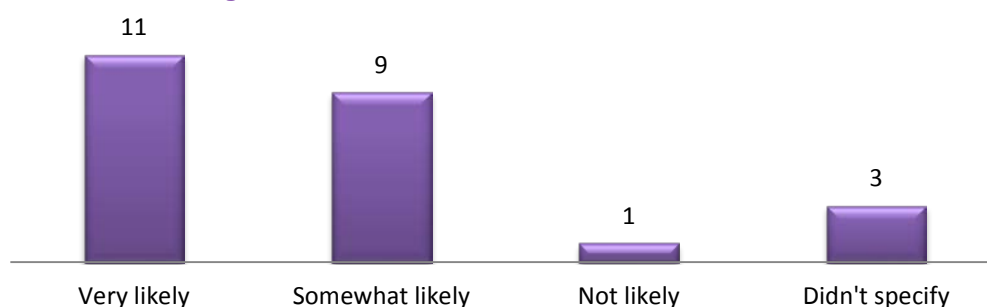


5.

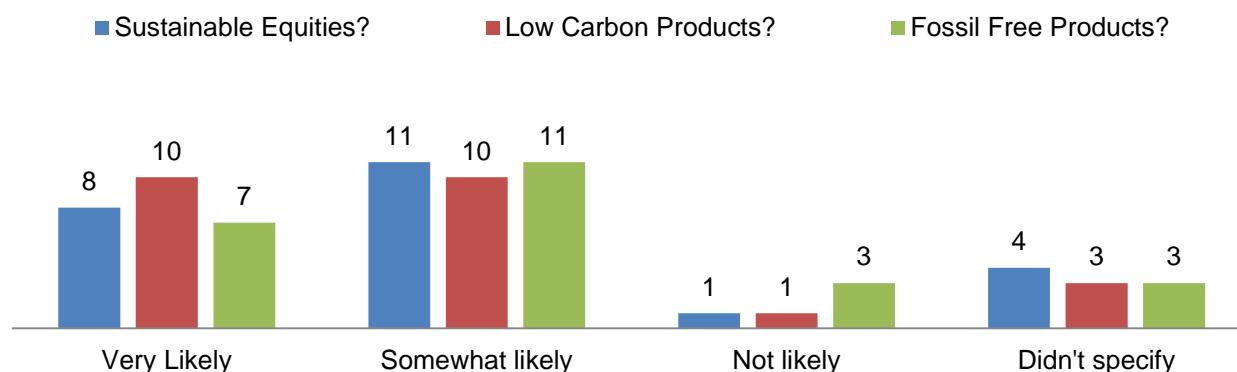
### Do you have any suggestions or comments to help us improve future seminars?

- Probably needed another 30 mins, 3 ½ Hours might have been better (to actual conference) – 1pm to 4.30pm or 1.30pm to 5pm
- Ambitious schedule and programme – perhaps too large a topic to cover, so many topics in the programmed time.
- Expected more info on the FRC Stewardship code. Too much focus on engagement rather than how to monitor or take forward stewardship. Integrated ESG message was useful. Good legal session – not long enough though.
- Longer time!
- Ran out of time for last few items. Would have liked round the table discussions earlier and for longer.
- Managing your assets in a low interest environment.
- The role of the FCA and how it impacts your Pension Board
- Property fund and Social Infrastructure – what are the risks.
- Active vs Passive?
- Like to see more examples and Case Studies
- Would have liked more on what CIV actually doing – if you're not involved in the sub group info is ltd.
- What is the CIV's view on voting?
- How are the sustainable global equity funds being chosen? So in some ways the seminar too general & awful coffee

