

Proposal for asset pooling in the LGPS – 15 July 2016

Name of pool	<b>London CIV</b>
Participating authorities	<p>London Borough of Barking and Dagenham</p> <p>London Borough of Barnet</p> <p>London Borough of Bexley</p> <p>London Borough of Brent</p> <p>London Borough of Camden</p> <p>City of London Corporation</p> <p>London Borough of Croydon</p> <p>London Borough of Ealing</p> <p>London Borough of Enfield</p> <p>Royal Borough of Greenwich</p> <p>London Borough of Hackney</p> <p>London Borough of Hammersmith and Fulham</p> <p>London Borough of Haringey</p> <p>London Borough of Harrow</p> <p>London Borough of Havering</p> <p>London Borough of Hillingdon</p> <p>London Borough of Hounslow</p> <p>London Borough of Islington</p> <p>Royal Borough of Kensington and Chelsea</p> <p>Royal Borough of Kingston upon Thames</p> <p>London Borough of Lambeth</p> <p>London Borough of Lewisham</p> <p>London Borough of Merton</p> <p>London Borough of Newham</p> <p>London Borough of Redbridge</p> <p>London Borough of Richmond upon Thames</p> <p>London Borough of Southwark</p>

	<p>London Borough of Sutton</p> <p>London Borough of Tower Hamlets</p> <p>London Borough of Waltham Forest</p> <p>London Borough of Wandsworth</p> <p>Westminster City Council</p>
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**Criterion A: Asset pools that achieve the benefits of scale**

**1. The size of the pool once fully operational.**

<p>(a) Please state the total value of assets (£b) to be invested via the pool once transition is complete (based on asset values as at 31.3.2015).</p>	<p><b>£29.096 bn. Inc Bromley</b></p> <p><b>£28.351 bn. Ex Bromley</b></p> <p>Nb – assumes all assets transferred by 2033</p>
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**2. Assets which are proposed to be held outside the pool and the rationale for doing so.**

<p>(a) Please provide a summary of the total amount and type of assets which are proposed to be held outside of the pool (once transition is complete, based on asset values at 31.3.2015).</p>
<p>Total Value <b>££0bn – Pending fund responses</b></p> <p>Rationale – additional fund structures to be established alongside the ACS to hold other investments which either can't be held in ACS or aren't economical to do so. However in the interim, we anticipate that around 10% of the assets may be in illiquid assets and are therefore likely to remain outside of the pool in the short to medium term.</p> <p><i>NB comments to be updated post Authority responses</i></p> <p>Asset types:</p> <ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> <li>5.</li> </ol>

<p>(b) Please attach an ANNEX for each authority that proposes to hold assets outside of the pool detailing the amount, type, how long they will be held outside the pool, reason and how it demonstrates value for money.</p> <p>Pending responses from Funds</p>	<p>Attached as ANNEX number</p> <p>Will attach as an annex once fund template responses are received back</p>
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### 3. The type of pool including the legal structure.

(a) Please set out the type of pool, including legal structure, and confirm that it has been formally signed off by all participating authorities:

- Details of the FCA authorised structure that will be put in place, and has been signed off by the participating authorities.

London LGPS CIV Limited (“London CIV”) is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). FCA firm registered as London LGPS CIV Ltd, Reference Number 710618.

Approval for the structure has been signed off by the 32/33 participating London Local Authorities with each authority formally approving the decision to join the London CIV

- Outline of tax treatment and legal position, including legal and beneficial ownership of assets.

The London CIV is a UK authorised and regulated tax transparent fund (TTF) structured as an ACS open to qualified investors. The legal and beneficial ownership of the assets will remain with each of the investing local authorities; the CIV will be the fund manager.

- The composition of the supervisory body.

Annex 2 sets out the governance structure for the London CIV

The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors. This is achieved through a combination of the London Councils’ Sectoral Joint Committee, comprising nominated Member representatives from the London Local Authorities (in most cases the Pensions Committee Chair), and the Investment Advisory Committee (“IAC”) formed from nominated borough officers, which includes both London Local Authority Treasurers and Pension Officers from a number of Authorities.

At the company level for London CIV, (second chart), it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers.

