

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
London CIV Governance Update Pensions Board 29 th November 2018	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

- 1.1 This report provides the Pensions Board with an overview of the governance arrangements of the London Collective Investment Vehicle (London CIV) and the recent changes made and the drivers behind them.

2. RECOMMENDATIONS

- 2.1 The Pensions Board is recommended to note the report

3. RELATED DECISIONS

- Pensions Committee 23rd July 2018 – London CIV Update
- Pensions Committee 4th December 2017 – London CIV Update
- Pensions Committee 24th January 2017 – London CIV Update
- Pensions Committee 27th June 2016 – Investment Pooling Update and July Submission

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

- 4.1 The CIV's presentation to the Fund will provide an update on progress to date as well as information with regards to future plans. Regular engagement with the London CIV going forwards is key to the Fund, ensuring that the Pool makes available the strategies and services that Hackney and other London funds require. Successful delivery of these objectives will be crucial in ensuring that the anticipated longer term investment manager fee savings can be delivered.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The presentation to Committee will consider the ongoing changes to the way in which LGPS investments are managed. Regular engagement with the CIV should help the Fund meet the requirements set out in Government guidance and ensure that it is able to transition assets over to the Pool in a timely manner
- 5.2 There are no immediate legal implications arising from this report.

6. BACKGROUND TO THE REPORT

- 6.1 The London Collective Investment Vehicle (CIV) was the first LGPS pool to be set up, to help the London LGPS funds benefit from bigger scale and cost savings. Initially established prior to the introduction of mandatory pooling for LGPS funds by the Government, the CIV became the first pool to receive FCA authorisation in 2015.
- 6.2 Despite good early progress, the CIV has faced a number of challenges over the past 18 months. Having initially been set up as voluntary pool, the CIV encountered difficulties with the introduction of mandatory pooling, with its large number of stakeholders and previous voluntary nature resulting in a lack of clarity around its vision and strategy. The CIV also experienced high staff turnover; high profile departures included the Chief Executive (CEO), Chief Investment Officer (CIO) and Assistant Director, Client Relations.
- 6.3 The need to clarify the vision and strategic direction of the London CIV was recognised by both the London Boroughs and the London CIV, resulting in the decision to undertake a strategy and governance review.

7. GOVERNANCE REVIEW AND CONSULTATION

- 7.1 A review of the CIV's governance arrangements was commissioned from Willis Towers Watson and carried out during late 2017. The review found that the CIV needed to refresh its governance arrangements and clarify its future direction.
- 7.2 Taking into account the findings of the governance review, the CIV launched a stakeholder consultation to engage with the Boroughs across 3 key areas; governance, client relations and investment. The consultation aimed to consider:
- The creation of effective supervisory arrangements to improve the channels of communication between LCIV and the London Boroughs (Shareholder perspective)
 - The needs of Local Authority Pension Funds to achieve their individual pooling objectives (Client perspective)
 - The maximisation of investment efficiencies are maximised to ensure that the benefits of fee savings and enhanced performance (50 bps p.a.). are realised. (Investment perspective.)
- 7.3 A set of proposals across these 3 categories was sent to Boroughs for comment in February 2018. The Boroughs, including Hackney, responded in March 2018.

8. CHANGES TO GOVERNANCE STRUCTURE

- 8.1 One of the key outcomes of the consultation was the approval of proposals to change the governance structure of the London CIV. The original governance structure used the Pensions Sectoral Joint Committee (PSJC), a Committee of London Councils, as the key forum for shareholder engagement. The PSJC included representatives from all 32 London funds and was run as a formal Committee of London Councils.
- 8.2 The consultation proposal, which was approved by Boroughs, recommended disbanding the PSJC and replacing it with a Shareholder Committee to act on behalf of the Shareholders as a consultative body, including on the Company's business plans and financial performance, and topics such as Responsible Investment.

- 8.3 The Committee has now been established and consists of 12 members: 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. The Shareholders Committee will meet at two General Meetings of London CIV each year, one to approve the budget, and an AGM.
- 8.4 The first nominations of elected members (Local Authority Pension Committee Chairs or Leaders) were made via the London Councils collective political processes (and the Society of London Treasurers in the case of Treasurers) and were ratified at the London CIV AGM on 12 July 2018. Cllr Robert Chapman and Ian Williams have both been appointed to the Shareholder's Committee in their roles as Pensions Committee Chair and Borough Treasurer respectively
- 8.5 A further proposal approved by the London Boroughs was to appoint 2 more Non-Executive Directors, representative of the shareholders (expected to be Leaders of London Local Authorities), to the Board of the CIV. A Treasurer has been appointed to the Board as an observer, but not a member of the London CIV Board.

9. OTHER CHANGES PROPOSED

- 9.1 Changes to the CIV's client engagement and investment approaches were also considered as part of the consultation process. Borough feedback on a number of these issues remains under consideration by the CIV, although some recommendations, such as the development of a Responsible Investment policy, have been taken forward.

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