



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: WEDNESDAY, 2 SEPTEMBER 2015 at 7.00 pm

**Committee Rooms 1 & 2
Civic Suite
Lewisham Town Hall
London SE6 4RU**

**Enquiries to: Jessica Bolton (020 8314 8975)
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COUNCILLORS

Councillor Chris Best
Councillor Kevin Bonavia
Councillor Simon Hooks
Councillor Mark Ingleby
Councillor Paul Maslin
Councillor John Muldoon
Councillor Liz Johnston-Franklin
Councillor Joan Reid

Observers

Independent

Scott Donaldson, Hymans Robertson

Officers

David Austin, Head of Corporate Resources
Janet Senior, Executive Director for
Resources & Regeneration
Helen Glass, Principal Lawyer
Carol Eldridge, Group Manager - Pensions
& Payroll

Members are summoned to attend this meeting

**Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Tuesday, 25 August 2015**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

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MAYOR & CABINET		
Report Title	Declarations of Interests	
Key Decision	No	Item No. 1
Ward	n/a	
Contributors	Chief Executive	
Class	Part 1	Date: September 2 2015

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

1 Personal interests

There are three types of personal interest referred to in the Council's Member Code of Conduct :-

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests

2 Disclosable pecuniary interests are defined by regulation as:-

- (a) Employment, trade, profession or vocation of a relevant person* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.

- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member’s knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:-
 - (a) that body to the member’s knowledge has a place of business or land in the borough; and
 - (b) either
 - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

(3) Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes , or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

(4) Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members’ Interests (for example a matter concerning the closure of a school at which a Member’s child attends).

(5) Declaration and Impact of interest on members' participation

- (a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take no part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- (b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph (c) below applies.
- (c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- (d) If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- (e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

(6) Sensitive information

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

(7) Exempt categories

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Agenda Item 2

PENSIONS INVESTMENT COMMITTEE		
Report Title	Minutes	
Key Decision	No	Item No. 2
Ward	All	
Contributors	Chief Executive	
Class	Part 1	Date: September 2 2015

Recommendation

That the Minutes of the meeting of the Committee, held on June 11 2015 be confirmed and signed.

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

11 June 2015 at 7.00 p.m.

PRESENT: Councillors Chris Best, Kevin Bonavia, Simon Hooks, Mark Ingleby, Liz Johnston-Franklin, Paul Maslin and John Muldoon.

ALSO PRESENT: Albert Chen (Investment Consultant, Hymans Robertson) and Gary Cummins (Unite).

APOLOGIES: Councillor Joan Reid and Tony Smith (Unison).

1. Election of Chair and Vice Chair

RESOLVED that Councillor Ingleby be elected as Chair and Councillor Hooks be elected as Vice Chair for the Municipal Year 2015/16.

2. Declarations of Interest

Councillor Johnston-Franklin declared a personal interest as a member of the Lewisham LGPS.

Councillor Muldoon declared a personal interest as a member of the Local Government Pension Scheme Advisory Board.

3. Minutes

Two typographical errors were highlighted by the Committee. Councillor Hooks noted that his name had been incorrectly recorded as 'Councillor Hook', and at paragraph 9.1 the figure of £1m should read £1 billion

At the previous meeting Members had requested a report on the London Living Wage be brought to the next meeting. The Head of Corporate Finance confirmed that this would be presented at the next Pensions Investment Committee meeting in September.

RESOLVED that the Minutes of the Meeting held on 10 February 2015 be confirmed and signed as a correct record.

4. Lewisham LGPS 2015-16 Update

Members considered a report which provided a summary of the current position of the Lewisham Pension Fund, and a look ahead for the financial year 2015/16.

The national debate about whether 89 individual LGPS was appropriate continued, and London was in the process of setting up the Collective Investment Vehicle (CIV), of which Lewisham was a member. The next stage of the process was for the CIV to receive regulatory approval.

The CIV was looking to confirm Lewisham's commitment to support the regulatory submission between now and September 2015, although there had been limited detail provided to date on the types of mandates that would be initially be invested in. Given the timescales, the Head of Corporate Finance confirmed that the existing financial delegations were being examined to see whether the Section 151 officer already had the appropriate delegations to commit and move mandates to the CIV.

The Head of Corporate Finance further noted the given timescales were very tight, and did not appear to give sufficient time for authorities and custodians to ensure due diligence. Before committing, the Council needed to examine the financial details and transaction costs to ensure that the CIV proposals would provide better value for money than what was already in place.

The Chair commented that it would be appropriate to have a standing item on the CIV placed on the agenda.

The Head of Corporate Finance explained that the next valuation of the Fund would be undertaken in March 2016, with any changes in contribution rates taking effect from April 2017. The valuation would assess the impact of auto-enrolment, the move to career average, the pace of maturing the Fund, and the impact of austerity cuts. Following this the Council's risk profile and funding issues would be updated, although the Committee noted that the Council's mandates had been performing well and there was no imperative to substantially change this arrangement.

Members were updated that there were a number of upcoming key issues that the Committee would need to consider, and that an appropriate time to consider and review broader strategic questions may be during the valuation of the Fund in 2016.

RESOLVED that

- a) the report be noted; and
- b) a standing item on the Collective Investment Vehicle (CIV) be included on future agendas.

5. Pension Fund Investment Committee Business Plan 2015/16

The Committee considered a report which set out the Pension Fund Management Business Plan for 2015-16. The Plan included key objectives for the Fund, major milestones and issues, training, and the risk register.

The Principal Accountant commented that training for members of the Committee was a key issue, and at Appendix B of the Business Plan was a list

of training and conferences occurring throughout the year that members could attend. It was particularly recommended that members of the Committee attend training on the core technical requirements for those involved in pension decision making. The Principal Accountant requested that Members completed the Skills and Knowledge Audit at Appendix A, so that a bespoke training programme could be developed for the Committee to be agreed at its meeting in September 2015.

Once a year fund managers were invited to attend Committee meetings and provide a presentation to members on the performance of their fund. Members had also expressed an interest in visiting fund managers on site to assist in their training and development. It was proposed that Members visit M&G in November 2015 and Blackrock in February 2016.

The Chair commented that previous visits to fund managers had been a positive experience, and requested that potential dates be emailed to members.

The Committee noted that in the table at paragraph 5.4 the word 'Intermediary' should read 'Intermediate'.

Following a request from Members, the Principal Accountant confirmed that Committee members would be emailed the link to the Lewisham Pension website where all the key documents were contained. It was further confirmed that the Overview and Scrutiny Manager would be liaised with to ensure that member training was effectively monitored.

The Chair requested that members of the Committee, who had not previously received a copy, be provided with a Fiduciary Handbook from Russell Investments. The Principal Accountant confirmed she would request further copies.

The Chair commented that the establishment of a Pensions Board would be considered part of the Council's pension governance arrangements and as such should be a standing item on the agenda.

RESOLVED that

- a) the Business Plan 2015/16 as set out in Appendix 1 be approved;
- b) Members agreed to complete the skills and knowledge self-assessment form attached at Appendix A to the Principal Accountant by 2 September 2015; and
- c) a standing item on the Lewisham Pension Board be included on future agendas.

6. Investment Performance for the Quarter end 31 March 2015

The Hymans Robertson Investment Consultant presented the Committee with a report which set out the performance of the Pension Fund investment portfolio and the performance of individual managers for the quarter ended 31 March

2015.

Councillor Muldoon requested information on the geographical breakdown of the Fund's equity exposure and the Investment Consultant confirmed that this information could be provided by requesting this information from the Fund's managers.

The Committee noted that the Manager allocations were all within a reasonable range of their target allocations, although commodities were slightly underweight. In respect of manager ratings, the Investment Consultant noted that there were no issues at present with any of the Fund's managers.

The Investment Consultant highlighted the performance of the mandates on a 3 year timescale was ahead of benchmark, although the Committee noted that some mandates did not have 3 year figures as they were seeded in 2012. There had been a marginal underperformance over the most quarter, but relative performance over the past year had been strong and ahead of benchmark.

The Committee therefore noted that the absolute performance for the quarter from the Fund's managers, except for Investec, was positive. Although the Fund's active mandate performance was mixed over the quarter, the continued strong performance, in absolute terms, from the Council's passive portfolio had resulted in an increase in fund value.

RESOLVED that the report and Hymans Robertson appendix be noted.

7. Exclusion of Press and Public

RESOLVED that under section 100(A)(4) of the Local Government act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements)(Access to Information)(Amendments)(England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

6. Investment Performance for the Quarter end 31 March 2015 – Appendix B Investec Commodity Fund Review.

8. Investment Performance for the Quarter end 31 March 2015 – Appendix B Investec Commodity Fund Review.

The Committee considered a confidential Appendix to the report and received a presentation from the Investment Consultant.

The Chair requested that the Hymans report on HarbourVest be distributed to Members, and the new funds be investigated as agreed at the previous meeting.

RESOLVED that

- a) Appendix B be noted; and
- b) Hymans Robertson be requested to provide review on the range of products and investment opportunities to the Committee at its next meeting.

9. **Draft Pension Accounts**

The Committee considered a report which set out the draft Pension Fund accounts for the financial year ending 31 March 2015.

Members noted that the accounts presented were awaiting final validation checks and may be subject to change between the meeting and the final sign off by the Chief Financial Officer. Any such changes would be detailed in working papers, for presentation to external audit.

Councillor Muldoon queried whether auto-enrolment had created any increased risk, and whether there were projections of opt out figures. The Head of Corporate Finance commented that until the Council had more comprehensive data drawn over a number of years, it was difficult to get a sense of any emerging patterns.

Councillor Johnston-Franklin queried the tables on page 70 and why there were no figures for 'Dependents Pensions'. The Principal Accountant clarified that the figures were no longer collected separately but included in the administering line.

Councillor Best queried whether the state employer's contribution, as well as the individual member's contribution, could be listed at point (i) of Appendix 1, and it was confirmed that this information could be added in the future.

