

Pensions CIV Sectoral Joint Committee (PSJC)

13 December 2016

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Tuesday 13 December 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	Cllr Mark Shooter
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	-
Camden	Cllr Rishi Madlani
Croydon	Cllr Simon Hall
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Derek Levy (deputy)
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	-
Haringey	-
Havering	Cllr John Crowder
Harrow	-
Hillingdon	Cllr Philip Corthorne
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Roy Arora (deputy)
Lambeth	-
Lewisham	Cllr Mark Ingleby
Merton	-
Newham	Cllr Forhad Hussain
Redbridge	-
Richmond Upon Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Sutton	-
Tower Hamlets	Cllr Clare Harrisson
Waltham Forest	Cllr Simon Miller
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Sulhail Rahuja

Apologies:

Barking and Dagenham	Cllr Dominic Twomey
Bromley	Cllr Teresa Te
Enfield	Cllr Toby Simon
Greenwich	Cllr Don Austen
Hammersmith & Fulham	Cllr Iain Cassidy
Haringey	Cllr Clare Bull
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Kingston Upon Thames	Cllr Eric Humphrey
Redbridge	Cllr Elaine Norman
Sutton	Cllr Sunita Gordon

Officers of London Councils were in attendance as were Lord Kerslake, Chair of the Pensions CIV Board, 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.

At the start of the meeting the Chair, Mr Mark Boleat provided feedback from a recent (12 December) meeting with Mr Marcus Jones MP Parliamentary Under-Secretary of State (Department for Communities and Local Government, Minister for Local Government). He noted that in attendance had been himself, Cllrs Johnson, Heaster and Gordon, Lord Kerslake, Hugh Grover and Ian Williams. He reported that key themes from the Minister had been:

- The Government's ongoing commitment to the overall LGPS pooling policy;
- Reinforcement of the Government's desire to see more investment in infrastructure. On which the Chair made a general point about funding infrastructure, that the issue was not finding finance for infrastructure but finding infrastructure for finance;
- A hope that progress would be made further and faster; and
- Enthusiasm for collaboration between pools.

In response the London CIV side had stressed the costs associated with regulation in the hope that the minister may be able to do something about it.

Chair of the Board, Lord Kerslake affirmed that London was ahead of most, if not all, CIVs elsewhere in the country. On infrastructure, he pointed out that the Government was keen for the CIV to invest in infrastructure but without any detail about precisely how this would be done. He noted that a follow up letter was expected and would be circulated.

3. Minutes of the Meeting held on 18 October 2016

- 3.1. Cllr Rishi Madlani pointed out that ESG Criteria had been omitted from item 6 in the minutes.
- 3.2. With that change made, the minutes of the PSJC meeting held on 18 October 2016 were agreed.

4. Global Equity Procurement Update

- 4.1. The CIO introduced the item saying the CIV Investment Team, working alongside the Global Equity Sub-Group (drawn from local authority colleagues of the Investment Advisory Committee (IAC)) had been progressing with the global equity procurement. In total some 57 clarification meetings had been

held with prospective fund managers, covering nine global equity strategies. A final preferred list would be discussed with the IAC and the Joint Committee. In addition, London Funds had been completing a survey to assess their current requirements in the global equity space, in order to decide which sub-funds should be opened first. He had been encouraged that most managers had claimed to be charging the lowest ever fees.

- 4.2. In response to questions from Cllr Richard Greening about the ability to move from one fund manager to another and the need to look at investing in infrastructure and housing the CIO replied that the difference between those fund managers that were being brought on and those that were in procurement could be made clear, that the IAC Fixed Income sub-group would be bringing forward ideas covering cashflow generating products and that infrastructure meant different things to different boroughs.
- 4.3. The CEO said that a survey of the London LGPS Funds had been undertaken to help enhance current understanding of likely equity fund requirements which would help to determine which of the nine strategies was put forward for development of new funds and the timeframe for doing so. Due diligence would be conducted on all the managers where sub-funds were going to be opened and commercial negotiations finalised. In response to a question from Cllr French about whether fresh due diligence was needed, the CEO replied that it was.
- 4.4. The Committee agreed to note the report.

