

# Pensions CIV Sectoral Joint Committee

## Investment Advisory Committee Update

Item no: 8

<b>Report by:</b>	Ian Williams	<b>Job title:</b>	Chair of IAC
<b>Date:</b>	13 September 2017		
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<b>Summary:</b>	The Investment Advisory Committee (IAC) continues to work closely with the London CIV on a wide range of investment related projects.		
<b>Recommendations:</b>	The committee is recommended to note the contents of this report		

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## **Introduction**

1. The Investment Advisory Committee (IAC) was formed in September 2015 with the remit to:
  - i. To support the Joint Committee in the investment decision making process
  - ii. To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.
2. Since the last Joint Committee meeting the IAC has formally met twice in July and August.
3. Following the annual nominations process for membership of the IAC, membership now includes 28 LLA officers (treasurers and pension managers) representing 29 LLAs. A list of IAC representatives is attached at annex A for information.
4. Membership of working groups has been updated and new members included with the infrastructure working group to hold its first meeting shortly.
5. Key areas for discussion for the meetings have covered the working groups which feed into the IAC:

## **Global Equities**

6. The IAC have been provided with updates on the progress of the opening of the new global equity sub-funds including the first of the new sub-funds coming through via the global equity procurement process. It was noted that a further global equity information day would be held in September to showcase the new sub-funds, Equity Income (Epoch), Sustainable Equities (RBC) and Emerging Markets (Henderson) as well as the final CQC global equity mandate (Longview). It was noted that a number of LLAs attended a quarterly update session with the manager of the Global Alpha Growth sub-fund (Baillie Gifford) and found this a useful way to get an update on performance.
7. There was some discussion about how best to capture LLA views on additional requirements for further global equity products and whilst a survey was considered, CIO concerned whether this produced the best information in terms of deciding next requirements.
8. IAC were also notified that a new Head of Global Equities had been recruited and would be reviewing the best option for the second phase of the global equity launch. It was also noted that they would be responsible for private equity.

## **Fixed Income / Cashflow Products**

9. The IAC received update notes on progress with fixed income mandates from the new Head of Fixed Income (Larissa Benbow) in July and August. She indicated that she had been meeting with a number of authorities to better understand individual LLA requirements in the fixed income area.
10. An update was provided in July regarding the search for an adviser to LCIV on fixed income and it was noted that Redington had been appointed and that meetings were due to take place to discuss scoping of the project. There was a broader discussion on the Fixed Income paper in August, noting that it was hoped that some options would be available for funds to invest in by end of the calendar year or early in 2018 including liquid direct lending funds.

## **Stewardship and ESG**

11. The Stewardship Working Group met during August to consider a wide range of issues including reviewing the ESG and voting extracts from the LLA funds, showing some diversity of approaches.
12. In addition, the group considered draft additional Responsible Investment Guidance which had been reviewed by the Scheme Advisory Board (SAB), noting that it was still very much draft and only guidance. Rachel Cowburn (Hackney) and Jill Davys (LCIV) sit on the cross-pool working group which had reviewed the guidance in some depth and made recommended changes to the LGA to take forwards to the SAB.
13. It was also noted that the Low Carbon Workshop was due to take place on 19th September and a draft agenda considered. It was also noted that LAPFF had issued a low carbon investment policy framework for local authorities to consider along with guidance. It was noted that around 2/3rds of LLAs were members of LAPFF and that they are due to present at the Low Carbon Workshop.

## **Infrastructure / Housing**

14. It was noted in the IAC update to the PSJC in July that work to consider LLA investment strategy changes showed an increased demand for infrastructure products and that funds were increasingly looking at this area to deliver income and returns. An infrastructure working group has now been formed to look at options more closely with a meeting set up for mid-September.
15. One key issue for infrastructure remains how to define this as it means different things to different funds and can include both greenfield and developed infrastructure as well as UK and overseas. The letter from DCLG received in August had also pressed funds on their allocations to infrastructure, although it was noted that this wasn't prescriptive that it should be UK infrastructure. It was noted that Julian Pendock (CIO, LCIV) sits on the cross pool infrastructure working group and is therefore liaising closely with other pools to consider options.

## **Reporting & Transparency**

16. The reporting and transparency working group have been working very closely with LCIV officers to review the longer term reporting framework to meet the needs of LLAs. This has included a quarterly summary investment review, which LLAs are keen to see progressed, this was shared with the IAC and general feedback was positive on the structure and depth of information included.
17. The group has also been closely involved in the development of the client portal for the website, with feedback positive and constructive recommendations for improvements. Following these changes, the IAC received a presentation of the portal at its meeting in August with a soft launch for them to review the content and ease of use and feedback. Following a few further minor changes it is hoped to be able to open the client portal up to all LLAs in September.
18. It was also noted that CEM benchmarking were holding a separate seminar in August to provide LLAs with an overview of their services, a number of funds and pools outside of London have already agreed to use their services. The reporting and

transparency working group will be meeting separately with them to consider whether it is worth exploring further with the wider IAC.