The Head of Corporate Finance commented that the Council's underlying funding position remained stable, and its position had not radically changed. Following a query from Councillor Best on the funding of other London authorities, The Head of Corporate Finance commented that there were a range of positions across London, percentage wise ranging from the high 50s to fully funded, with the majority in the mid to high 70s.

The Investment Consultant highlighted the difficulty in comparing funding level figures between different authorities, as in isolation these figures did not capture the different assumptions used in the funding valuations for each authority. The Investment Consultant advised that a report could be undertaken that compared the Fund's funding level position against other authorities on a 'like-for-like' basis. The Committee noted his comments and deferred on proceeding with the reporting exercise.

Councillor Hooks raised a query regarding the table at page 69 and whether the Derivative Contracts Assets and Liabilities were meant to display none, or whether they were exactly balanced. The Principal Accountant confirmed that

the table should read 0 as the Fund no longer held any Derivative Contracts.

RESOLVED that the Pension Fund accounts for the year ended 31 March 2015 be noted.

The meeting closed at 8.40 p.m.

Agenda Item 3

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Schroders Performance for the period end 30 June 2015		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	2 September 2015

1. SUMMARY

- 1.1 This report is a presentation by the Pension Fund's Fund Manger Schroders on the performance of the property portfolio for the period ending 30 June 2015.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance of the Fund Manager is for noting.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are covered in the quarterly performance report from the Fund's advisors, Hymans Robertson – see separate agenda item..

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

- 7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

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

9. EQUALITIES IMPLICATIONS

- 9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached as Appendix I. Commentary will be provided at the meeting by the Fund Manager.

FURTHER INFORMATION

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

David Austin, Head of Corporate Resources on 020 831 49114.

Lewisham Borough Council

Schroder Real Estate Capital Partners

Representing Schroders:

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2 September 2015



Schroders

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- Business overview
- Market overview
- Portfolio
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 - Performance to Q2 2015
 - Investment activity

■ Strategy

■ Appendices

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Business overview



Schroders

Business overview

Schroder Real Estate Capital Partners

- Managed indirect real estate mandates since 1997
- £3.4 billion under management as at 30 June 2015
- £512 million traded in 2014, c. 2/3 via the secondary market
- Average purchase cost over five years +1.4% (to December 2014)
- 23 segregated clients
- Two closed-ended continental European funds
- Two open-ended UK funds
- Six Schroder RECaP Partnerships

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Source: Schroders, June 2015.

Business overview

Stable, dedicated and experienced team

Schroder Real Estate Capital Partners Team

Team	Position	Responsibility
Page 18 Graeme Rutter (20 years)	Head of RECaP	Business management, portfolio management & strategy
Tony Doherty (15 years)	Portfolio Manager	Portfolio management & strategy, product sourcing & creation
Keeran Kang (8 years)	Portfolio Manager	Portfolio management & strategy, fund monitoring
Patrick Bone (8 years)	Fund Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Gianlorenzo Paoella (7 years)	Fund Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Marsha Reid (24 years)*	Fund Manager Assistant	Trade processing and risk monitoring
Jagjeet Saini (4 years)*	Fund Manager Assistant	Trade processing and risk monitoring
Ekaterina Drake (9 years)	Executive Assistant	Team support

Source: Schroders, June 2015. Numbers in brackets indicate years of experience

* Property Investment Support

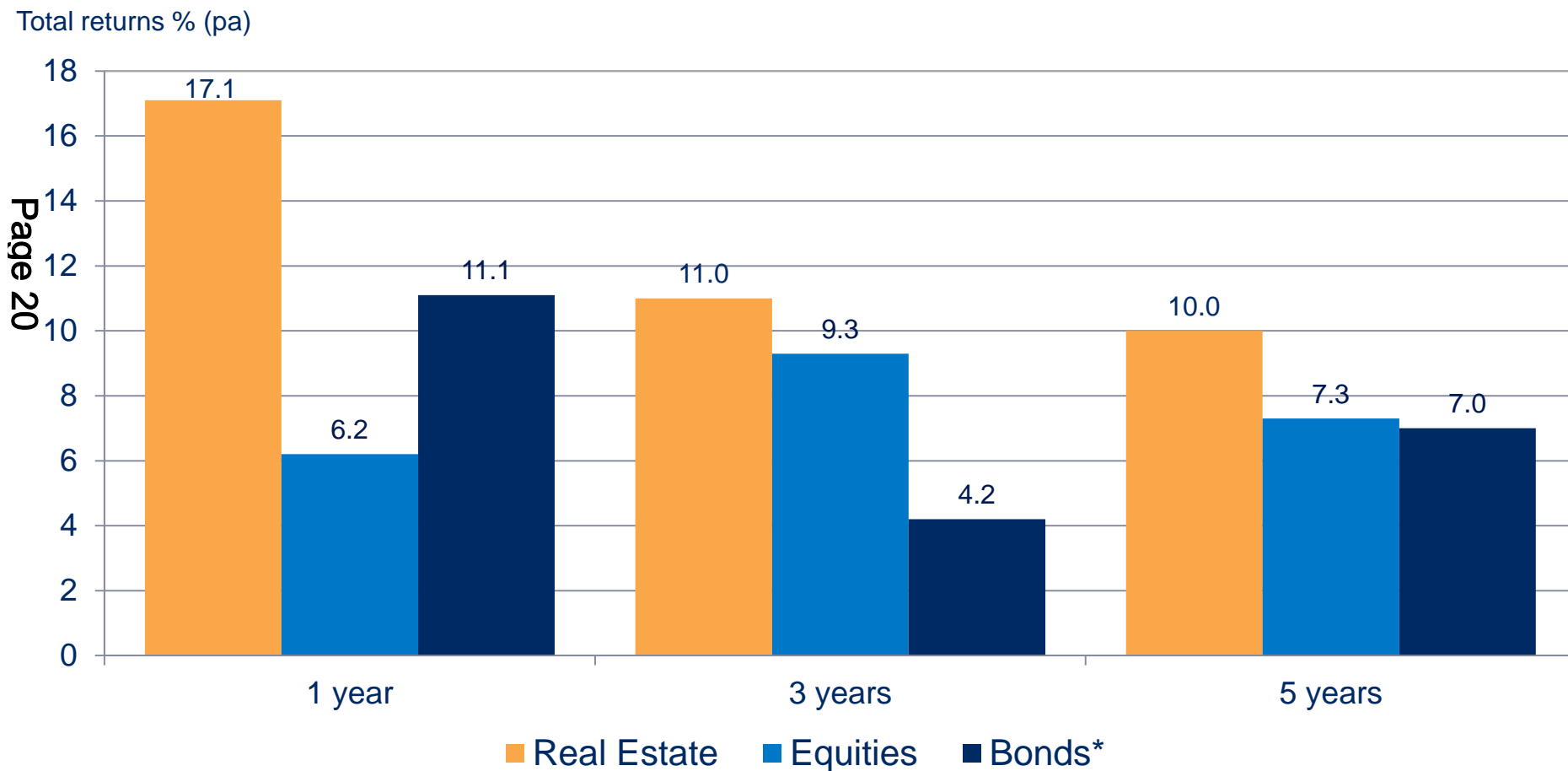
Market overview



UK market overview

APPENDIX I: SCHRODERS PRESENTATION

Strong returns from UK commercial real estate



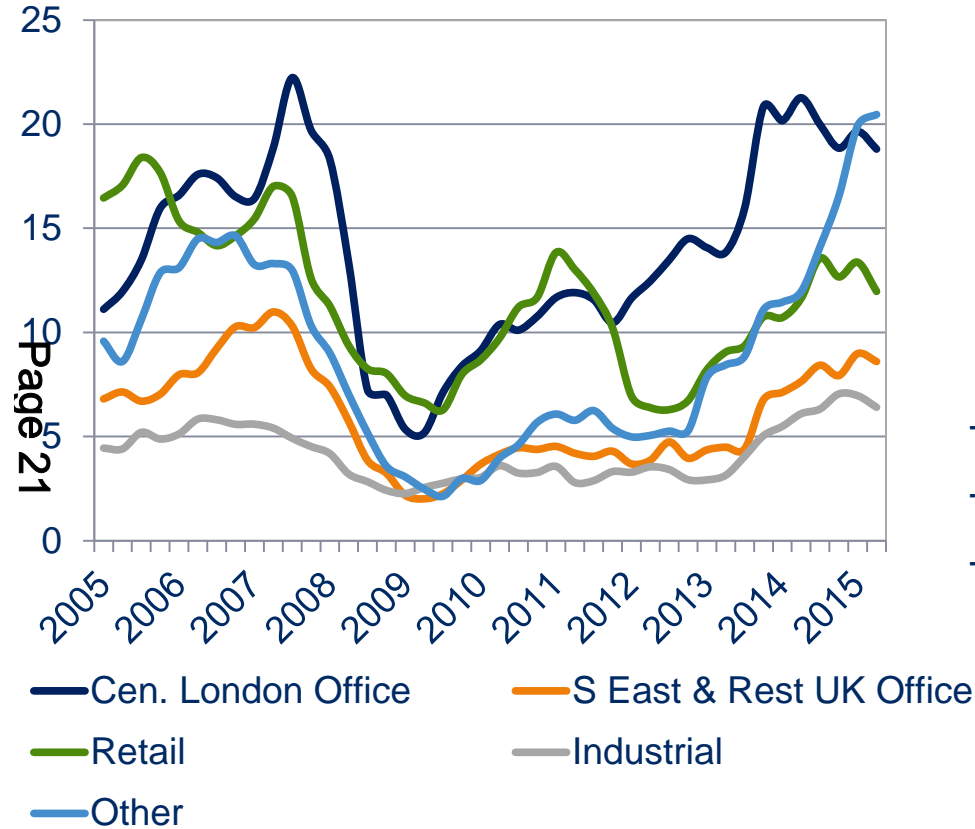
Source: IPD, JPMorgan 30 June 2015 *7-10 yrs