### How interested would you be in attending further seminars on climate change?



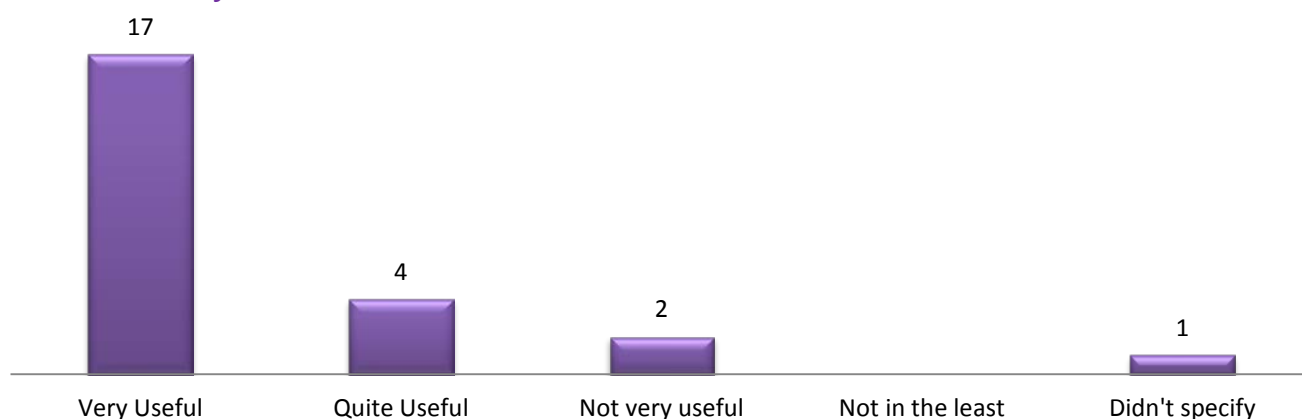
### How interested are you in the CIV providing dedicated sub-funds for:



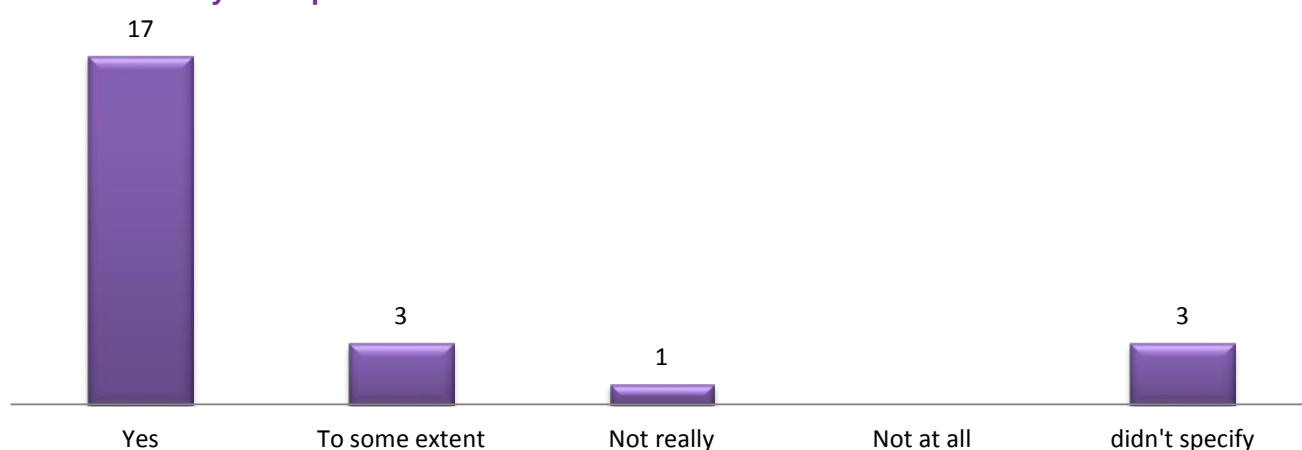
## Annual Conference Feedback

24 people completed our survey regarding our annual conference on Wednesday 1<sup>st</sup> March, the findings were as follows:

### How useful did you find the conference?



### Did it cover all your expectations?

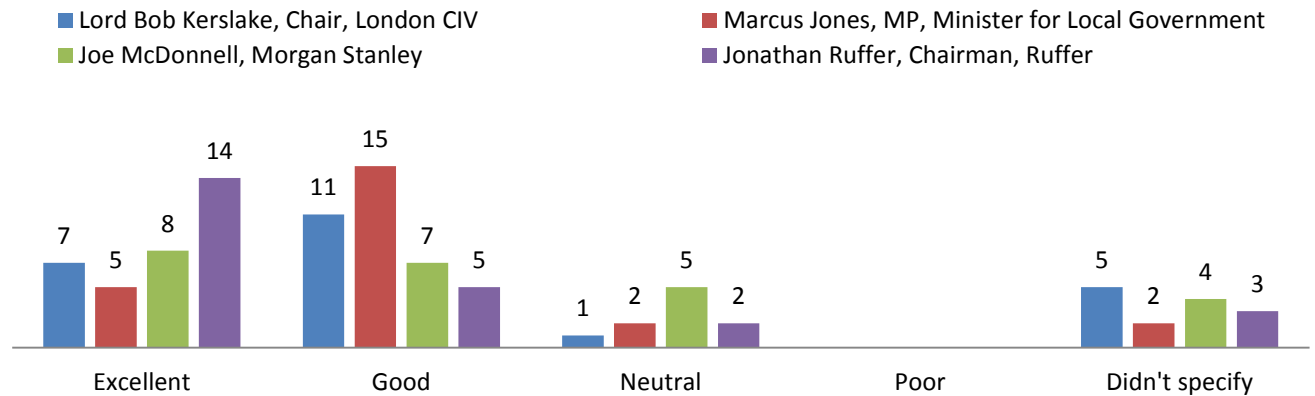


### Further comments:

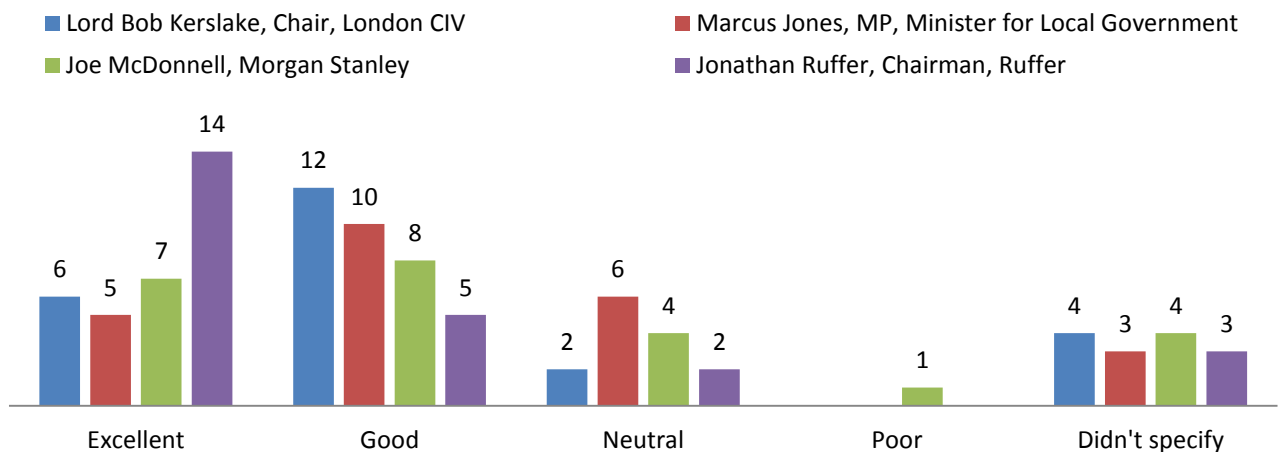
- Wanted more comment on reporting and governance from London CIV – maybe another time
- Good format & management. Right time length.
- Government view was important as was ESG that all mentioned in depth with their views.
- Very well organised & a good selection of speakers (The Minister was interesting & Jonathan Ruffer is always entertaining and informative.
- Could have had a bit more on CIV investment strategy to date.
- Very useful and worthwhile in all aspects
- Liked the Morgan Stanley presentation on Multi Asset Credit
- More about the LCIV, there should be a session on the current status of the LCIV with Q&A