Please confirm that all participating authorities in the pool have signed up to the above. If not, please provide in an Annex the timeline when sign-off is expected and the reason for this to have occurred post July submission date.

Bromley – decision to be taken on joining the CIV in June/July? Will include in final submission if decision taken by 15<sup>th</sup> July.

Attached as ANNEX number

- 1 Shareholders Agreement
2. London CIV Articles of Association
3. London CIV Governance Structure

#### 4. How the pool will operate, the work to be carried out internally and services to be hired from outside.

Please provide a brief description of each service the pool intends to provide and the anticipated timing of provision.

(a) To operate in-house (for example if the pool will have internal investment management from inception):

1. Selection, appointment and termination of 3<sup>rd</sup> party fund managers (in-house fund management is an option that will be considered in future)
2. Investment Oversight of external 3<sup>rd</sup> party fund managers
2. Operations Management and oversight of 3<sup>rd</sup> party service providers
3. Compliance and Risk Management (fund and company)
4. Client Reporting
5. Website Management
6. Financial Management and Budgeting
7. Fund Oversight, controlled functions support (2018?)

(b) To procure externally (for example audit services):

1. External Fund Managers – to be procured as and when required
2. Audit Services (Deloitte) – Contract in place
3. Legal Services (Eversheds) – Contract in place

4. Asset Service Provider (Northern Trust) – Contract in place
5. Depository (Northern Trust) – Contract in place
6. Fund Oversight, controlled functions support (Capita) – Contract in place – likely to move internal over a period of time
7. Communications support (London Councils) – Contract in place
8. ICT Support Services (London Councils) – Contract in place
9. Payroll and Pension Services (City of London) – Contract in place
10. Bookkeeping Services (PWC) – Contract in place
11. Investment Consultancy – to be procured as and when required
12. Transition Management – to be procured as and when required

**5. The timetable for establishing the pool and moving assets into the pool. Authorities should explain how they will transparently report progress against that timetable and demonstrate that this will enable progress to be monitored.**

(a) Please provide assurance that the structure summarised in 3 above will be in place by 01.04.2018 assuming: x, y and z (add caveats).

Confirmed YES/NO

YES – Structure already in place and operational

If NO please state the expected date the structure will be in place and attach an ANNEX detailing the reasons for not being able to have the structure in place by 01.04.2018.

Anticipated date structure will be in place:

Already in place 2015

Reasons attached as ANNEX number

(b) Please provide as an ANNEX a high level timetable for the establishment of the structure and transition of assets as well as the proposed methodology for reporting progress against this timetable.

Attached as ANNEX number

Annex to be included – awaiting borough responses

(c) Please provide as an ANNEX an outline of how you will approach transition over the years and where possible by asset class (any values given should be

Attached as ANNEX number

Annex to be included – awaiting borough responses

as at 31.3.2015.)

(d) Based on the asset transition plan, please provide a summary of the estimated value of assets (in £b and based on values as at 31.3.2015 and assuming no change in asset mix) to be held within the pool at the end of each 3 year period starting from 01.4.2018.

Total value of assets estimated to be held in pool as at: - Pending responses from Authorities

**Please note that of necessity any forecasts have to be heavily caveated due to the fact that it will depend on the timing of assets being transferred, the ability to source and implement sub-funds, the complexity of the requirements for different assets classes including that of infrastructure. It also assumes that AUM will continue to grow steadily but this will be heavily dependent on market movements and also the structures for local government going forwards, how quickly individual funds become cashflow negative and also any future changes to the benefit and cost structure of the LGPS.**

31.3.2021: £23.02bn Est

31.3.2024: £23.71bn Est

31.3.2027: £24.43bn Est

31.3.2030: £25.17bn Est

31.3.2033: £29.09bn Est

## Criterion B: Strong governance and decision making

- **The governance structure for their pool, including the accountability between the pool and elected councillors and how external scrutiny will be used.**

a) Please briefly describe the mechanisms within the pool structure for ensuring that individual authorities' views can be expressed and taken account of, including voting rights.