UK real estate investment market

Broad recovery in liquidity, driven by institutions and foreign investors

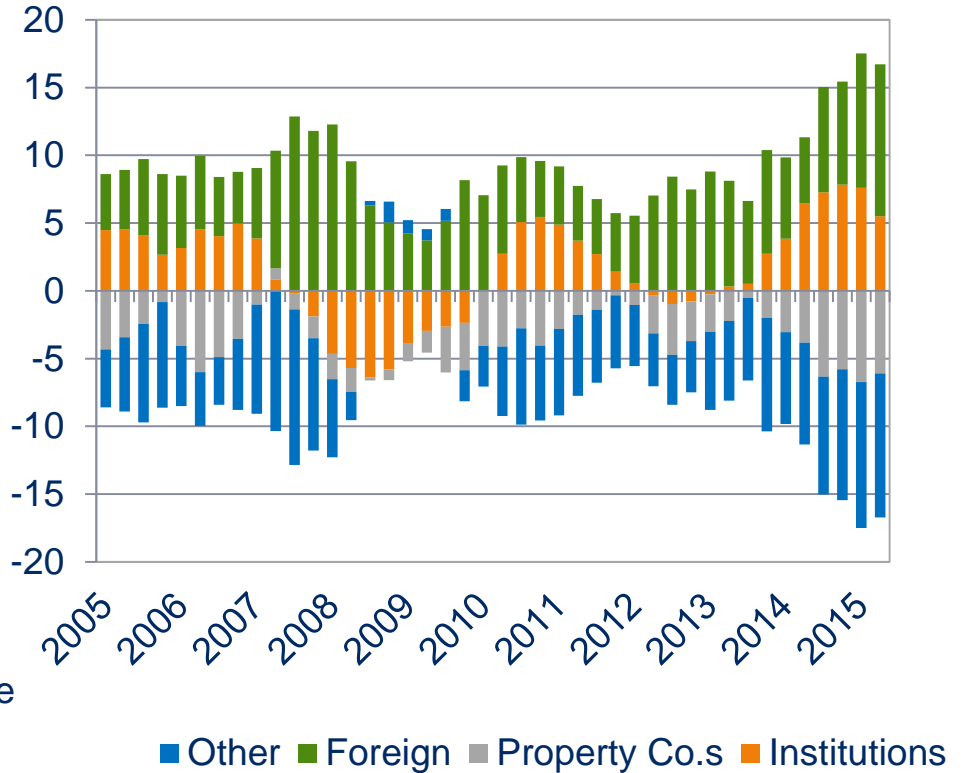
Transactions by broad sector

£ billion, 4 quarter moving total



Net trading by investor

£ billion, 4 quarter moving total



Source: Investment Property Databank, June 2015. Net trading = purchases – sales.

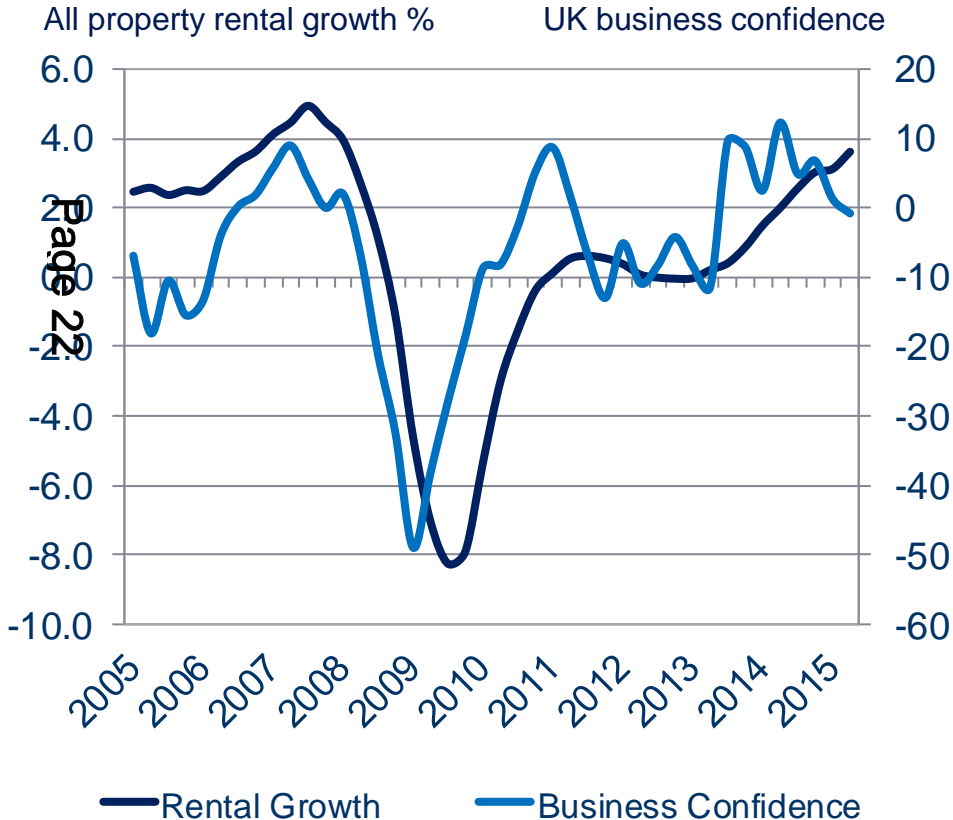
Other investors included occupiers and banks. Note that late reporting means that figures for the last two quarters are often subsequently revised up.

Rental value growth

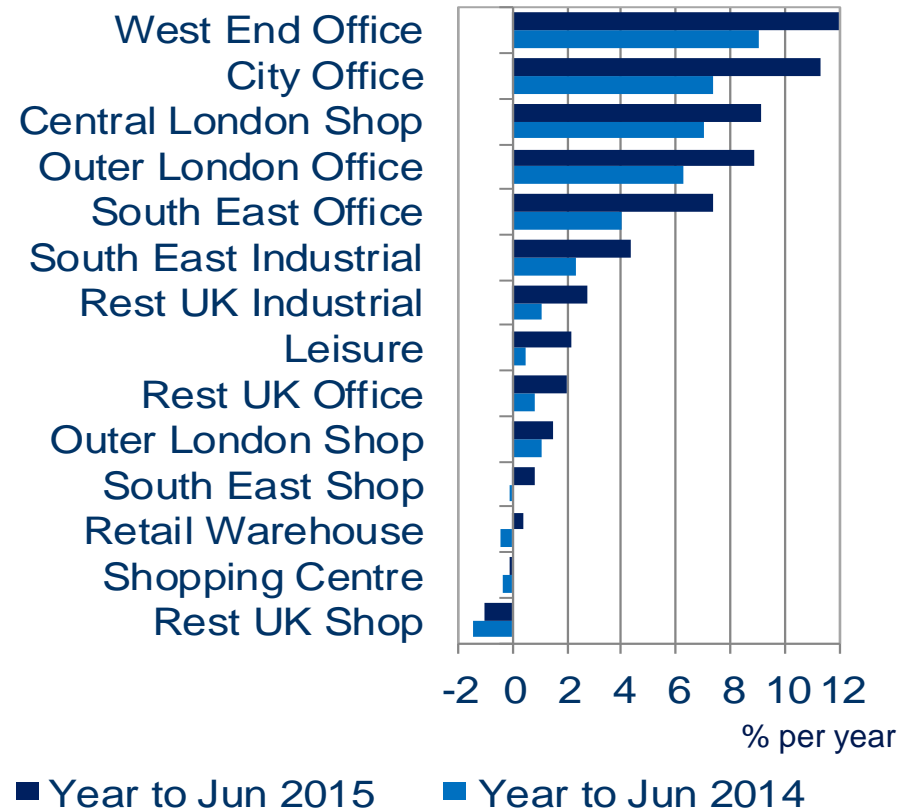
APPENDIX I: SCHRODERS PRESENTATION

Stronger tenant demand is now lifting rental values outside London

Business confidence and rental growth



Rental value growth by segment



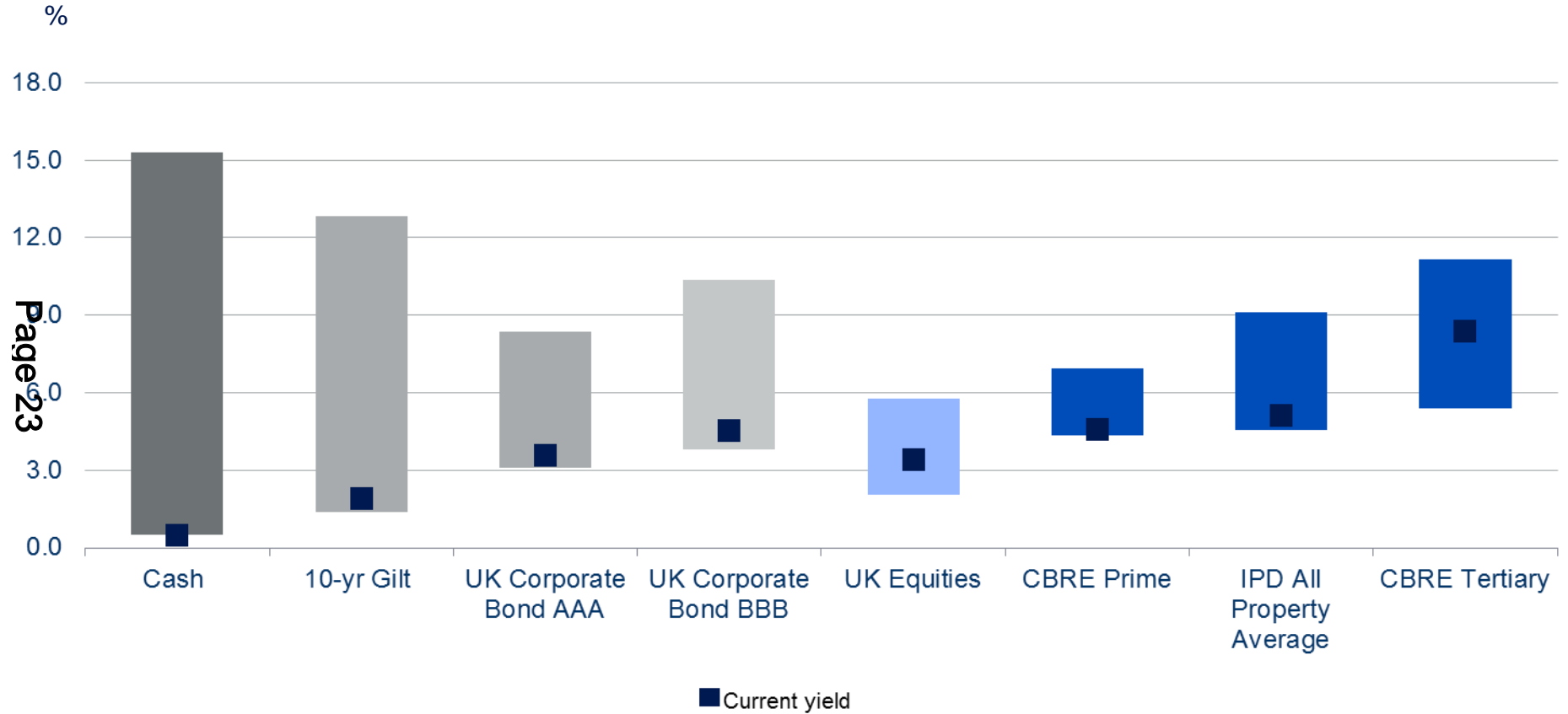
Source: MSCI, ONS. June 2015.

