

Pensions CIV Sectoral Joint Committee (PSJC)

12 July 2017

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 12 July 2017 at 3:30pm in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Sir Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	Cllr Mark Shooter
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	Cllr Keith Onslow
Camden	Cllr Rishi Madlani
Croydon	Cllr Simon Hall
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	Cllr Robert Chapman
Hammersmith and Fulham	Cllr Iain Cassidy
Haringey	-
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Andrew Day
Lambeth	-
Lewisham	Cllr Mark Ingleby
Merton	-
Newham	Cllr Forhad Hussain
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	-
Southwark	Cllr Fiona Colley
Sutton	Cllr Simon Wales (Deputy)
Tower Hamlets	-
Waltham Forest	-
Wandsworth	Cllr Maurice Heaster
City of Westminster	-

Apologies:

Greenwich	Cllr Don Austen
Havering	Cllr John Crowder
Kensington & Chelsea	Cllr Malcolm Spalding
Richmond Upon Thames	Cllr Thomas O'Malley
Sutton	Cllr Sunita Gordon
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	Cllr Peter Barnett
Westminster	Cllr Suhail Rahuja

Officers of London Councils were in attendance as were Lord Kerslake (Chair, London CIV), Hugh Grover (CEO, London CIV), Julian Pendock (CIO, London CIV), Brian Lee (COO, London CIV), Christopher Bilsland (NED, London CIV), Eric Mackay (NED, London CIV) and Jill Davys (Client Relations Director (CRD), London CIV)

Hugh Grover Chaired the meeting for Items 1, 2 and 3, before handing the meeting to Sir Mark Boleat as the elected Chair.

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. Election of the Chair of the Pensions CIV Sectoral Joint Committee

- 3.1. The Chair called for nominations.
- 3.2. Cllr Yvonne Johnson nominated Sir Mark Boleat, Cllr Maurice Heaster seconded the nomination.
- 3.3. Following a unanimous vote, Sir Mark Boleat was elected as the Chair of the Pensions CIV Sectoral Joint Committee for 2017/18
- 3.4. Sir Mark Boleat thanked the Committee and took the Chair.

4. Election of the Vice-Chairs of the Pensions CIV Sectoral Joint Committee

- 4.1. Cllr Yvonne Johnson and Cllr Maurice Heaster were elected to be the vice chairs of the Pensions CIV Sectoral Joint Committee for 2017/18.

5. Note the Membership of the Pensions CIV Sectoral Joint Committee and Dates

- 5.1. It was noted that the deputy for LB Hounslow was Cllr Surinder Purewal and not Cllr Shantanu Rajawat.
- 5.2. It was also noted that the deputy for LB Hammersmith & Fulham, Cllr Mike Adam, was a Conservative councillor and not a Labour councillor.
- 5.3. The following new PSJC members were introduced: Councillor Keith Onslow (LB Bromley), Councillor Malcolm Spalding (RB Kensington & Chelsea), Councillor Andrew Day (RB Kingston upon Thames), Councillor Philip Jones (LB Merton) and Councillor Peter Barnett (LB Waltham Forest).

6. Minutes of the Pensions CIV Sectoral Joint Committee (PSJC) AGM on 14 June 2016 (for noting as already agreed)

- 6.1. The minutes of the Pensions CIV Sectoral Joint Committee AGM on 14 June 2016 were noted.

7. Minutes of the Pensions CIV Sectoral Joint Committee held on 12 April 2017

- 7.1. It was noted that Jill Davy's name had been misspelt in the minutes and this would be corrected.
- 7.2. The minutes of the Pension CIV Sectoral Joint Committee held on 12 April 2017 were agreed.

8. Constitutional Matters

- 8.1. The Committee noted the changes to the London Councils' constitutional documents that had already been agreed by Leaders' Committee on 11 July 2017.