The governance structure of the CIV and the role that Authorities play in this is crucial to understanding how decisions are made in the CIV and the interaction that there has to be. All participating London Local Authorities are both shareholders and investors in the London CIV company and as such the CIV is accountable to the Authorities at both levels. The governance structure of the CIV has been designed to ensure that there are formal and informal routes to facilitate engagement with all the Authorities. This is achieved through a combination of the London Councils' Pensions Sectoral Joint Committee (PSJC), comprising nominated elected Member representatives Authorities (in most cases the Pensions Committee Chair), and the Investment Advisory Committee ("IAC") formed from nominated borough officers, which includes both Treasurers and Pension Officers from a representative sample of Authorities.

The share structure of London CIV provides for equal voting rights for each authority on a one share one vote basis, this is a key tenet of the decision making process.

b) Please list and briefly describe the role of those bodies and/or suppliers that will be used to provide external scrutiny of the pool (including the Pensions Committee and local Pension Board).

- As an AIFM London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("FCA"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.
- The Pensions Sectoral Joint Committee ("PSJC") has been established under the governing arrangements of London Councils. The PSJC effectively fulfils two roles, one is as a mechanism for convening elected Member representation from each borough (generally the borough's Pension Committee Chair), and the other is as the route to convening the Authorities as shareholders in London CIV. This Committee will provide scrutiny and oversight of the CIV for the Authorities, with

each Borough represented on the Committee with voting rights.

- Borough Pension Committees – In most instances the Chair of the Pensions Committee at a Borough level will be the delegated representative on the PSJC and will be able to provide an overview back to the individual Committee on the work of the London CIV and its effectiveness from attending the PSJC. In addition the London CIV will provide regular updates to Authorities through its written reports and will also attend Committee meetings as and when required and in this way will help to ensure that the individual Pensions Committee are able to provide scrutiny of the London CIV.
- Pensions Boards – The role of Pension Boards is to assist the Administering Authority in ensuring compliance with the regulatory framework which the Fund operates in. Whilst in the first instance the CIV will be accountable to the relevant Pensions Committees of its shareholders and investors, if they are unable to receive the necessary assurance, then the Pensions Board can in turn seek to gain that assurance direct that the Administering Authority is compliant with the regulations.
- External Audit – Deloitte have been appointed to undertake external audit of both the company (London CIV) and the ACS Fund and will provide an annual governance statement which will be publicly available on the website.
- Depositary – The formal structures that the London CIV has put in place including FCA registration and the appointment of a Depositary (Northern Trust) helps to provide additional scrutiny on the CIV in providing monitoring and regulatory oversight of the company and a range of services including:
  - Safe custody of assets
  - Oversight of key systems and processes
  - Due-diligence review of the Operator (London CIV), and the Custodian, Fund Accountant, and Transfer Agent (Northern Trust)

- **The mechanisms by which authorities can hold the pool to account and secure assurance that their investment strategy is being implemented effectively and that their investments are being well managed in the long term interests of their members.**

(a) Please describe briefly the type, purpose and extent of any formal agreement that is intended to be put in place between the authorities, pool and any supervisory body.

- London CIV has gone beyond 'intention' and has formal agreements and arrangement in place and is already in the process of pooling investments for the London Local Authorities.



- As already described above there are three levels of interaction between investing authorities and London CIV as the operating company; the PSJC, the IAC and regular contact through formal and informal interaction at borough level. It is embedded in the culture of London CIV that everything is being done ‘for and on behalf of’ the investing authorities and, while London CIV must ultimately take decisions independently of investors (for regulatory reasons) those decisions will be taken with appropriate levels of collaboration and the best interest of the investing authorities at heart. Formal agreements and documentation include:

- The Shareholders Agreement which sets out the terms and conditions of the joint venture and regulates their relationship with each other and certain aspects of the affairs of and dealings with the Company. The Company has agreed with the Shareholders that it will comply with the terms and conditions of the Agreement insofar as it relates to the company and provided it is legal to do so. (See annex)
- The PSJC is established under London Councils’ governance arrangements and London Councils Governing Agreement is included as an annex for information.
- The PSJC has specific Terms of Reference which include the following:

*“...to receive and consider reports and information from the ACS Operator particularly performance information and to provide comment and guidance in response (in so far as required and permitted by Companies Act 2006 requirements and FCA regulations).*