Current asset pricing

APPENDIX I: SCHRODERS PRESENTATION

Relative to historical ranges in yields

Current yield versus long term ranges*



*Longest time period selected for each data series, based on availability of data, so 'long term' covers varying time periods. Shortest time period relates to prime and tertiary UK real estate (15 years). Other data covers 19 year periods or longer.

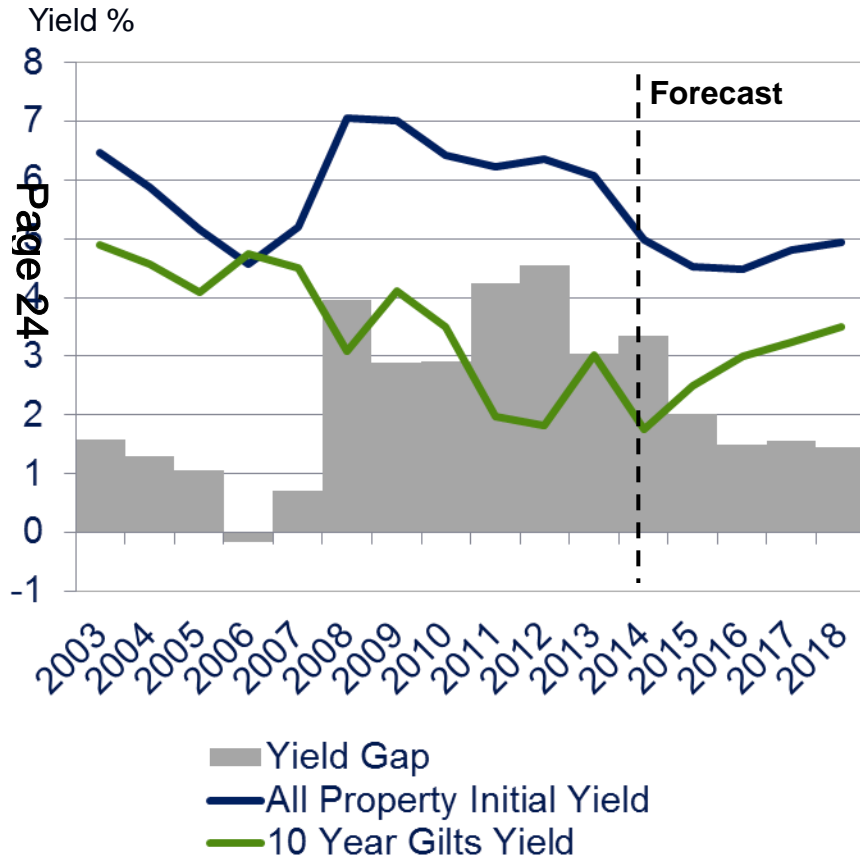
Source: Schroders, Datastream, August 2015

Property & gilts yields

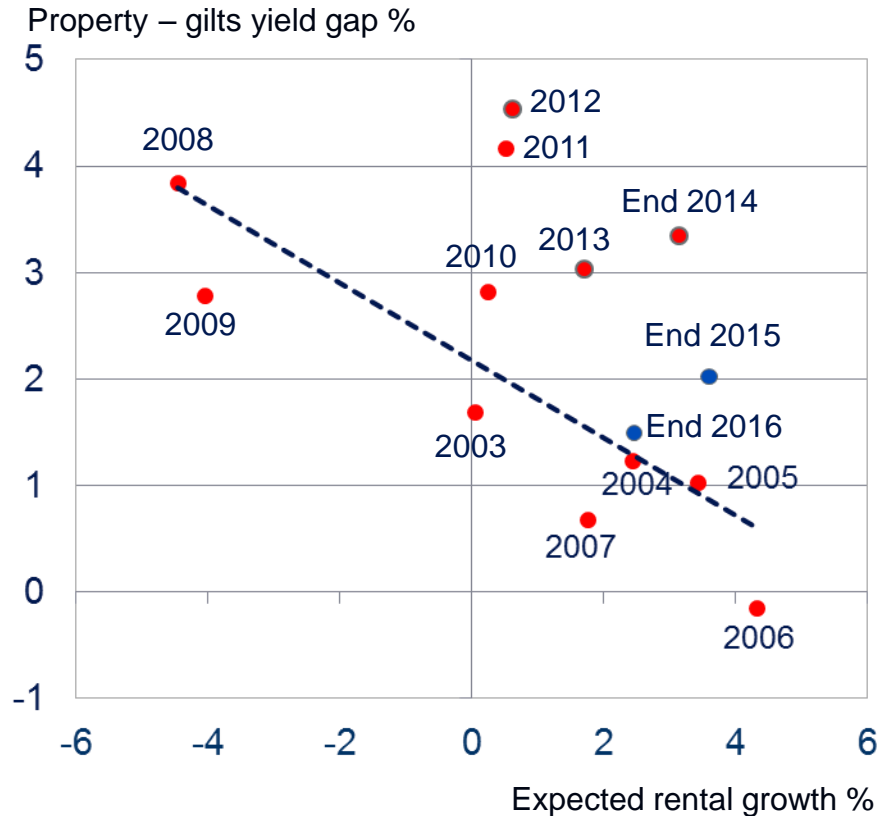
APPENDIX I: SCHRODERS PRESENTATION

Yield gap could cease to look generous by end-2016

All Property Initial Yield vs 10 Year Gilts



Yield Gap and Rental Expectations



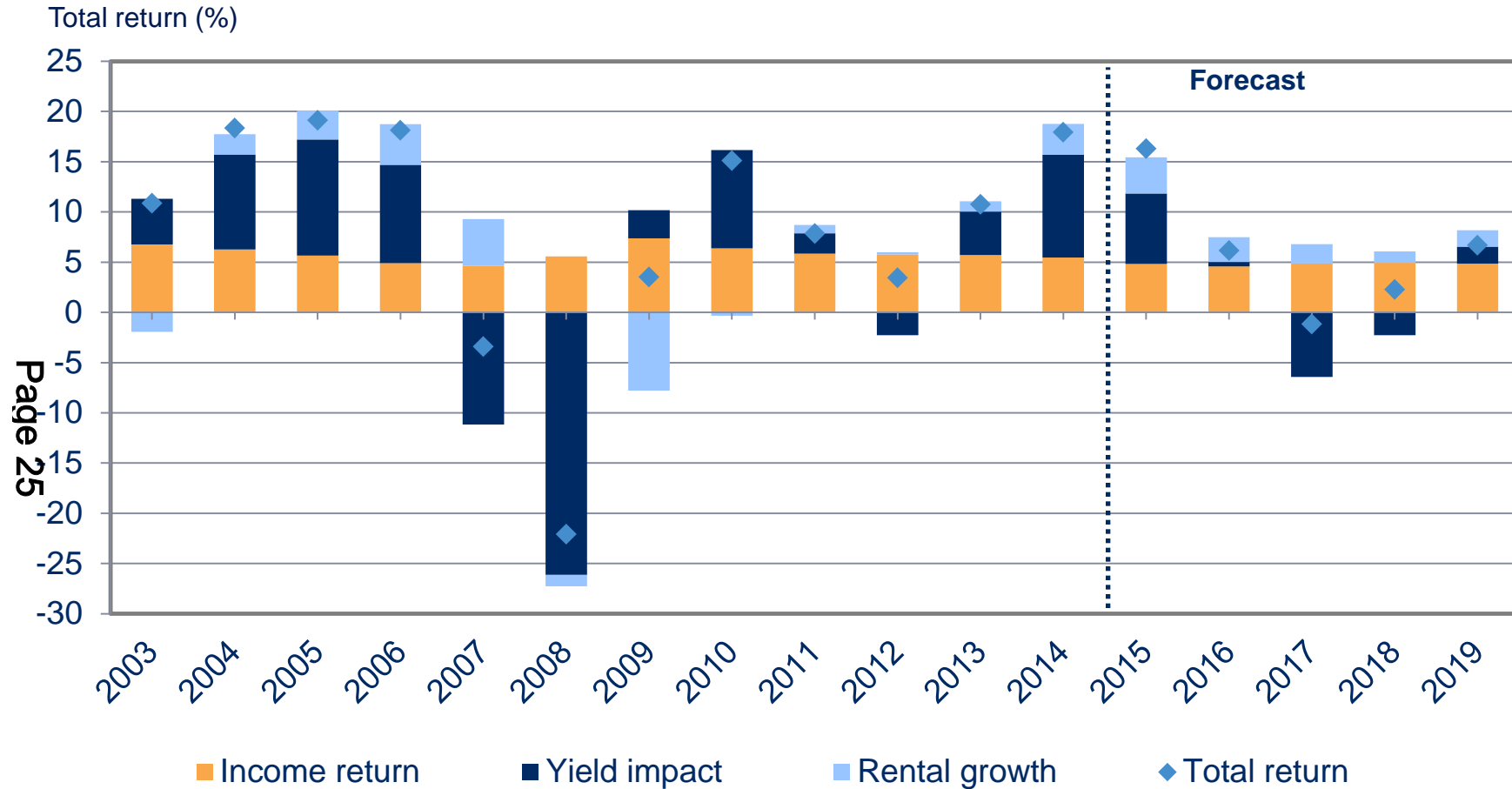
Source: Datastream, IPD, IPF Consensus Forecasts, Schroders. June 2015.