## How would you rate the following Speakers?

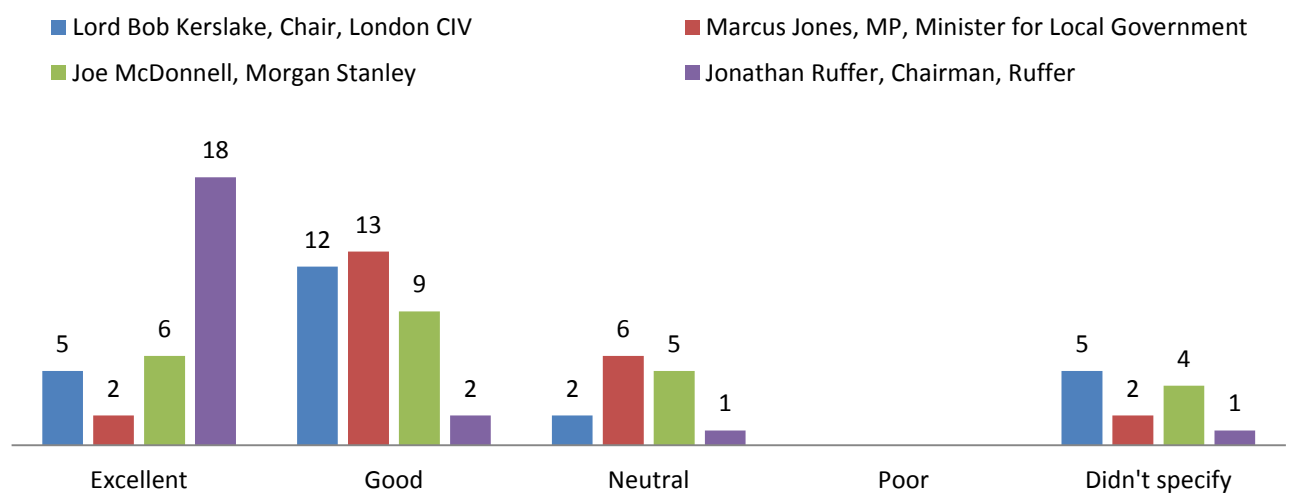
### How relevant



### How informative

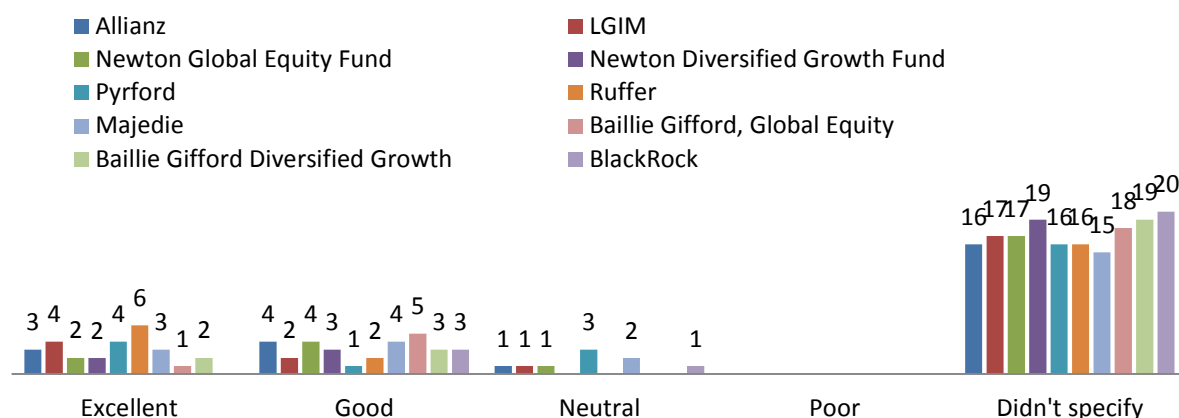


### How interesting

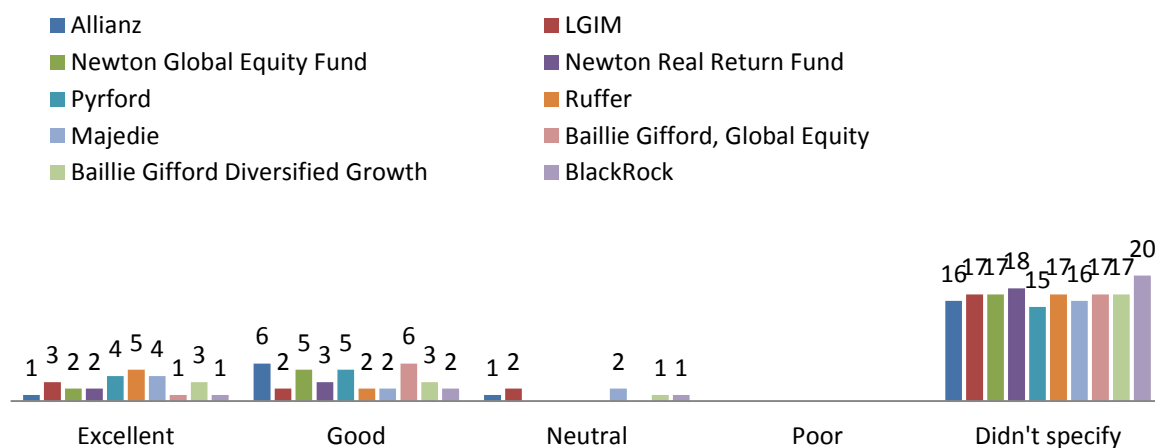