*In addition, members of the Pensions CIV Joint Committee will meet at least once each year at an Annual General Meeting of the ACS Operator to take decisions on behalf of the participating London local authorities in their capacity as shareholders exercising the shareholder rights in relation to the Pensions CIV Authorised Contractual Scheme operator (as provided in the Companies Act 2006 and the Articles of Association of the ACS Operator company) and to communicate these decisions to the Board of the ACS Operator company. These include:*

- the appointment of directors to the ACS Operator board of directors;*
- the appointment and removal of auditors of the company;*
- agreeing the Articles of Association of the company and consenting to any amendments to these;*
- receiving the Accounts and Annual Report of the company;*
- exercising rights to require the directors of the ACS Operator company to call a general meeting of the company;”*

- As an FCA authorised contractual scheme, the CIV is required to publish a prospectus which details how the CIV will operate including the valuation, pricing and administration of the Scheme.
- A service level agreement is also currently being drafted which will set out in more detail agreed service levels between the CIV and the Authorities which will help to further enable the CIV to be held to account for ensuring that borough investment strategies are being implemented and the timescales.

(b) If available please include a draft of the agreement between any supervisory body and the pool as an ANNEX.

Attached as ANNEX number

1. Shareholders Agreement
2. Articles of Association
3. London Councils Governing Agreement
4. Terms of reference – PSJC
5. Prospectus of London LGPS CIV ACS

(c) Please describe briefly how that agreement will ensure that the supervisory body can hold the pool to account and in particular the provisions for reporting back to authorities on the implementation and performance of their investment strategy.

- See comments above and relevant Annexes

- **Decision making procedures at all stages of investment, and the rationale underpinning this. Confirm that manager selection and the implementation of investment strategy will be carried out at the pool level.**

(a) Please list the decisions that will be made by the authorities and the rationale underpinning this.

The overall control of each individual authority pension fund stays at the local level and Authorities will continue to set their fund investment strategy and decide the most appropriate asset allocation mix in conjunction with advice from their officers, Consultants and Advisors. Therefore, Individual Pension Committees will continue to

make all the key decisions as they do now in relation to asset allocation and investment strategy.

Funds will therefore continue to make decisions around:

- Funding
- Asset Allocation
- Investment Strategy
- Appointment of advisers
- Governance structures for the Fund
- Setting their own Responsible investment strategy
- Preparing and ratifying relevant Fund policy statements in accordance with the regulations e.g. Funding Strategy Statement, Investment Strategy Statement, etc.

(b) Please list the decisions to be made at the pool level and the rationale underpinning this.

The London CIV will be responsible for making decisions covering the appointment and removal of any 3<sup>rd</sup> party fund managers to be appointed to sub-funds (in the first instance in the ACS). As an FCA regulated AIFM, the decisions in respect of investment have to be made by the company.

(c) Please list the decisions to be made by the supervisory body and the rationale underpinning this.

The London CIV Board of Directors will make decisions on the following:

- Development of the Company
- Decisions on sub-fund launch and whether to open additional fund structure
- Company Budget including fee structures
- Development of strategy in respect of timescales for fund development

- **The shared objectives for the pool and any policies that are to be agreed between participants.**

(a) Please set out below the shared objectives for the pool.

Principles:

The shared principles of the London CIV established when the London Local Authorities came together are unchanged despite the government's more mandatory stance, namely:

1. Investment in the ACS should be voluntary, both entry and withdrawal (although it is recognised that the voluntary nature is now more constrained by the forthcoming investment regulations).
2. Authorities choose which asset classes to invest into and how much.
3. Authorities should have sufficient control over the ACS Operator
4. Investing authorities will take a shareholding interest in the operator
5. Shareholders will have membership of the Pensions Sectoral Joint Committee
6. ACS Operator will provide regular information to participating Authorities
7. ACS will not increase the overall investment risk faced by the Authorities.

(b) Please list and briefly describe any policies that will or have been agreed between the participating authorities.