Note. Expected rental growth is the average of the last 12 months and forecast rental growth over for the next 12 months. Regression based on 2003-2011.

UK total return forecasts

APPENDIX I: SCHRODERS PRESENTATION

Strong 2015, but possibility of a limited correction in values in 2-3 years time



Source: IPD, Schroders. July 2015.

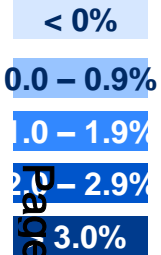
Note. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. Please see Important Information regarding forecasts.

European economy is finally recovering

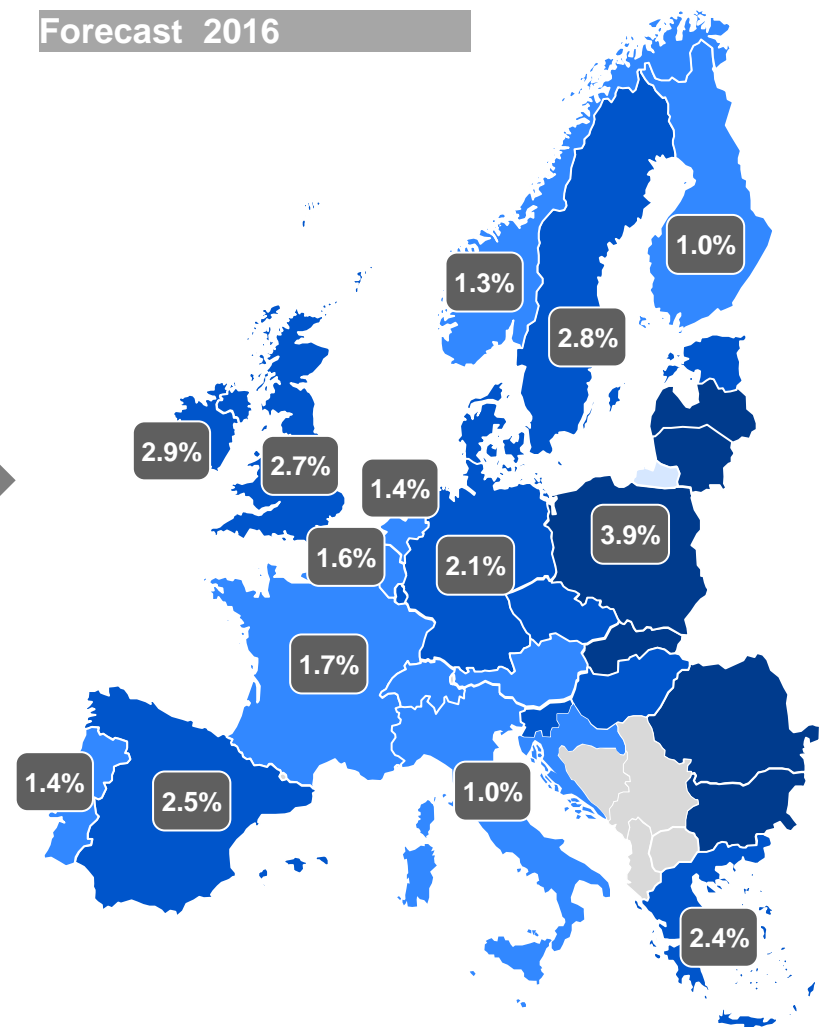
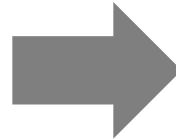
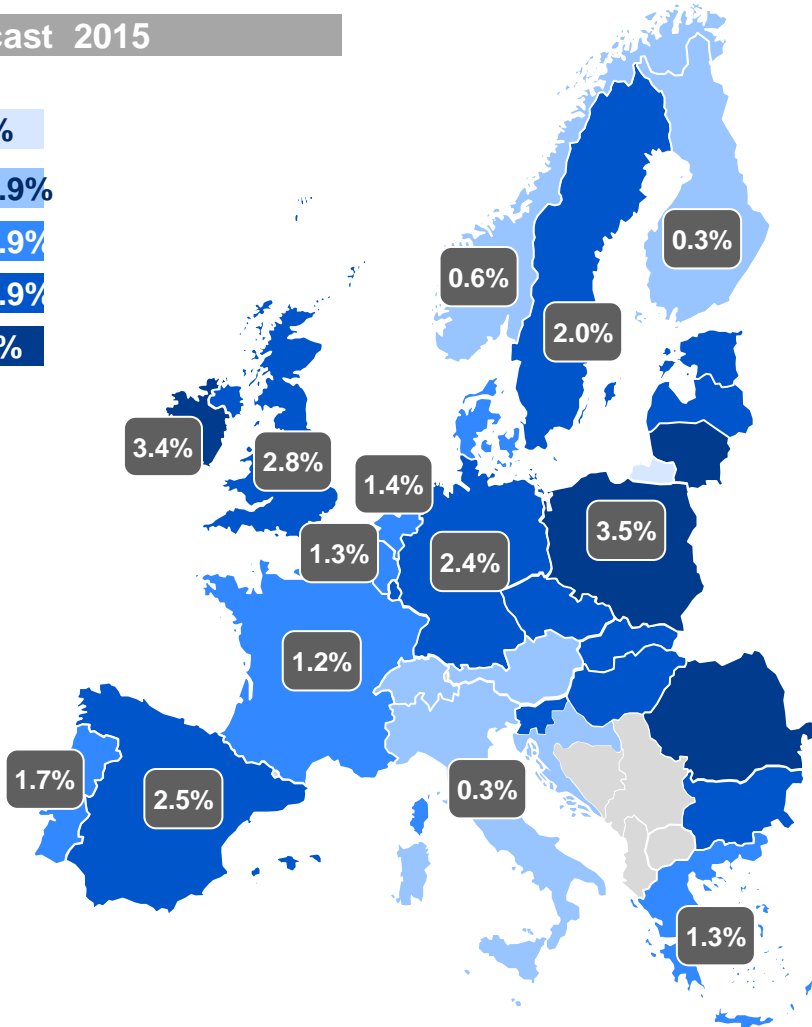
Real GDP Growth forecast (%pa)

Forecast 2015

Forecast 2016



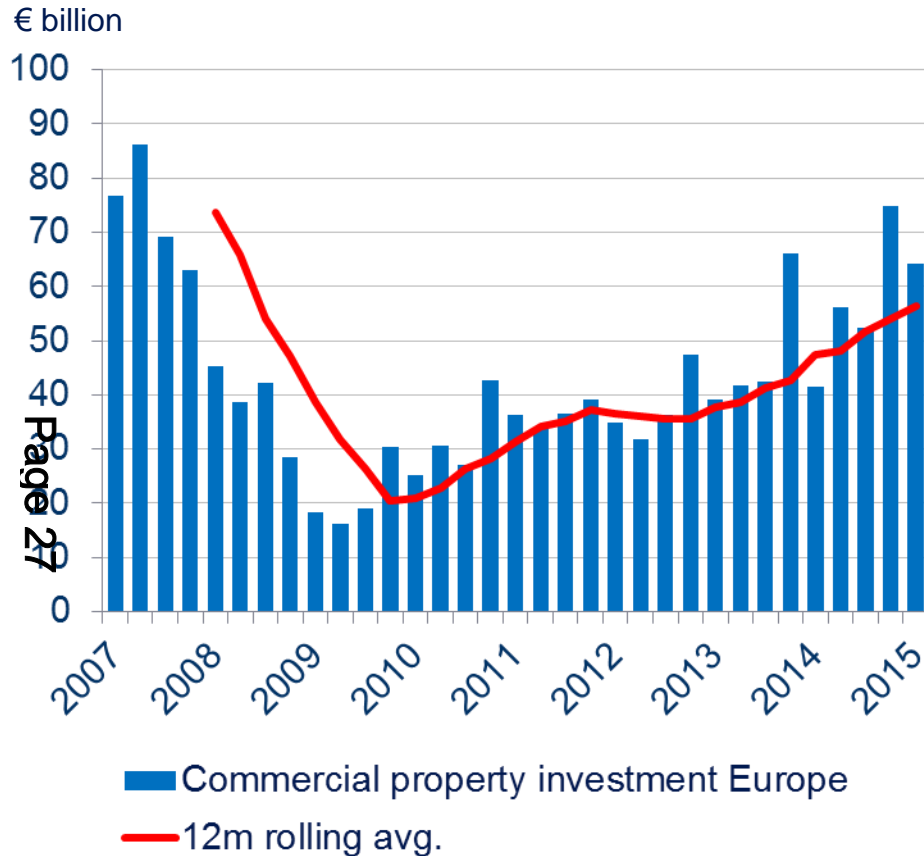
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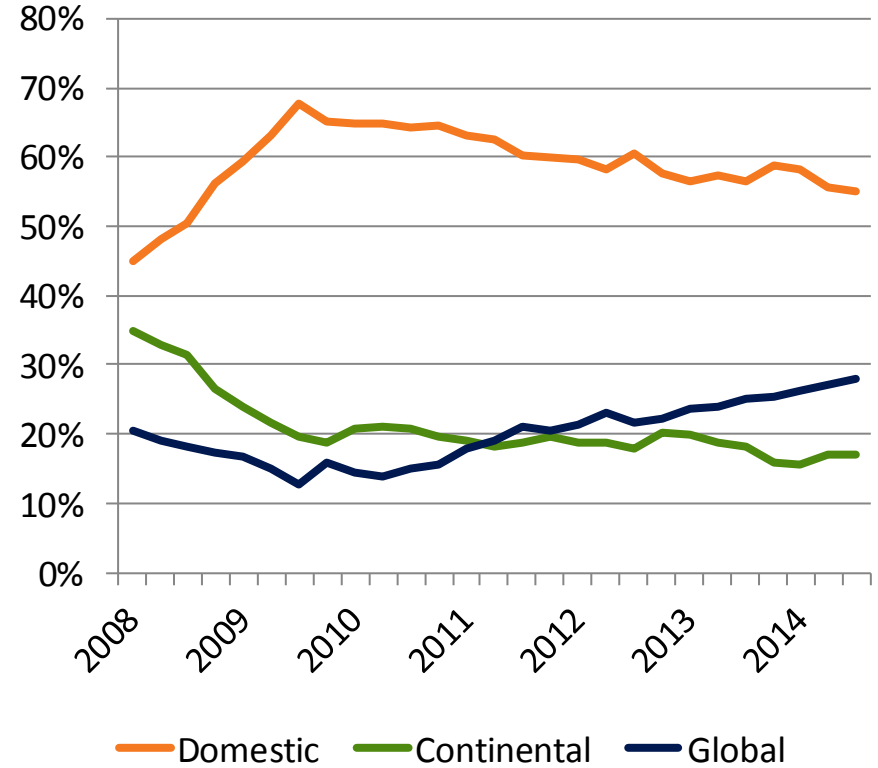
Source: Oxford Economics, Schroders, April 2015