## 'Meet the fund managers' sessions, please rate:

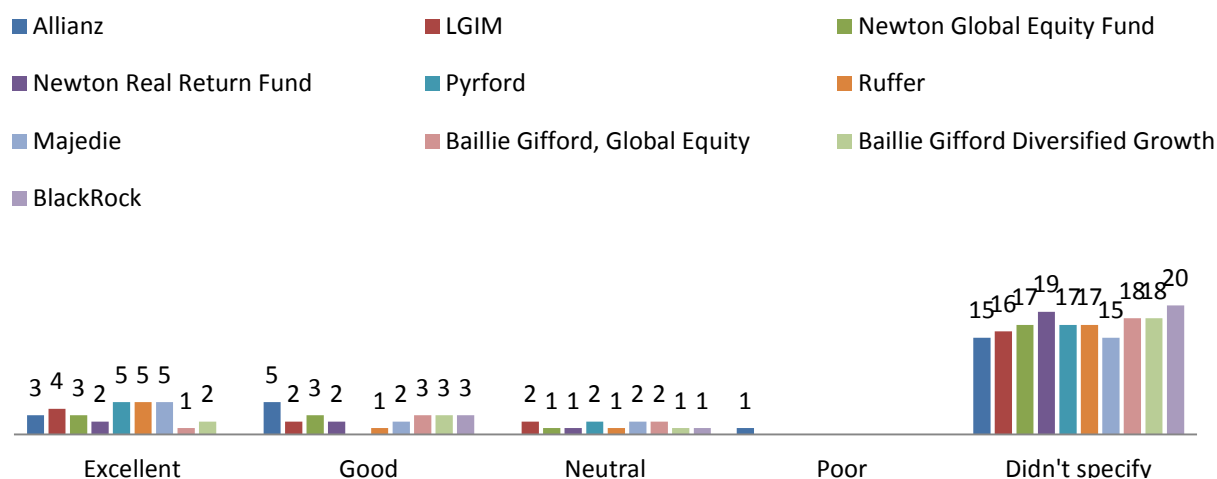
### Relevance of Seminar Topic



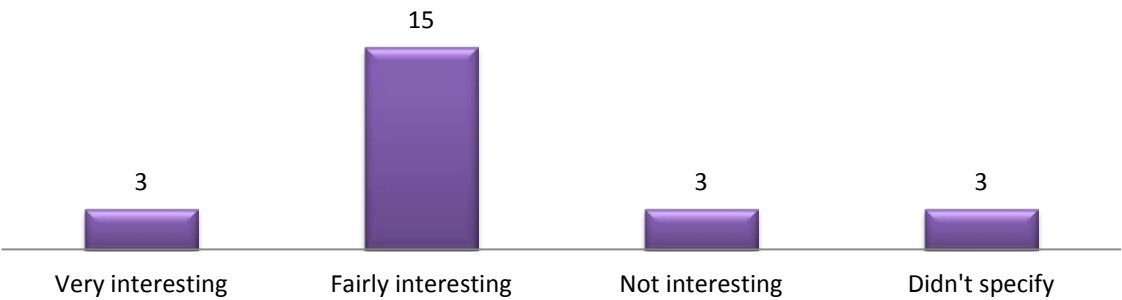
### Usefulness of information presented



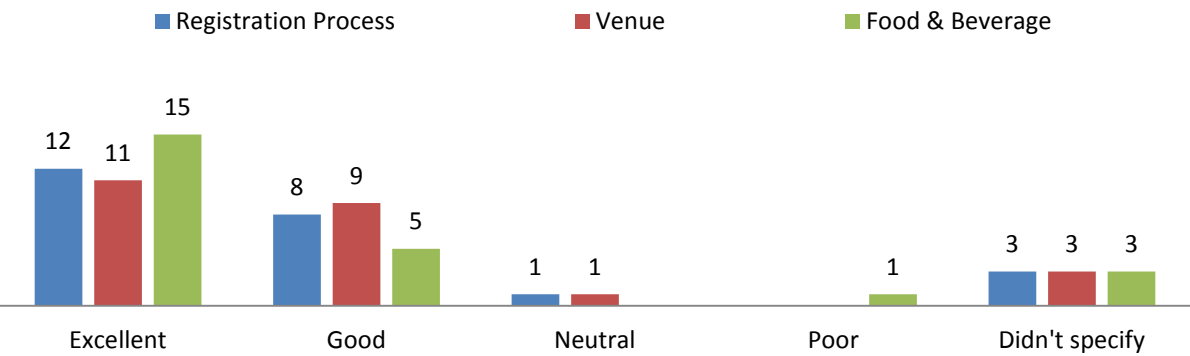