Policies:

- High level policy on responsible investment to include compliance statement with the Stewardship Code
- Voting Policy
- The London CIV is working closely with other Pools to consider approaches to responsible investment and ESG issues can be addressed by the pools to ensure effective stewardship

(c) If available please attach as an ANNEX any draft or agreed policies already in place.

Attached as ANNEX number PSJC report and minutes showing agreement to join LAPFF

- **The resources allocated to the running of the pool, including the governance budget, the number of staff needed and the skills and expertise required.**

<p>(a) Please provide an estimate of the operating costs of the pool (including governance and regulatory capital), split between implementation and ongoing. Please list any assumptions made to arrive at that estimate. <u>Please include details of where new costs are offset by reduced existing costs.</u></p> <p>Ongoing work in Progress</p>	<p>Implementation costs TBC £1.7m Ongoing costs <b>Currently subject to review</b></p>
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Assumptions:

**Please note that of necessity any forecasts have to be heavily caveated due to the fact that it will depend on the timing of assets being transferred, the ability to source and implement sub-funds, the complexity of the requirements for different assets classes including that of infrastructure. It also assumes that AUM will continue to grow steadily but this will be heavily dependent on market movements and also the structures for local government going forwards, how quickly individual funds become cashflow negative and also any future changes to the benefit and cost structure of the LGPS.**

- As the CIV is now operational, the long term high level forecast budget is attached as an appendix (to be confirmed)
- Assumes staffing levels remain constant, but are currently being reviewed by the Company Board and participating local authorities.
- capital adequacy is based on either 25% of annual expenditure or 0.02% of AUM subject to a max of £10m whichever is the higher in line with regulatory requirements
- Reduced costs at a Borough level will come through in terms of resources allocated to managing investments and the relationships with individual managers. However, in London, there are very limited numbers of staff dedicated solely to the function of pension investments, it usually forms part of an individual’s job role, estimated at 0.35 FTE for most authorities for this exercise, which could lead to 11 FTE’s over the course of pooling (approximate saving of £660k p.a. based on a staff cost of £60k p.a.) However, it should be noted that this is unlikely to follow through given additional regulatory requirements elsewhere, for example increased oversight requirements

from Pensions Board and the Pensions Regulator.

- Reduced costs at a Borough level should also follow through from a reduction of investment manager searches at individual fund authorities as this will now be conducted at a pool level. It has been assumed that this will give rise to savings at a London-wide level in the region of £825k p.a. (based on a search costing £25k and approximately 33 investment management searches being conducted on behalf of London funds each year based on historic data)

#### Comments

- The current forecasts assume no increase in staffing levels after 2017, however, it is recognised that this is unlikely to be the case given increase in AUM, servicing requirements to individual borough funds and the increased complexity of investment types including infrastructure and real assets.
- Surplus funds can be used to support additional resource requirements going forwards.
- Reduced costs at a Borough level will include reduced investment management fees, but this will also be dependent on the types of assets that Authorities may choose to allocate to and in some instances could actually increase, e.g. a move of assets from passive to infrastructure.

(b) Please provide an estimate of the staff numbers and the skills/expertise required, split between implementation and ongoing. Please state any assumptions made to arrive at that estimate.

***Work in Progress***

#### Assumptions

- Business plan currently assumes 12 Full Time staff – structure chart included as an annex – it is recognised that as assets under management increase and the complexity of those assets increases, there will be additional resourcing requirements which could see staffing at least double over the next few years.

- Staffs in key roles are required to have the requisite skills and expertise to be able to fulfil FCA regulated functions, e.g. CF1, CF3, CF10, CF11 and CF30.

Comments

- With the London CIV having been established and transition of assets underway, it is more a case of business as usual going forwards, although there will be additional implementation costs in the next 2-3 years.
- However, it is likely that going forwards any release of resource from implementation will transfer to other areas and to ensure that switching of asset allocation and investment strategy by the London Funds is carried through in a timely efficient manner.
- In addition the ongoing monitoring of both existing managers and potential new managers and investment opportunities, means that going forwards the addition and removal managers will still require resources to undertake strategic implementation decision.

- **How any environmental, social and corporate governance policies will be handled by the pool. How the authorities will act as responsible, long term investors through the pool, including how the pool will determine and enact stewardship responsibilities.**

(a) Please confirm there will be a written responsible investment policy at the pool level in place by 01.4.2018.