European investment transactions

Liquidity has returned, with growing demand from North America & Asia



Sources of Capital, % of Total



Source: Real Capital Analytics, Schroders. April 2015.

Note that late reporting means figures for last two quarters are often subsequently revised up. Transaction activity is also to some extent seasonal.

Portfolio

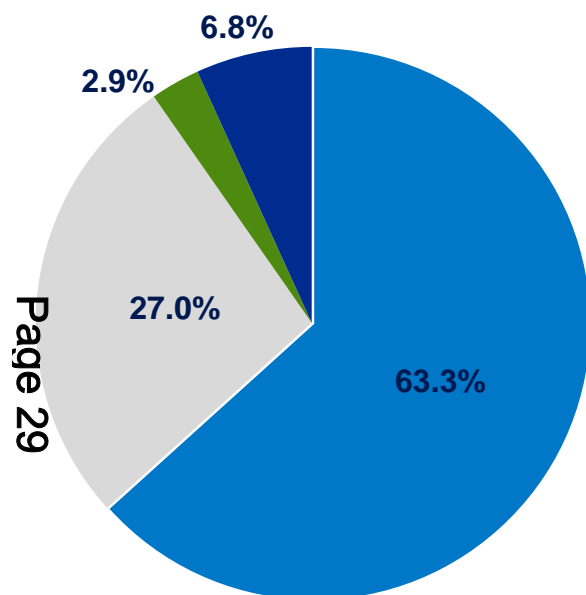


Schroders

Portfolio

Lewisham Pension Fund, June 2015

Breakdown by style and region



- Balanced - UK
- Specialist - UK
- Specialist - Europe
- Cash

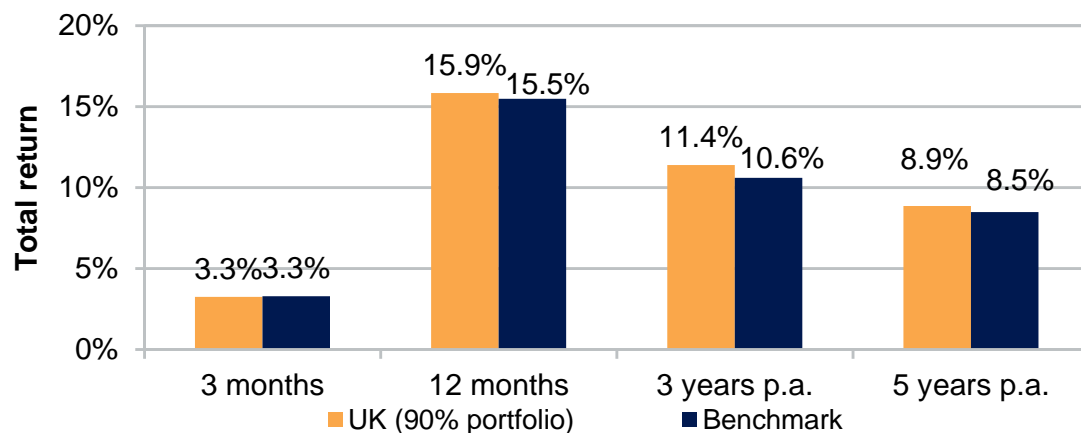
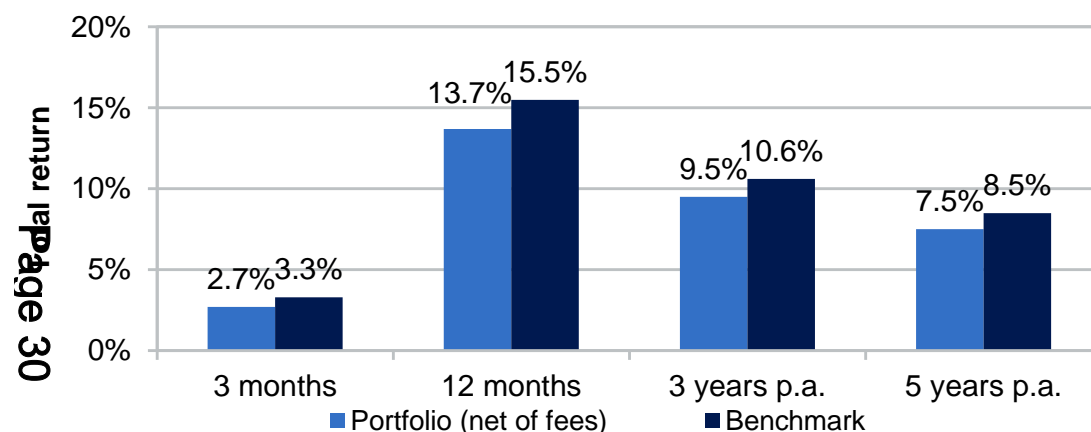
Source: Schroders, 30 June 2015

* As at 17th August 2015 the funding for these commitments is fully covered following receipt of further investment income and capital returned from TSTRAT IV

Portfolio statistics	
Portfolio valuation	£92,756,403
Number of investments	14 UK 1 Europe
Portfolio cash	£6,268,492
Portfolio undrawn commitments	£7,500,000*
Portfolio cash net of all commitments	Nil

Portfolio

Portfolio total returns net of fees versus benchmark, June 2015



Objective

To outperform the Benchmark¹ by 0.75% net of fees over three year rolling periods

Key messages

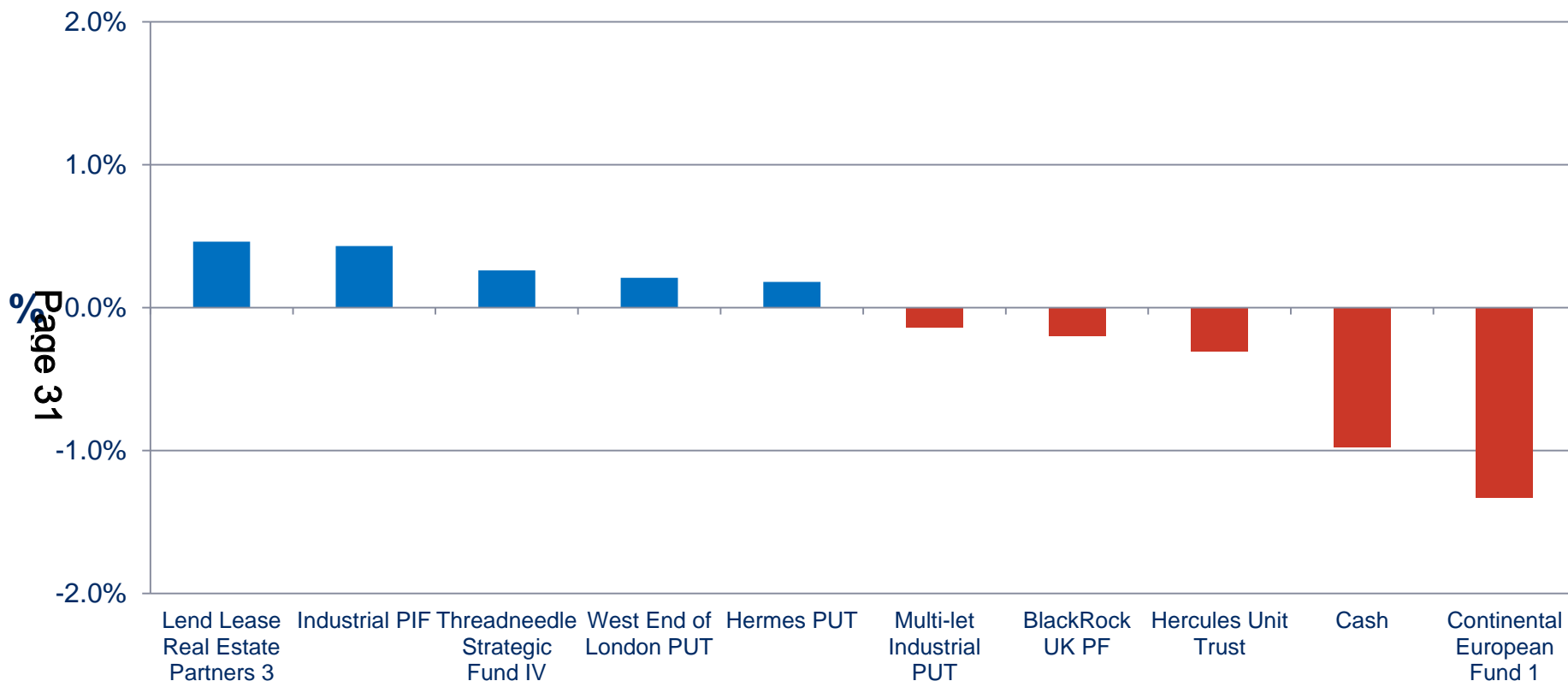
- Absolute returns are strong.
- The UK portfolio (90% by value) is outperforming target over three years and the benchmark over one, three and five years net of fees.
- The European allocation (3% by value) has diluted aggregate portfolio returns relative to the UK-only benchmark.