### Quality of the Presentation



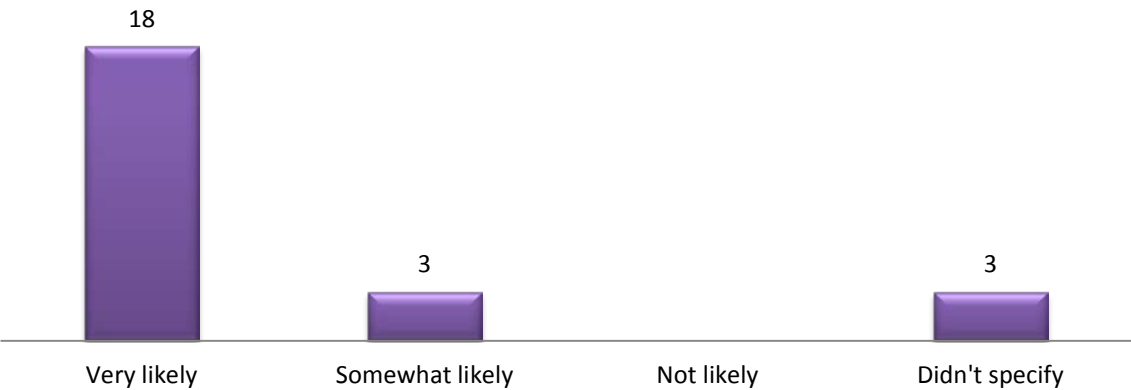
How interesting did you find the exhibitions?



Other aspects of the day



Based on your experience at this conference, how likely are you to attend future CIV events?