Confirmed **YES**

If no please attach an ANNEX setting out how the pool will handle responsible investment and stewardship obligations, including consideration of environmental, social and corporate governance impacts.

Attached as ANNEX number

- **How the net performance of each asset class will be reported publicly by the pool, to encourage the sharing of data and best practice.**

(a) Please confirm that the pool will publish annual net performance in each asset class

on a publicly accessible website, and that all participating authorities will publish net performance of their assets on their own websites, including fees and net performance in each listed asset class compared to a passive index.

Confirmed **Yes**

If no please attach an ANNEX setting out how the pool will report publically on its performance.

Attached as ANNEX number

- **The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the pool.**

(a) Please list the benchmarking indicators and analysis that the participating authorities intend to implement to assess their own governance and performance and that of the pool.

TBC but to include comments on the FCA regulated structure of the CIV, oversight by PSJC, CIV Board, use of external providers, e.g. Duff & Phelps.

DRAFT



**Criterion C: Reduced costs and excellent value for money**

<b>1. A fully transparent assessment of investment costs and fees as at 31 March 2013.</b>	
(a) Please state the total investment costs and fees for each of the authorities in the pool as reported in the Annual Report and Accounts for that year ending 31.03.2013.	<b>£67.6m</b> (Published costs)
(b) Please state the total investment costs and fees for each of the authorities in the pool as at 31.03.2013 on a fully transparent basis.	Awaiting CEM Benchmark data
(c) Please list below the assumptions made for the purposes of calculating the transparent costs quoted. All London Local Authorities have provided data to CEM Benchmarking to ensure that costs are measured in the same way and to make investment costs fully transparent	

<b>2. A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison, and how these will be reduced over time.</b>	
(a) Please state the total investment costs and fees for each of the authorities in the pool as reported in the Annual Report and Accounts for that year ending 31.03.2015.	<b>£107.19m</b> (Published costs)
(b) Please state the total investment costs and fees for each of the authorities in the pool as at 31.03.2015 on a fully transparent basis.	Awaiting CEM Benchmark data
(c) Please list below any assumptions made for the purposes of calculating the transparent costs quoted that differ from those listed in 1(c) above. All London Local Authorities have provided data to CEM Benchmarking to ensure that costs are measured in the same way and to make investment costs fully transparent	

**3. A detailed estimate of savings over the next 15 years.**

(a) Please provide a summary of the estimated savings (per annum) to be achieved by each of the authorities in the pool at the end of each 3 year period starting from 01.04.2018.

Currently Work in progress, also pending data received from CEM

Total value of savings (per annum) estimated to be achieved by each of the authorities in the pool as at

**Please note that of necessity any forecasts have to be heavily caveated due to the fact that it will depend on the timing of assets being transferred, the ability to source and implement sub-funds, the complexity of the requirements for different assets classes including that of infrastructure. It also assumes that AUM will continue to grow steadily but this will be heavily dependent on market movements and also the structures for local government going forwards, how quickly individual funds become cashflow negative and also any future changes to the benefit and cost structure of the LGPS.**

31.3.2021: £

31.3.2024: £

31.3.2027: £

31.3.2030: £

31.3.2033: £

(b) Please list below the assumptions made in estimating the savings stated above (for example if you have used a standard assumption for fee savings in asset class please state the assumption and the rationale behind it).

Standard assumptions based on asset class currently being worked through.

(c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the savings shown.

Attached as ANNEX number

**4. A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool, and an explanation of how**

**these costs will be met.**

(a) Please provide a summary of estimated implementation costs, including but not limited to legal, project management, financial advice, structure set-up and transition costs. Please represent these costs in a table, showing when these costs will be incurred, with each type of cost shown separately. Please estimate (using information in Criteria C Section 3) the year in which the pool will break even (i.e. the benefits will exceed additional costs of pooling).

(b) Please list below the assumptions made in estimating the implementation costs stated above (for example if you have assumed a standard cost for each asset class please state the assumption and the rationale behind it).

(c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the implementation costs shown.

