

Pensions CIV Sectoral Joint Committee

Item no: 5

Structuring the Investment Advisory Committee

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Summary This report provides the committee with the latest thinking and detail about the Investment Advisory Committee (previously referred to as the 'Investment Committee) and provides members with the opportunity to consider the draft Terms of Reference provided at Annex A.

Recommendations The committee is recommended to:

- i. Note the contents of this report;
- ii. Consider and comment on the draft Terms of Reference for the IAC provided at Annex A.

Structuring the Investment Advisory Committee

Introduction

1. At its meeting of 17 December 2014 the committee considered a report from the Programme Director London LGPS CIV covering the background and progress towards establishing the London CIV. Paragraphs 20 to 26 of that report covered the topic 'Structuring the ACS Fund' and the associated Figure 2 described the current (at that time) thinking about how the fund would be structured for launch and how the participating boroughs would be involved in the development of the fund over time.
2. The committee will recall that a key element in the structure and processes described was an 'Investment Committee' constituted of borough officers, which would sit alongside the Pensions CIV Sectoral Joint Committee providing Members with advice and recommendations about how the CIV operator (London LGPS CIV Ltd.) might be steered to develop the fund.
3. In the context of developing the operator's operating model, further thought has been given to this arrangement. This report provides members with the opportunity to review the latest thinking and to provide advice and guidance to ensure the proposed structures and processes meet the needs of the participating boroughs.

Discussion

4. The long term development of the fund and its alignment to the wants and needs of the participating boroughs will be critical to the success of the CIV. To ensure that alignment it is important that there are systems, processes and structures in place that provide conduits for the boroughs to input their views to the CIV operator. Key to that will be the Investment Advisory Committee (IAC (formerly described as the 'Investment Committee')).
5. For the committee's consideration, draft 'Terms of Reference' for the IAC are provided at Annex A.
6. In summary, it is proposed that the IAC be established to support the Pensions CIV Sectoral Joint Committee in defining the boroughs' investment requirements. The IAC will consist of officers of the London local authorities.

Recommendations

7. The committee is recommended to:
 - i. Note the contents of this report;
 - ii. Consider and comment on the draft Terms of Reference for the IAC provided at Annex A.

Financial implications

8. There are no financial implications for London Councils.

Legal implications

9. There are no legal implications for London Councils.

Equalities implications

10. There are no equalities implications for London Councils.

Annexes

Annex A Investment Advisory Committee draft Terms of Reference

Background papers

17 December 2014, Pensions CIV Sectoral Joint Committee meeting, item 6:

http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5831

Investment Advisory Committee

Terms of Reference

Background

The London local authorities (thirty two London local authorities and the City of London Corporation) currently manage their individual pension fund assets directly. They are sponsoring the creation of a Collective Investment Vehicle (CIV) as a mechanism to collaborate in the future. The London local authorities will continue to set their own investment and asset allocation strategies and may choose to invest some or all of their pension assets into the CIV. In practice, the London local authorities will be both shareholders and investors in the CIV.

The Pensions CIV Sectoral Joint Committee (PCSJC) is a representative body of the London local authorities who are shareholders in the Authorised Contractual Scheme (ACS) Operator, established for the purposes of managing the CIV. The committee is a forum for the participating authorities to consider and provide guidance to the ACS Operator on the direction and performance of the CIV.

The Investment Advisory Committee (IAC) has been established to support the PCSJC in defining their investment requirements. The IAC will consist of officers of the London local authorities.

The Fund Operator of the CIV is a regulated entity that needs to demonstrably be responsible for the activities within its auspices. This includes, but is not limited to, the selection of delegated investment managers, oversight of investment management in the fund, oversight of third party providers and management of conflicts of interest.

Of equal importance, is the requirement for the London local authorities pension schemes to remain sovereign in their decision making. In practical terms, this means the decisions to invest into the fund and redeem from the fund.

This document is the terms of reference for the Investment Advisory Committee. This document does not cover the Pensions CIV Sectoral Joint Committee, nor does it cover the responsibility of the Fund Operator.

Objective

The objective of the Investment Advisory Committee is twofold:

1. To support the PCSJC in the investment decision making process
2. To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.

Scope

The IAC will be involved in the following activities;

- Review the needs of the London local authorities in terms of investment strategies and mandates for the CIV and liaise with the Fund Operator.
- From a client perspective participate in the review of existing fund managers in the CIV.
- The IAC will receive and review the annual investment plan, including; the selection of fund managers, investment strategy and sub-fund product structure and performance benchmark.
- The IAC will receive and review regular reports and information from the ACS Operator (at least quarterly, unless particular circumstances indicated otherwise). These reports

can include performance information, transactions reports and fund manager investment operations SLA's.

- The IAC will be expected to contribute to the discussion on a regular basis on the future requirements of the London Local Authorities so that the CIV can continue to meet their needs.
- The IAC will liaise with their peers in the other Local Authorities to ensure their needs are being considered.
- The IAC will review annually the effectiveness of the Committee including:
 - The extent to which the Committee has discharged all the responsibilities detailed in its Terms of Reference (ToR).
 - The extent to which these responsibilities and the operation of the Committee have been effectively executed.

Structure

- The IAC members will be elected by a sub-committee of the Society of London Treasurers. The committee also reserves the right to invite external advisors to committee meetings.
- The IAC will have eleven representative officers each sitting for a term of three years. To avoid the committee changing all at once, at inception there will be a staggered term. Further details to be provided.
- The IAC will meet on a quarterly basis and on an ad-hoc basis as necessary.

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