

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	Pensions Investment Committee – Pensions Update		
<b>KEY DECISION</b>	No	<b>Item No:</b>	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Head of Corporate Resources		
<b>CLASS</b>	Part 1	<b>Date:</b>	November 2017

## 1. PURPOSE

- 1.1. This paper provides members with an update on several pension related matters in the last period.

## 2. RECOMMENDATIONS

- 2.1. Members are asked to agree to the following recommendations:

- To approve the amendments to the Investment Management Agreement held with UBS and delegate authority to the Head of Corporate Resources to sign and return a confirmation of acceptance, as per section 4.12.
- To delegate authority to the Head of Corporate Resources to accept similar requests, as a result of MiFID II, from the Fund's other managers, as per section 4.13.
- To commit to attending a minimum of 5 hours of training each over the course of a financial year in order to meet new obligations under MiFID II, as per section 4.21.

- 2.2. Members are asked to note the remainder of the report.

## 3. BACKGROUND

- 3.1. This briefing will provide a summary of current topics relating to the Pension Fund and pensions in general, and address standing items on the agenda, following on from actions requested in previous meetings.

## 4. CURRENT CONSIDERATIONS

### **Actions Arising from Previous Pensions Investment Committee**

- 4.1. All applications for opting up to professional client status under MiFID II were sent to relevant parties by 19 October, which for the Pension Fund represented nine separate applications. At the time of reporting, four confirmations of a successful outcome had been received. Officers will continue to monitor responses in the lead up to the 3 January 2018 deadline.

## **London Collective Investment Vehicle (CIV) – General Update**

- 4.2. The Pensions Sectoral Joint Committee (PSJC) continue to meet, with the Chair of PIC representing Lewisham Pension Fund's interests; the next meeting is scheduled for 11 December 2017. The Head of Corporate Resources and Principal Accountant are also in regular contact with the CIV.
- 4.3. To date, none of the funds launched by the CIV have been funds Lewisham are invested in or planning to invest in. The CIV currently offers four global equity, one UK equity and four multi-asset funds, with all but one open for new subscriptions; by the end of December 2017 it will have launched a further three equity sub-funds.
- 4.4. The CIV has begun its preparations to launch a range of fixed income products, and plans to appoint five new Fund Managers in early December 2017 to include 'Global Bonds', 'Liquid Loans' and liquid 'Multi-Asset Credit' offerings. The more illiquid fixed income products require FCA approval for an extension of permissions, which in turn requires the agreement of all Shareholders. The CIV has written to Shareholders to request this permission, which the Chair has agreed and signed off on behalf of Lewisham.
- 4.5. In communication with the CIV, officers have established that there are no current plans to launch any funds with either of the two Multi-Asset Credit managers the Committee agreed to procure in its meeting on the 25<sup>th</sup> September 2017.
- 4.6. The CIV are also now scoping out the infrastructure universe and hosted the first Infrastructure working group at the end of September 2017. In the coming months they plan to launch a global, unlisted, income-focused fund that concentrates on core/core-plus assets.
- 4.7. A Governance review of the CIV is currently underway, with Willis Towers Watson appointed to run the review. Responses on behalf of the Lewisham Pension Fund were submitted by the Head of Corporate Resources, and the findings and recommendations of the review should be available before the end of the year.
- 4.8. The Training schedule in Appendix 2 includes any upcoming CIV seminars and events suitable for Members, although dates are subject to change. Further information on these events can be obtained by emailing [chloe.crouch@londonciv.org.uk](mailto:chloe.crouch@londonciv.org.uk).

## **Pension Board – General Update**

- 4.9. The Pension Board is scheduled to meet on the 5<sup>th</sup> December 2017. Membership has been agreed, and the election of the new Chair will be put to Members at that meeting. Going forward, both the Board and PIC will be updated regularly on decisions made at their respective meetings.