### **Additional Items**

19. **MiFID II:** The IAC have continued to review the requirements for MiFID II and opt-ups for Local Authorities to professional status. LCIV held a seminar for LLA officers to help them understand the opt-up process with presentations from Jeff Houston (LGA), CIPFA, LGIM, Arlingclose and LCIV's compliance manager, Ranulph Day. LCIV has been working closely with LGA and other pools to ensure that LLAs are aware of the requirements and it was noted that the Scheme Advisory Board had also held a meeting and that standard paperwork was available on their website. LLAs are being encouraged to ensure that they complete the opt-up paperwork as quickly as possible to allow investment managers, including LCIV, to undertake the assessments and complete the opt-up process. The IAC were encouraged to ensure that as far as possible reports were taken to September Pension Committee meetings to ensure that the appropriate delegations were in place to complete opt-ups for pension funds and for treasury services.
20. **Quarterly CIV Update:** The next quarterly update from me as Chair of the IAC and the CEO of the London CIV was reviewed by the IAC in advance of wider distribution to all SLT and Pension Managers across London. These are increasingly being used by funds to update pension committees with either the full report or extracts being included in Committee papers.
21. **Governance Review of the London CIV:** The IAC has been kept updated on the progress of the governance review with Gerald Almeroth (Sutton) and I sitting on the Steering Committee alongside the Chair and Vice Chairs of PSJC. At the September meeting it was noted that a provider had been chosen to conduct the review, Willis Towers Watson, following a procurement process. An initial survey would be conducted with a small group and this would then be widened out to include representation from all LLAs, the proposed list of contacts for the survey was currently being drawn up by LCIV ahead of the Steering Committee reviewing.
22. **National Frameworks:** The IAC were updated with a brief progress report on the transition manager framework, where a procurement process is currently underway. This will provide a framework of transition managers for both Funds and Pools to use when undertaking transitions to move assets across to the Pools. It is anticipated that this will be ready for use towards the end of the year.

### **Recommendations**

23. The committee is recommended to note the contents of this report

### **Financial implications**

24. There are no financial implications for London Councils

### **Legal implications**

25. There are no legal implications for London Councils.

**Equalities implications**

26. There are no equalities implications for London Councils

**Annex**

IAC Membership

## Nominations for IAC - July 2017 (updated List)

SLT Members	London Local Authority	Officers	London Local Authority		
Ian Williams (Chair)	Hackney	Rachel Cowburn	Hackney		
Gerald Almeroth	Sutton	Stephen Wild	Newham	Bexley	Havering
John Turnbull	Waltham Forest	Debbie Drew	Waltham Forest		
Mike Curtis	Islington	Joana Marfoh	Islington		
Mark Maidment	Richmond & Wandsworth	Paul Guillotti	Richmond & Wandsworth		
Peter Turner	Bromley	Jeremy Randell	Kingston		
Duncan Whitfield	Southwark	Paul Reddaway	Enfield		
Clive Palfreyman	Hounslow	Peter Carpenter/Peter Worth	Westminster	K&C	H&F
Caroline Holland	Merton	Sian Kunert	Hillingdon		
		Nigel Mascarenhas	Camden		
		Bridget Uku	Ealing		
		Kate Limna	City of London		
		Nigel Cook	Croydon		
		David Dickenson	Barking & Dagenham		
		Thomas Skeen	Haringey		
		Hamant Bharadia	Lambeth		
		Bola Tobin	Tower Hamlets		
		Ravinder Jassar	Brent		
		Iain Millar	Harrow		

29 LLA represented  
28 Attendees

## Key

Existing Members

New Nominations

## LCIV IAC Working Groups (as at August 2017)

FI & Cashflow	Global Equities	Stewardship	Low Carbon	Reporting & Transparency	Infrastructure
Stephen Wild	Debbie Drew	Peter Kane (CofL)	Ian Williams	Debbie Ford	Nigel Mascarehas
Andrien Myers	Paul Guillotti	Nigel Mascarehas	Duncan Whitfield	Nemashe	Paul Guillotti
Bridget Uku	Kate Limna	Debbie Drew	Mike Curtis	Sivayogan	David Dickenson
Sian Kunert	Rachel Cowburn (ESG)	Rachel Cowburn	John Turnbull	Lisa Doswell	Joana Marfoh
Rachel Cowburn	Jeremy Randell	Bola Tobun	Peter Kane	Paul Reddaway	Iain Miller
Paul Guillotti	Paul Redaway	Paul Reddaway	Peter Carpenter	Hilary Taylor	
Jeremy Randell	Bola Tobin	Peter Worth	Nigel Mascarenhas	Malcolm Smith	
Paul Audu	Sian Kunert		Rachel Cowburn		
Debbie Drew			Bola Tobun		
Peter Carpenter			Paul Reddaway		
			Debbie Drew		
			Thomas Skeen		

### Key:

Non-IAC Working Group Members

## Council Member Stewardship Working Group

Cllr Yvonne Johnson	Chair	Ealing
Cllr Maurice Heaster	Vice Chair	Wandsworth &
Cllr Robert Chapman		Richmond
Cllr Richard Greening		Hackney
		Islington
Cllr Thomas O'Mally		Wandsworth &
Cllr Toby Simon		Richmond
		Enfield