

Pensions CIV Sectoral Joint Committee (PSJC)

11 December 2017

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Monday 11 December 2017 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Sir Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	Cllr Russell Mellor (Deputy)
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	-
Hammersmith and Fulham	-
Haringey	Cllr John Bevan (Deputy)
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	-
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Andrew Day
Lambeth	Cllr Iain Simpson
Lewisham	Cllr Mark Ingleby
Merton	Cllr Philip Jones
Newham	Cllr Forhad Hussain
Redbridge	-
Richmond Upon Thames	-
Southwark	Cllr Fiona Colley
Sutton	Cllr Sunita Gordon
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	-
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Suhail Rahuja

Apologies:

Barnet	Cllr Mark Shooter
Bromley	Cllr Keith Onslow
Croydon	Cllr Simon Hall
Greenwich	Cllr Don Austin
Hackney	Cllr Roger Chapman
Haringey	Cllr Clare Bull
Hillingdon	Cllr Philip Corthorne
Kensington & Chelsea	Cllr David Lindsay
Redbridge	Cllr Elaine Norman

Officers of London Councils were in attendance as were Mark Boleat (Chair of PSJC), Lord Kerslake (Chair, London CIV), Mark Hyde-Harrison (CEO, London CIV), Julian Pendock (CIO, London CIV), Brian Lee (COO, 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.

3. Minutes of the Pensions CIV Sectoral Joint Committee held on 13 September 2017

- 3.1. The CEO, with regards to the issue of diversity (paragraph 4.13), said that the CIV now had a higher ratio of female staff than male, and was more diverse than previously envisaged.
- 3.2. The CEO informed members that due to the departure of Jill Davies (paragraph 4.13) there had not been a response to the Ministerial letter and it was now felt to be too late for the PSJC to reply.
- 3.3. Subject to a couple of minor amendments that were emailed to Alan Edwards and were corrected, the minutes of the PSJC held on 13 September 2017 were agreed as an accurate record.

4. Finance Report & MTFS Update

- 4.1. Brian Lee, COO, introduced the report. The report consisted of three parts: (i) the Finance Report, (ii) Development Funding Charge (DFC), and (iii) Medium Term Financial Strategy (MTFS). The London CIV had made good progress on the MTFS – Achieving AUM of £7.2 billion and cost savings to the boroughs.
- 4.2. Timing differences on recruiting staff, which were budgeted in the MTFS to start earlier than had been achieved, had led to a positive expense variance.
- 4.3. Councillor Heaster said that there were some issues that had not been highlighted, like staffing costs for temporary staff and consultants. There was also a question regarding the amount of funds going into Assets Under Management (AUM), which was less than was targeted for.
- 4.4. Lord Kerslake (Chair, London CIV) informed members that there were 3 interim staff out of a total of 17, and there had been a number of very good recruits recently. This would be picked up in the next period.
- 4.5. Councillor French asked whether the CIV set deadlines for charging payments. He also asked for more detail regarding technology costs. The COO confirmed that Camden and Kensington and Chelsea had now paid the service charge. Technology costs would be detailed in a report to the PSJC on 31 January 2018. Work had begun with consulting firm Alpha, who were working with a

number of other pools (Brunel, Borders to Coast). The initial discovery and analysis phase, along with recommendations, would report to the CIV Board in mid-December.

- 4.6. The Chair asked about the collection of the Development Funding Charge (DFC). The COO said that the CIV had to plan a year in advance. The AUM was forecast to grow from £7.2 to £10 billion next year. The COO said that there had been delays in the service charge. There was a surplus of £25,000 for the DFC for this year. Lord Kerslake said that the CIV only used the DFC when it was needed to support capital adequacy. The COO said that there were 2 other pools that had not yet paid their DFC..
- 4.7. Councillor Greening said that he thought the idea of the CIV was to have new fund managers taking over from existing ones (a transitional period). Julian Pendock (CIO, London CIV) said that a degree of compromise was needed in order to get the best results.
- 4.8. The Committee:
- Noted the finance report;
 - Confirmed the Development Funding Charge (DFC) for the 2017/18 financial year; and
 - Noted the status of the MTFS

5. Fund Launch Status Report

- 5.1. The CIO introduced the report which updated the PSJC on the progress of the sub-fund openings. EPOCH had been launched. Henderson Emerging Markets launch was on hold and RBC would officially launch once borough subscriptions had been received. Fixed income funds would be presented to the CIV Board.
- 5.2. The paperwork was in process for the Global Bond mandate and the IOC was being asked for the green light for investment. Feedback was welcomed. The timetable had not changed on the fund launch status (page 20).
- 5.3. The CIO said that a paper was going to the IOC on a Low Carbon Working Group (low carbon trackers).
- 5.4. Councillor Malhotra mentioned the need for a road map and timeline. He said that it was difficult to see what the future plans would be in the absence of a road map. The CIO said that for fund launches there was a road map for the next 6 months. Discussions would take place internally on how to move from fund launches to a coherent investment strategy. The Chair said that this issue would come up in the Governance Review, in the exempt part of the agenda.
- 5.5. Councillor Simon said that the Fixed Income phase had slipped by 3 months. He said that more detailed timescales were required. He asked whether infrastructure would take place on a "cross-pool" basis. The CIO said that he was on the working group and discussions were taking place on this with LPP, as well as CIV officers looking at cooperating with other pools. He said that economies of scale were key when it came to infrastructure. The CIO said that

it was difficult to move co-investment without the requisite resources. . There was also the need to look at global funds. A paper would be presented to the IOC giving the names of who had been provisionally selected. Lord Kerslake said that there was a good timetable on fixed incomes. Infrastructure was more complicated and required more time in order to get it right.

5.6. Councillor French asked what was meant by infrastructure. The CIO said that the lack of formal definition of infrastructure was a challenge, and it was often based on what people wanted from an investment view vs political considerations.

5.7. The Committee noted the report.

6. Fund Performance Report

6.1. The CIO introduced the report and made the following comments:

- The quarterly performance statistics could be found on page 25 of the report.
- Global Equity had a disappointing performance (they were less enthusiastic about markets).
- Newton Real Return had announced personnel changes, after breaking the law (none of our clients had been affected).
- There were some concerns – Newton Real Return had spent too much on hedging, and the CIV was keeping a close eye on this.

6.2. Councillor Greening asked whether funds could be moved out of Newton Real Return. The CIO said that there was a need to see what Newton Real Return had done to derivatives (this was a “lift and shift”). This would be carried out in the next month.

6.3. Councillor French said that there was a more generic question about how long the fund manager was reviewed. The CIO said that this would depend on the reason for the underperformance. He said that the issue regarding Newton Real Return would be brought to the IOC and then on to borough advisers/consultants to decide whether to undertake a formal review. Councillor Simpson said that boroughs could move funds from Newton Real Return to another fund if they so desired.

6.4. The Committee noted the report.

7. Client Engagement Report

7.1. Kevin Cullen, (Client Engagement Director, London CIV) introduced the report. He informed members that a meeting would be taking place with Northern Trust and proposals on transitional arrangements would be brought back to local authorities.

7.2. The Committee noted the report.

8. Any Other Business

8.1. The COO informed members that Chloe had left the “variation of omission” letter on the desk for the boroughs that had still not signed it.

Members of the press and public were asked to leave the meeting while the exempt part of the agenda was discussed.

The meeting closed at 12:10pm