## **UBS Amendment to Investment Management Agreement**

- 4.10. Under the new MiFID II directive, all investment services providers will now have to conform to certain industry wide standards. In order to meet those standards, some Fund Managers may put forward changes to the terms of the Investment Management Agreements (IMAs) we hold with them.
- 4.11. UBS have put forward some general amendments to our IMA to reflect these new regulatory requirements, which are attached at Appendix 1 (including new or amended policy summaries). The amendments fall under 9 general headings as follows:
- Best execution
  - Reporting to clients
  - Conflicts of interest
  - Complaints handling
  - Information to clients
  - Recording communications
  - Client communications
  - Transaction reporting and use of confidential information
  - Inducements and research
- 4.12. Officers ask Members to approve the amendments to the IMA outlined in Appendix 1, and delegate authority to the Head of Corporate Resources to sign and return a confirmation of acceptance.
- 4.13. Officers also request that authority be delegated as per section 4.15 in expectation of similar requests being made by the Fund's other Managers up to the MiFID II deadline of 3<sup>rd</sup> January 2018.

## **Multi-Asset Credit Procurement Update**

- 4.14. Following the decision to invest with Partners Group and Pemberton at the meeting of PIC on 25<sup>th</sup> September 2017, and in accordance with the Committee's decision to allocate 6% of the Fund's assets to multi-asset credit mandates, the relevant due diligence and on-boarding process for each Fund Manager is now underway.
- 4.15. Pemberton are targeting a close date for their fund of the 7<sup>th</sup> December, and Partners Group January 2018. The cash for these investments is already available following the first phase of equity disinvestment in September 2017, and officers will work to meet the deadlines as set out above.

## **Triennial Valuation Update**

- 4.16. Officers recently held a client relationship meeting with the Fund's actuaries Hymans Robertson to conclude the 2016 triennial valuation. It was decided not to take up additional services offered by the actuaries at this time, including cash flow projections and Club Vita longevity analysis.

## **Lewisham Pensions Website Update**

- 4.17. Lewisham has a separate website for the Pension Fund, hosted by Hymans Robertson, at [www.lewishampensions.org](http://www.lewishampensions.org).
- 4.18. The site is administered and updated by Council officers, its main target audience being Fund members. The site offers information to contributing and deferred members on how the overall scheme works, and also acts as a public central depository for Fund reports, policies, and general guides. The 2016/17 audited financial statements were recently uploaded to the site, and can be found at the following link: <http://www.lewishampensions.org/lewisham-pension-fund/about-us/forms-and-publications/>

## **Training**

- 4.19. A selection of conferences, workshops and seminars for the last quarter of 2017 and further into 2018 has been listed in Appendix 2. Should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Governance Team or Principal Accountant for Treasury and Pensions informed.
- 4.20. The recommended sessions form the main training offering to Members. It is vital that Members develop and maintain their knowledge of the overall sector, and in particular the LGPS, for preserving our professional client status under the new MiFID II regulations; should Fund Managers deem the Committee to be lacking in knowledge or ability, it is within their powers to withdraw their services.
- 4.21. Officers therefore ask Members to commit to attending a minimum of 5 hours of training per financial year, and to update the Governance Team regularly for all events attended. Please note, attendance at conferences are accounted for separately under Fund Manager training requirements.
- 4.22. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>.
- 4.23. In addition, as members have previously reported that this was a helpful resource, Russell's Fiduciary Handbook – "A step-by-step guide to pension fund investment strategy" is available online at: <https://russellinvestments.com/-/media/files/emea/institutions/russell-investments-fiduciary-handbook-combined.pdf>.

## **5. FINANCIAL IMPLICATIONS**

- 5.1. There are no financial implications arising directly from this report.

## **6. LEGAL IMPLICATIONS**

- 6.1. Legal implications to follow.

## **7. CRIME AND DISORDER IMPLICATIONS**

- 7.1. There are no crime and disorder implications directly arising from this report.

## **8. EQUALITIES IMPLICATIONS**

8.1. There are no equalities implications directly arising from this report.

## **9. ENVIRONMENTAL IMPLICATIONS**

9.1. There are no environmental implications directly arising from this report.

## **APPENDICES**

Appendix 1 – UBS IMA Amendments

Appendix 2 – Training Programme Quarter 4 2017 and Quarter 1 2018

## **FURTHER INFORMATION**

If there are any queries on this report or you require further information, please contact either:

David Austin, Head of Corporate Resources on 020 8314 9114 or at [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

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