



City of Westminster

Pension Board

Date:	5 September 2018
Classification:	General Release
Title:	London Collective Investment Vehicle Governance Review
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	Although no direct impact on the general fund, the Pension Fund has in excess of £500m invested directly with the London CIV and consequently has vested interests in good governance arrangements
Report of:	Steven Mair <i>City Treasurer</i>
	smair@westminster.gov.uk
	020 7641 2904

1. EXECUTIVE SUMMARY

1.1 This paper updates the Board on:

- a. The progress made on the review of the London Collective Investment Vehicle (LCIV) governance.
- b. The report highlights a number of issues discussed at the LCIV annual general meeting held on 12 July 2018.
- c. Brief overview of the recent investment propositions to be launched with the LCIV in the coming months.

2. RECOMMENDATIONS

2.1 That the Board notes:

- a. The LCIV update in this report.

3. LONDON CIV GOVERNANCE UPDATE AND AGM

- 3.1 After the London CIV (LCIV) approved its new governance structure at the Pensions Sectoral Joint Committee (PSJC), it has begun taking steps to implement it. This included the creation of a Shareholders Committee that will report to the Board, with the two non-executive directors to be appointed to the Board by London Local Authorities.
- 3.2 Discussions of the memberships of these governance structures have been ongoing with nominations presented at the LCIV AGM where Committee Chairs were able to vote on proposals. The new governance framework was approved and the new Shareholder Committee (replacing the PSJC) is expected to hold its first meeting in mid-October, a slightly later date than first envisaged to ensure the maximum number of members can attend.
- 3.3 There were amendments to the Shareholders Agreement and Terms of Reference that reflects the changes in governance structure which will need to be signed by the Pension Fund Committee Chairman. The first two Shareholder Committee meetings will provide a sounding board for work on the Medium Term Financial Strategy (MTFS) and Business Plan which comes to the next general meeting of all shareholders in late January 2019. The MTFS is essentially a rolling “road map” for the development of LCIV. This will make use of the work undertaken over the last few months to map LLA asset strategies onto a potential London CIV. The final version of the Responsible Investment Strategy is also expected to be an item for the Shareholder Committee agenda.
- 3.4 One other issue that was agreed by all shareholders was the guarantee of the pensions liability for LCIV staff. Currently LCIV is an admitted body to the City of London Pension Fund, whose wish is that all shareholders in the LCIV should assume an equal responsibility of the liability guarantee. All shareholders must now sign the agreement, otherwise alternative options to insure against this guarantee will be considered.

Written notice to approve dissolution of the PCSJC

- 3.5 To implement the change, all London Local Authorities need to sign the written notice agreeing to the dissolution of the PCSJC.
- 3.6 The company report and financial statements for the year ended 31 March 2018 were also approved, as was the Regulatory Capital Statement.

London CIV Board Appointments

- 3.7 Cllr Stephen Alambritis and Cllr Ravi Govindia CBE were appointed as Non-Executive Directors of London CIV, subject to FCA approval. The name of the Treasurer Observer on the Board is to be confirmed.

Membership of the Shareholder Committee

- 3.8 Membership of the Shareholder Committee are as follows:

Councillors

Cllr Antonia Cox (Westminster)

Cllr Robert Chapman (Hackney)

Cllr Yvonne Johnson (Ealing) – expected to be elected by the members of the Committee as Committee Chair

Cllr Elaine Norman (Redbridge)

Cllr Mark Shooter (Barnet)

Cllr Keith Onslow (Bromley)

Cllr Jill Whitehead (Sutton)

Andrew McMurtrie (City of London)

Alternatives

Cllr Simon Hall (Croydon)

Cllr Nina Parekh (Harrow)

Cllr Dough Taylor (Enfield)

Nick Bensted-Smith (City of London)

Treasurers, nominated via the Society of London Treasurers

Caroline Holland (Merton)

Ian Williams (Hackney)

Gerald Almeroth (Sutton)

Duncan Whitfield (Southwark)

Trade Union Observer

Chris Cooper

4. INVESTMENT STRATEGY UPDATES

Fixed Income

- 4.1 LCIV has recently launched five new sub-funds in fixed income as listed below:
- LCIV MAC (multi-asset credit) Fund: £344m at launch. The fund aims to utilise a range of long only strategies across a range of fixed income investment to generate returns during different market cycles.
 - LCIV Global Bonds Fund: A traditional global bonds fund that seeks to minimise turnover and secure quality bond purchases with low risk of default.
 - LCIV Global Liquidity Loans Fund: Floating rate loans fund providing more secure covenant opportunities than a traditional bond portfolio.
 - LCIV Private Debt Fund: Illiquid Loans that provide higher returns at the cost of less liquidity and higher perceived risk.
 - LCIV Long/Short MAC: A multi asset credit fund that also takes short positions on debt as opposed to only long positions.

- 4.2 Currently, the Westminster's fixed income portfolio is solely with the recently acquired buy and maintain portfolio with Insight. At its meeting on 20 August 2018, the Pensions Committee approved an allocation to the LCIV MAC Fund which will be sourced from the Equities allocation in the portfolio. The Pension Fund Committee will explore other fixed income strategies in future strategy reviews.

Sustainable Equity

- 4.3 LCIV Sustainable Equity Fund: The fund aims to achieve capital growth by outperforming the MSCI World Index Net (Total Return) by 2% per annum net of fees annualised over rolling three year periods.

The investment philosophy employed by the Investment Manager, in respect of all investments made by the Sub-fund, considers environmental, social and governance factors, which should enable the Su –fund to deliver, over the long term, a carbon foot print which is lower than that of the MSCI World Index Net (Total Return).

Asset Class and Asset Strategy Consultation

- 4.4 LCIV has launched an asset class and asset strategy consultation to assist local authorities with finding a solution to their investment strategies within their platform.

- 4.5 The City of Westminster Pension Fund does have a policy allocation of 5% to infrastructure which has yet to be progressed. The Fund did have representation on the LCIV Infrastructure Working Group but activity has cooled in this area since the departure of the previous LCIV CIO. If LCIV is able to offer an investment solution in this area, it will be in the Fund's interest to monitor the situation closely.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Miriam Adams pensionfund@westminster.gov.uk 0207 641 4176

BACKGROUND PAPERS: None