9. CEO's Report

- 9.1. The CEO introduced the report and noted that:
 - The full quarter's results could not be given as not all the data was available.
 - The dates for next year's PSJC would be reviewed and re-issued shortly to ensure that full and complete quarterly reporting could be provided.
 - It was agreed to change the 18 June 2018 Committee meeting to a date in July 2018, owing to the local elections being held in May 2018 and time being needed to confirm committee appointments.
 - The KPIs were on track and progress was being made on the recruitment of new staff.
 - Two additional NEDs had just been recruited: Linda Selman and Paul Niven, for a three-year term.
 - An update on progress covering the LCIV Governance Review had been provided.
 - The Chair noted that tenders had gone out to recruit consultants, although costs for this had increased from £30,000 to a maximum £60,000.
 - The Chair emphasised the need to get the Governance Review right.
 - Councillor Johnson noted that the Labour Group had discussed the review and the details would be fed through Maggie Abrahams.
 - Councillor Malhotra queried why £60,000 was being spent on consultants when there was already a Governance framework in place. Lord Kerslake said that the CIV had moved from a voluntary to a mandatory set-up, and there was a need to look at the issue of Governance again to ensure that arrangements were still fit for purpose. The procurement process had shown that this could not be undertaken for £30,000.
 - Councillor Madlani said that a Governance Review was needed and had been agreed by London Councils' Leaders Committee. The Chair said that efforts had been made to keep the costs to a minimum, but the CIV was now required to press ahead with this.

- Councillor French asked what efforts were being made to ensure that boroughs were paying service fees. The CEO said that boroughs had 30 days in which to pay the service fees. After this time, a statement would be sent out to any unpaid boroughs. The non-payment of service fees could normally be attributed to some form of administrative error. Councillor French proposed that something needed to be in the Governance structure regarding the non-payment of fees. The CEO confirmed that there was some drafting regarding this in the Shareholders' Agreement. He said that, ultimately, a member could be voted out of the arrangement should they not pay the fees.
- Councillor Malhotra asked how the funding of Wandsworth and Richmond was being dealt with, now that they had merged. The CEO said that the payment details were still being considered and a report would come to a future Shareholders meeting.

9.2. The Committee noted the report.

10. Finance Report

10.1. The COO introduced the report and made the following comments:

- First quarter - there had been a positive variance in the first quarter.
- Looking at the next quarter, the trend was consistent (i.e. favourable).
- It was anticipated that underspend in the first quarter would be offset by cost that would be incurred later in the year and therefore It was not was not currently anticipated that a profit would be made in the current year.
- Fees (0.5bps) were accruing for the passive investments with LGIM held outside of the ACS, but benefiting from reduced fees negotiated by LCIV. Boroughs would be invoiced for the accrued fee at the end of the year.

10.2. The Committee:

- Asked for more detail to be provided in future reports to aid clarity and understanding.
- Noted the report.

11. Fund Performance

11.1. The CIO introduced the report, noting that:

- The performance data for each sub-fund could be found at page 83 of the report (Quarter 2 – April to June 2017).
- Julian Pendock confirmed that ESG performance was not in the performance stats as it was still being finalised.

11.2. The Committee noted the report

12. Fund Launch Progress

12.1. The COO introduced the report. He informed members that the Longview Global Equity and Henderson Emerging Market Equity would be launched week commencing 17 July 2017. The EPOCH and RBC Sustainable Equity were on track to be launched in September 2017.

12.2. Julian Pendock made the following comments:

- The wording had been changed to “lower” carbon for the proposed RBC Equities Fund. Further details would be provided at the next PSJC meeting in September 2017.
- Two Fixed Income funds to be launched by March 2018, as per MTFS plan. Tenders have gone out for investment consultant procurement.
- Looking at members from the IAC to join the Infrastructure Working Group – a briefing paper from Hermes had previously been circulated to the IAC.
- Infrastructure/Housing – the issue of social housing was quite challenging, especially getting the scale and returns.
- Looking at more liquid assets for CIV (infrastructure).

12.3. Councillor Madlani asked what lessons had been learned, and whether the CIV had now got over any initial teething problems. He also asked about the boroughs of Newham and Kensington and Chelsea being outside the CIV. The CEO said that a great deal had been learnt in the past 18 months. There had been delays, which were unique to the CIV. The CEO said that the boroughs of Newham and Kensington and Chelsea were not present at this meeting, and it would be best if they themselves responded to the Committee.