5. Investment Advisory Committee Update

- 5.1. The CEO introduced the Chair of the Investment Advisory Committee (IAC) Mr Ian Williams who introduced the report as follows:
 - He thanked the number of boroughs that had contributed officer time, and the officers themselves for all their hardwork and commitment;
 - He noted that current work was being taken forward through sub-groups on: Global equities, fixed income and cashflow, stewardship, infrastructure, housing and reporting: and
 - He was encouraged by the progress being made and the involvement of boroughs in the global equity procurement process which was going well.
- 5.2. In response to a point made by Cllr Mukesh Malhotra about who individual members were on committees and how they came to be appointed, he undertook to circulate a list and reported that members of the IAC were principally selected by election or nomination and that the selection process was managed by borough treasurers through the Society of London Treasurers.
- 5.3. The Chair reported that the borough Treasurers had proposed a governance review which would include the role and terms of reference of the Investment Advisory Committees.
- 5.4. Cllr Richard Greening pointed out that Fixed Income was an asset class that had changed in risk profile and that perhaps infrastructure should be prioritised

instead of it. The CEO assured that priorities could be revisited. He went on to point out that one reason to concentrate on bigger asset classes was to grow the quantum of assets under management to shift the funding of London CIV from the annual service charge, which would need to be increased for the next few years, to fee income from the fund, and there was not a great amount of assets going into infrastructure at the current time, hence its lower priority. The CIO drew attention to the 'litany of woes' in the Fixed Income market which was something that was being considered by the Fixed Income sub-group.

- 5.5. Cllr Fiona Colley argued that Global Equity funds would not be ready when investments were ready to be made and the CEO said that the process to open a sub-fund was more complex than had been anticipated and with preparatory legal work it was taking 3-4 months to open a fund, including a month to obtain FCA authorisation. He was conscious that boroughs may have to move before all asset classes were ready and assured that every effort was being made to speed up the fund opening process.
- 5.6. The Committee agreed to note the report.

6. Constitutional Matters

- 6.1. Christiane Jenkins, the London Councils' Director of Corporate Governance introduced the report saying:
 - All 33 London local authorities had now adopted a similar form of resolution to facilitate their participation in the London LGPS CIV Limited and the London Councils Pension CIV Sectoral Joint Committee (PSJC)
 - The authorities agreed in taking those resolutions that, should all 33 London local authorities resolve to participate in the arrangements, Leaders Committee should exercise those functions, instead of the sectoral joint committee which is restricted to having a maximum of 32 members under the London Councils (Leaders') Committee Governing Agreement, and the Governing Agreement should be varied accordingly.
- 6.2. Lord Kerslake noted that this was a product of the success of signing up all the boroughs and he hoped that the CIV committee would continue in some form.
- 6.3. In response to a question from Cllr Malhotra, the CEO confirmed that all participating local authorities had contributed the same amount of funding and share capital.
- 6.4. Cllr Rishi Madlani pointed out that if all 33 Variations to the Agreement were signed tomorrow the committee would stand dissolved and steps should be taken to ensure that this did not happen immediately and thought needed to be given to what representatives would be involved, pensions committee chairs, trade unions.
- 6.5. The Committee agreed to note:
 - that following a decision of the 33rd London local authority to delegate the exercise of sections 1 and 4 of the Localism Act 2011 for the purpose of participating in the London Councils Pension CIV Sectoral Joint Committee (PSJC), a formal agreement varying the London Councils Governing

Agreement would be prepared and sent to each London local authority to incorporate into that Agreement the functions which Leaders' Committee would instead jointly exercise on behalf of all 33 authorities

- that the Pensions CIV Sectoral Joint Committee would be dissolved upon the formal variation being entered into by all 33 participating local authorities
- that until such time as all the participating authorities had returned the signed variation, that the Pensions CIV Sectoral Joint Committee would continue to exist and meet.

The meeting resolved to exclude the press and public.

The meeting closed at 11.15 am