Source: Schroders, 30 June 2015. ¹ Benchmark is AREF/IPD Quarterly Property Fund Indices - All Balanced Funds (Weighted Average).

Portfolio

Performance attribution, twelve months to 30 June 2015

Total return attribution relative to benchmark* by top and bottom five contributors



*Benchmark is AREF/IPD UK Pooled Property Fund Indices All Balanced Funds Weighted Average. Attribution is presented gross of fees.
 Source: Schroders and AREF/IPD UK Pooled Property Fund Indices, 30 June 2015. Past Performance is not a guide to future performance and may not be repeated.
 Please refer to the Important Information at the back of this document regarding past performance.

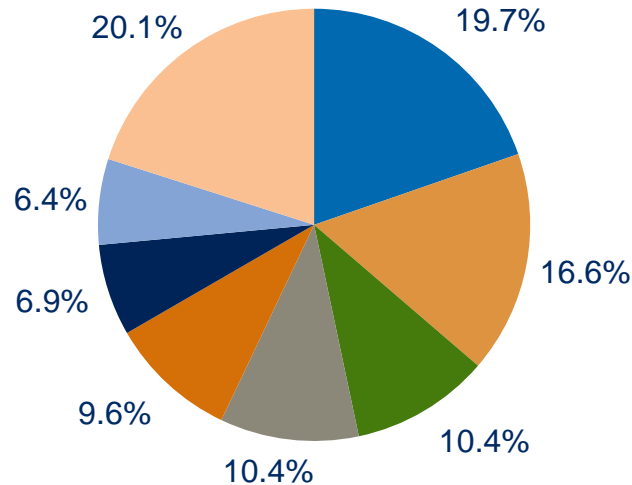
Schroder Real Estate Fund of Funds – CEF I

Actively managed, diversified Continental European property fund

Overview

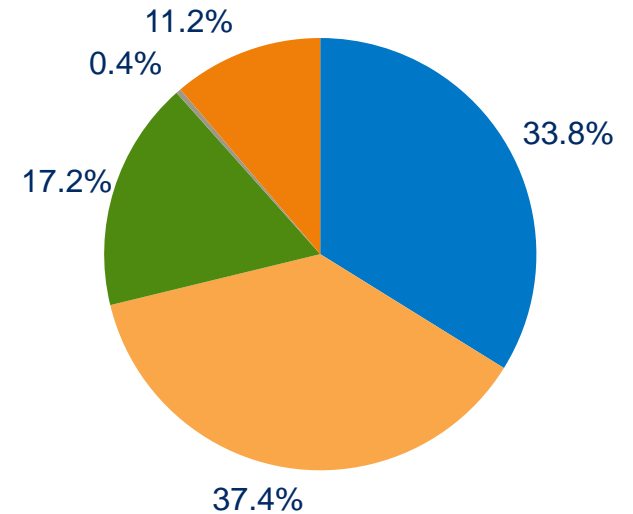
- Closed ended fund valued at €101.3 million
- Twelve year life fund to 2018
- Exposure to 12 real estate funds and 1 REIT with total assets of c€8 billion
- Undrawn commitments cancelled and capital being returned to investors
- Diversified by country and sector

Country weightings, % NAV



- Denmark
- United Kingdom
- Spain
- Portugal
- Sweden
- France
- Poland
- Other

Sector weightings, % NAV



- Office
- Industrial
- Other
- Retail
- Residential

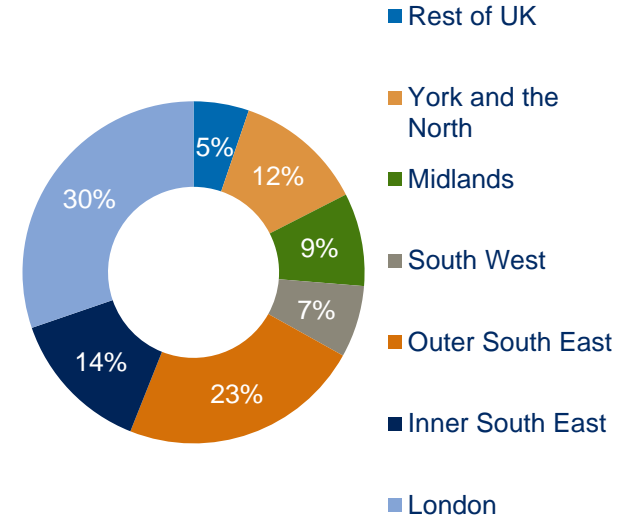
Source: Schroders, 30 June 2015

Industrial Property Investment Fund

4.3% of NAV

- Sector specialist industrial fund
- Managed by L&G with Jones Lang LaSalle
- Fund targets multi-let industrial estates with a South-East bias
- Very strong performance track record, outperforming both its peer group benchmark and the portfolio's benchmark

Regional exposure (%)



Walthamstow

Performance to Q2 2015	Q2 2015	12m	3 yrs	5 yrs	10 yrs
Fund return	3.9	27.1	18.2	13.0	7.4
Benchmark*	3.3	15.5	10.6	8.5	4.2

Source: Schroders, IPD, 30 June 2015. *Benchmark is AREF/IPD UK Quarterly Property Fund Indices All Balanced Funds Weighted Average

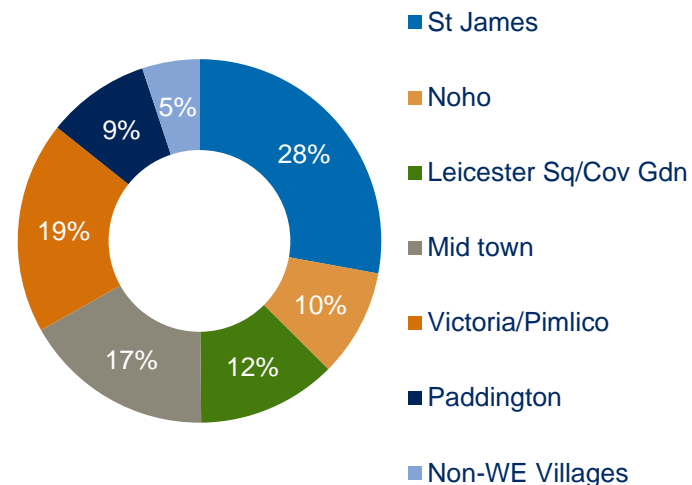
West End of London Property Unit Trust¹

3.2% of NAV

- Sector specialist Central London office fund
- Very strong performance track record, outperforming the AREF/IPD ABFWA over one, three, five and ten years
- In 2014 investors voted to extend the life of the fund and approve the following resolutions:
 - Extend the investible area
 - Introduce regular liquidity
 - Changes to the fee basis

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London sub-sector weightings %



7 Bishopsgate,
London EC2

Performance to Q2 2015	Q2 2015	12m	3 yrs	5 yrs	10 yrs
Fund return	7.7	23.5	23.5	20.2	13.7
Benchmark*	5.5	22.7	18.1	15.7	10.2

Source: Schroders, IPD, 30 June 2015. * Benchmark is AREF/IPD UK Quarterly Property Fund Indices All Balanced Fund Weighted Average

¹ Schroder managed fund

Metro PUT¹

£2.2m commitment

- Identified a strong fund manager at Hermes
- Structured best market terms for a new fund, exclusively for our clients
- Set clear investment guidelines and parameters
- Initial investments predominantly in south east business space



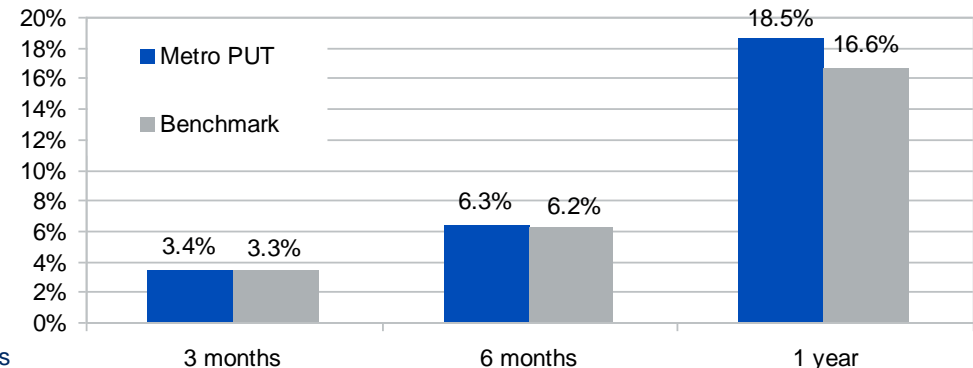
Bursom Industrial Estate, Leicester



Northside House, Bromley

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Metro Property Unit Trust – performance



¹ Schroder managed fund

Source: Schroders, June 2015. Benchmark is AREF/IPD Quarterly Property Fund Indices – All Balanced Funds Weighted Average