Attached as ANNEX number

(d) Please explain how the implementation costs will be met by the participating authorities.

- London Local Authorities provided initial set up capital of £75k per participating authority to establish the London CIV and cover the initial implementation costs including legal and advisers' costs.

**5. A proposal for reporting transparently against forecast transition costs and savings, as well as for reporting fees and net performance.**

(a) Please explain the format and forum in which the pool and participating authorities will transparently report actual implementation (including transition) costs compared to the forecasts above.

- As assets are transferred either in-specie or in cash into a sub-fund, individual authorities will be provided with the costs of transition.
- The CIV will look to disclose at a pool level the costs of transition and savings to its investors on an annual basis –

(b) Please explain the format and forum in which the pool and participating authorities

will transparently report actual investment costs and fees as well as net performance.

- Authorities will be provided with quarterly reporting from the London CIV which will encompass both their investment performance and the fees paid by them, including any fund charges
- At a pool level, shareholders will be provided with an annual report setting out performance and costs for each individual sub-fund including net performance as well as at a pool level
- Quarterly reporting and annual reporting will be provided to individual Authorities in a written report
- In addition performance of sub-funds will be covered on the CIV website.
- Quarterly and Annual reporting will also be reviewed at the IAC and PSJC meetings as well as at the Company Board meetings and the Company Investment Oversight Committee.

(c) Please explain the format and forum in which the pool and participating authorities will transparently report actual savings compared to the forecasts above.

- As above

**Criterion D: An improved capacity to invest in infrastructure**

<b>1. The proportion of the total pool asset allocation currently allocated to / committed to infrastructure, both directly and through funds, or “funds of funds”</b>	
(a) Please state the pool’s committed allocation to infrastructure, both directly and indirectly, as at 31.3.2015.	0.7%
(b) Please state the pool’s target asset allocation to infrastructure, both directly and indirectly, as at 31.3.2015.	TBA %
Please use the definition of infrastructure agreed by the Cross Pool Collaboration Group Infrastructure Sub-Group. <b>Awaiting final definition from Cross Pool Group</b>	

**2. How the pool might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments through the combined pool, rather than existing fund, or “fund of funds” arrangements.**

<p>(a) Please confirm that the pool is committed to developing a collaborative infrastructure platform that offers opportunities through the utilisation of combined scale, to build capability and capacity in order to offer authorities (through their Pools) the ability to access infrastructure opportunities appropriate to their risk appetite and return requirements more efficiently and effectively.</p> <p><b>Aim of the Cross Pool Collaboration Infrastructure Group:-</b>            To develop a collaborative infrastructure framework that offers opportunities through the utilisation of combined scale, to build capability and capacity in order to offer Funds (through their Pools) the ability to access infrastructure opportunities appropriate to their risk appetite and return requirements more efficiently and effectively.</p>	
<p>(b) Please confirm that the pool is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.</p>	<p>Confirmed <b>Yes</b></p> <p>Details attached as ANNEX number</p>
<p>(c) [If different to above] Please attach an ANNEX setting out how the pool might develop the</p>	<p>Attached as ANNEX number</p>

<p>capability and capacity in this asset class, through developing its own resources and / or accessing shared resources of other Pools and include a timescale for implementation of the initiative.</p>	
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**3. The proportion the pool could invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at this position.**

<p>(a) Please state the estimated total target allocation to infrastructure, or provide a statement of potential strategic investment, once the capacity and capability referred to in 2 above is in full operation and mature.</p> <p><b>Awaiting responses from Authorities</b></p>	<p style="text-align: right;">%</p>
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(b) Please describe the conditions in which this allocation could be realised.

The allocation to infrastructure will be a decision which is made at the London Local Authority level when deciding asset allocation, however the CIV will ensure that it has the mechanisms in place and the opportunities for the relevant Funds to meet their asset allocation requirements when deciding to invest in infrastructure.

The CIV will target infrastructure opportunities that offer the appropriate levels of risk/return for the London Local Authorities to be able to make informed decisions about their asset allocation to this asset class. The CIV will ensure that it works closely with other pools and with individual funds and their advisors to ensure that the requisite knowledge and skills are available to make informed decisions.