12.4. Lord Kerslake said that challenges of “lift and shift” were coming to an end. He suggested taking stock at the end of the year to see where the CIV was. The CIO noted that the lift and shift process had presented unexpected challenges, but that going forward with other asset classes presented different challenges and it was hoped that these would run more smoothly.

12.5. The Committee noted the report.

13. Investment Advisory Committee Update

13.1 The CRD was present to take questions in the absence of Ian Williams (Chair of the IAC).

13.2. Councillor Colley queried the viability of “low carbon”. The CIO said that the term “lower” carbon allowed the company to have a benchmark tracking a lower exposure to carbon.. Councillor Colley said that she would have difficulty committing to this without understanding what this entailed. The CEO said that work was still being undertaken on this.

13.3. Councillor Malhotra asked about the timeline for academies (page 137) and what funds would be impacted. Julian Pendock confirmed that a report by the PWC had been sent to the Scheme Advisory Board (SAB) regarding

academies. Further papers would be presented to the SAB and it was expected that academies would remain in the LGPS.

- 13.4. Councillor Malhotra asked if funding was being provided for the establishment of providing academies. Jill Davys confirmed that funding would not be provided. She said that academies that were not successful would be underwritten.
- 13.5 Councillor Madlani suggested having a cross-party brief to look at low carbon solutions (paragraph 11, page 136). A full range of options could be looked at over the summer. Jill Davys said that there was a “low carbon working group” which was in the process of being refined. Councillor Madlani said that it would be useful to have member input on this working group.
- 13.6. Councillor Malhotra, with reference to the new Data Protection Act, asked whether the GDPR would be put on the CIV risk register. He said that a report needed to come back to the PSJC on accountability. Lord Kerslake said that he would come back to the PSJC regarding this matter.
- 13.7. Councillor Onslow also felt that it would be beneficial to have member involvement in the low carbon working group, and to come up with answers in order to keep the costs down. Councillor Johnson said that there was a low carbon workshop taking place on 19 September 2017. She said that members were keen to have a low carbon option. Jill Davys said that she would follow this up and also send some information to the boroughs regarding this.
- 13.8. Councillor Colley said that some boroughs were looking at reducing carbon exposure in their funds. She said that it would be beneficial if lead members could get together and discuss these issues. Councillor Chapman said that he fully supported coming up with a clear strategy on this, and having a fund in which to invest. The Chair thanked members for the helpful contributions on this.

13.9 The Committee:

- Agreed to come back to a future PSJC on the issue of GDPR; and
- Noted the report.

14. Client and Stakeholder Engagement

- 14.1. Jill Davys was present to answer any questions on the report, no specific questions were raised.

- 14.2. The report was noted

15. Stewardship

- 15.1. Jill Davys introduced the report. She said that the alerts issued by LAPFF were forwarded to LCIV’s external managers and asked to vote. She said that not all fund managers followed through with this.

- 15.2 The following comments were made:

- Councillor Greening said that adopting the alerts was a suitable compromise, although some managers were ignoring this and not casting

votes. Jill Davys said that Allianz voted as a “block”. She said there may be a need to have a separate voting provision, although there would be costs associated to this. Jill Davys suggested going back to the Stewardship Group and look at this in more detail.

- Councillor French said that a mechanism needed to be in place to allow managers to vote on their own. He said that officer dialogue was now needed on how this would take place.
- Councillor Johnson said that it was agreed to follow the LAPFF voting rights, although some companies were choosing to ignore the alerts.
- Councillor Madlani said that there was a technological issue regarding the voting and this needed to be made easier.
- Councillor Crowder said that the agreed policy was not being implemented through some fund managers, and this issue needed to go back to the Stewardship Working Group for discussion. The CEO agreed that this issue should be taken to the Stewardship Working Group.
- The Chair said that there was a policy on this, but it needed to be looked at again and come back to the PSJC at a later date.

15.3. The Committee:

- Agreed to look at the voting policy again and to take this back to a Stewardship Working Group meeting; and
- Noted that the report.

Members of the press and public were asked to leave the meeting while the exempt part of the minutes from 12 April 2017 were agreed.

The meeting closed at 3.50pm