### Do you have any suggestions or comments to help us improve future seminars?

- The menu did not show gluten free options
- Can we make sure there only members (feel like there was pressure group in every session asking about oil and gas) – which did not leave a lot of time for members to ask questions – More talk and discuss about LCIV
- More from London CIV on reporting and governance
- Great idea & well presented
- Speed of on-boarding (and barrios) + how we can help
- Future pipeline – to manage expectations
- Update of assets under management
- Session on CIV monitoring (and our views) compared to what we used to get from fund managers
- MFIDii
- Half hour manager sessions were a good concept, would have preferred it if the Morgan Stanley & Ruffer presentations were part of the 'optional' manager sessions. Morgan Stanley presentation went on for too long. ½ hour was the right length of time for each manager.
- Governance/ESG theme common throughout was topical and useful.
- 45 min sessions might be more helpful so that specific questions can be answered in full.
- Infrastructure component of a portfolio expanded.
- Make the presentations more interesting and less like a sales pitch, photos for instance viewing of fund management staff is a bit like viewing somebodies holiday snaps.
- Annual CIV review. Pooling examples

## ANNEX C

### DRAFT LONDON CIV EVENT CALENDAR 2017

Spring	19th January	1st February	1st March	April
<b>Event</b>	Fixed Income / Cashflow Seminar	Stewardship Seminar	LCIV Conference	Easter
<b>Attendees</b>	Officers / Consultants	Councillors / Officers	Councillors / Officers / Advisers	
<b>Venue</b>	Russell Investments, Rex House, SW1Y 4PE	Guildhall, City of London	etc.venues, 43/44 Crutched Friars, EC3M 4AJ	

Summer	11th May	14th June	4th July	August
<b>Event</b>	Meet the Global Equity Managers Phase I	Low Carbon Workshop	CIV Update	Holiday Period
<b>Attendees</b>	Councillors / Officers	Councillors / Officers	Officers	
<b>Venue</b>	TBA	TBA	TBA	

Autumn / Winter	19th September	10th October	7th November	12th December
<b>Event</b>	Fixed Income / Cashflow Seminar	Meet the Global Equity Managers Phase II	Infrastructure Seminar	Property Seminar
<b>Attendees</b>	Councillors / Officers / Advisers	Councillors / Officers / Advisers	Officers	Councillors / Officers / Advisers
<b>Venue</b>	TBA	TBA	TBA	TBA



## DRAFT LONDON CIV MEETINGS SCHEDULE 2017

Spring	January	February	March	April
LCIV Board		9th (Informal)	24th	
Pensions Sectoral Joint Committee		8th		12th
LCIV IOC		28th		
IAC	26th	23rd	23rd	27th
LCIV Event	19th - Fixed Income	1st - Stewardship	1st - Conference	
External Events			2nd - 3rd LGC Carden Park	

Summer	May	June	July	August
LCIV Board	4th (Informal)	13th		2nd (Informal)
Pensions Sectoral Joint Committee		14th		
LCIV IOC		1st		
IAC	25th	22nd	27th	24th
LCIV Event	11th - Meet the GE Managers I	14th - Low Carbon Workshop	4th LCIV Update	
External Events	15th - 17th May PLSA Cotswold Water Park	29th - 30th LGC Symposium		

Autumn / Winter	September	October	November	December
LCIV Board	11th (Away Day) 22nd		3rd (Informal)	13th
Pensions Sectoral Joint Committee	13th			6th
LCIV IOC	14th		29th	
IAC	28th	26th	23rd	21st
LCIV Event	19th - Fixed Income / Cashflow Seminar	10th - Meet the Managers II	7th - Infrastructure Seminar	12th - Property Seminar
External Events	7th - 8th LGC Celtic Manor 16 <sup>th</sup> – 19 <sup>th</sup> Liberal Democrat Conference 24 <sup>th</sup> – 27 <sup>th</sup> Labour Party Conference	1 <sup>st</sup> – 4 <sup>th</sup> Conservative Party Conference		6th - 8th LAPFF Bournemouth