Portfolio

Investment activity, end Q2 2014 – end Q2 2015

Capital returned	£9.2m	
Lend Lease Real Estate Partners 3	£3.1m	Asia
Hansteen UK Industrial Property Fund	£2.3m	Specialist
Threadneedle Strategic Property Fund IV	£1.8m	Opportunity
Continental European Fund I	£1.3m	Europe
Gresham Real Estate Fund II	£0.6m	Opportunity
Ashtenne Industrial Fund	£0.1m	Specialist
Palmer Capital Development Fund	£0.03m	Opportunity

Sales	£6.8m	
BlackRock UK Property Fund	£2.5m	Balanced
Hansteen UK Industrial Property Unit Trust	£2.3m	Specialist
West End of London Property Unit Trust	£2.0m	Specialist

Acquisitions	£12.4m	
Real Income Fund	£2.8m	Alternatives
BlackRock UK Property Fund	£2.7m	Balanced fund
Multi-let Industrial Property Unit Trust	£1.9m	Partnership
Schroder UK Real Estate Fund	£1.6m	Balanced fund
Ashtenne Industrial Fund	£1.5m	Specialist
Hermes PUT	£1.1m	Balanced fund
Legal and General Managed Property Fund	£0.8m	Balanced fund

- Equity returned from 2009/10 vintage funds, Asia and continental Europe
- Central London exposure reduced
- Reinvestment has focussed on industrials, balanced funds and alternatives
- Cash has increased as a result of capital returns but is fully committed to investment

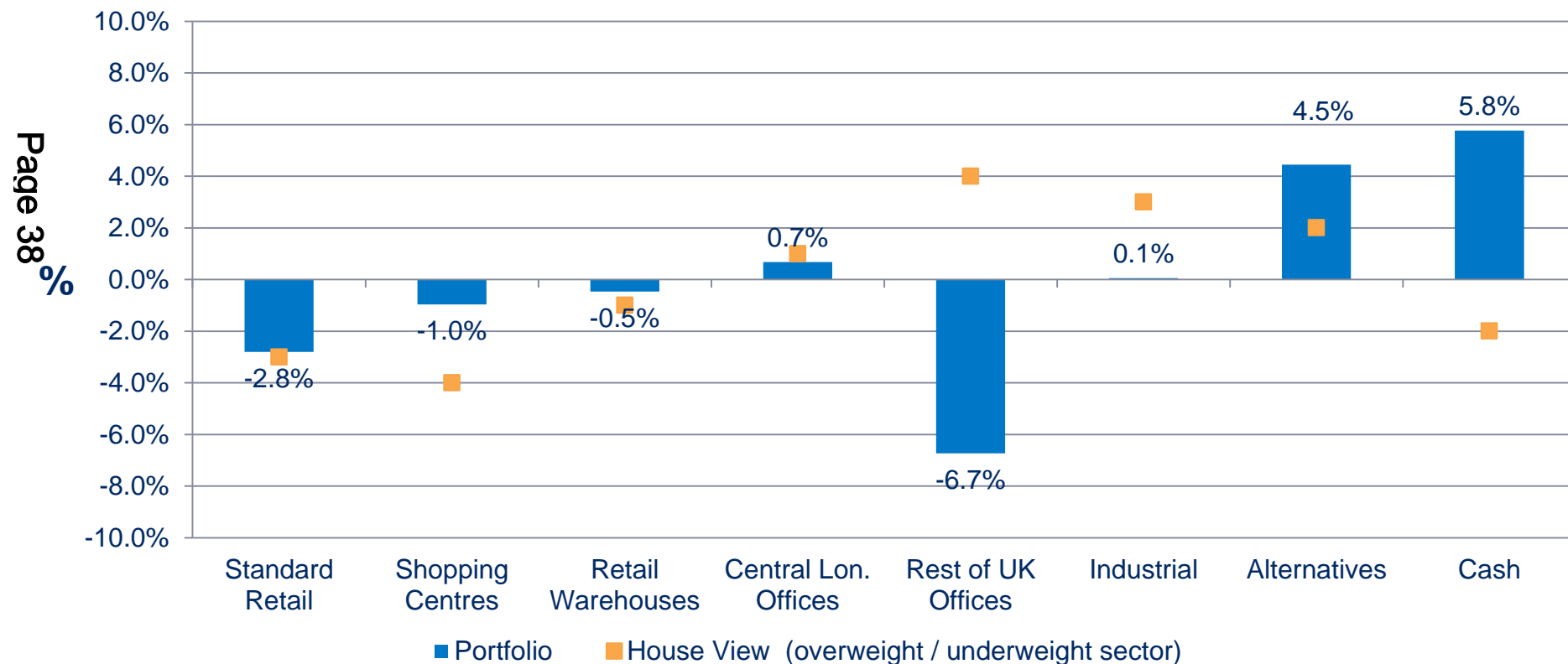
Source: Schroders, 30 June 2015

Strategy



UK sector weightings

UK sector weightings relative to benchmark*



Data subject to rounding. *Benchmark AREF/IPD UK Quarterly Property Fund Indices – All Balanced Funds Weighted Average.

Source: Schroders, IPD, 30 June 2015

Strategy

Summary

- Equity has been returned from 2009/10 vintage funds, Asia and Continental Europe
- We have also reduced the portfolio's Central London office position
- These proceeds have been allocated predominantly to industrials and existing balanced fund holdings
- The current cash position is high but temporary as cash is fully committed to investment
- We aim to increase exposure to regional opportunities
- We continue to favour alternatives where rental growth is less correlated with the business cycle, income yields are attractive and total returns are relatively resilient

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Appendices

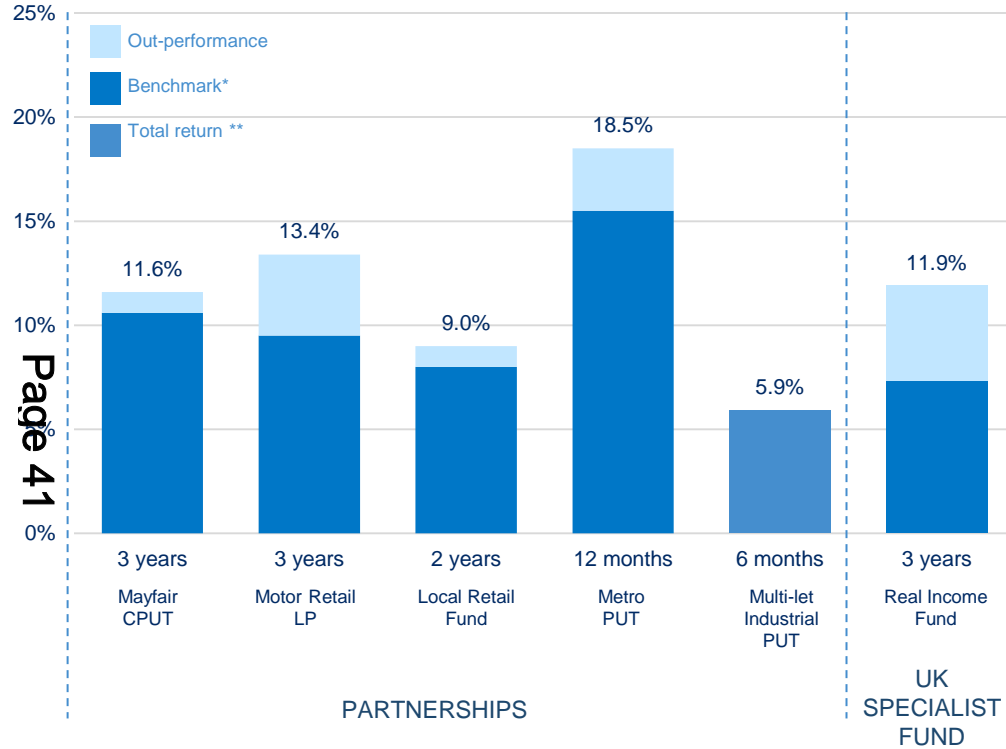


Schroders

Summary of existing partnerships

Consistent out-performance across strategies

Total return of existing partnerships
Out-performed respective benchmarks*



Summary of existing partnerships
As of June 2015

Partnership	Sector	Strategy	Partner	Total GAV	# of assets	Average lot size
Mayfair Capital PUT	Commercial	UK recovery play/ target high yielding, income producing assets in the UK	Mayfair Capital	£209.6m	41	£4m-£15m
Motor Retail LP	Retail/ Motor retail	Undervalued niche market sector/ achieve a diversity and good balance of assets, tenants, manufacturers and locations in the UK	Automotive Property Consultancy Ltd	£59.8m	29	£3m-£7m
Local Retail Fund	Retail	Convenience retail assets in neighbourhood locations in the UK	Waypoint asset management	£81.0m	37	£1m-£7m
Metro PUT	Commercial	Small lot size aggregation across UK	Hermes REIM	£115.9m	27	Sub £10m
Multi-let Industrial PUT	Industrial	Multi-let industrial across UK/ active asset management	JLL	£21.6m	5	Sub £10m
Total	-	-	-	£487.9m	139	-

Source: Schroders, June 2015


Note: Performance data compares Partnership total return over three years or longest available time period (excluding investment period) versus equivalent benchmark return. All data to 30 June 2015.

Benchmarks*: Mayfair Capital PUT and Metro PUT: AREF/IPD UK Quarterly Property Fund Index – All Balanced Funds weighted average, Motor Retail LP: Absolute return of 9.5% per annum, Local Retail Fund: Absolute return of 8.0% per annum, Multi-Let Industrial PUT: UK IPD Industrials + 0.5% per annum (no benchmark is presented as the portfolio has been established for less than one year), Real Income Fund: Real return, RPI + 5.0% per annum
** This fund is still in its investment phase and there is no comparable benchmark

Investment case studies

Partnership funds

Mayfair Capital Property Unit Trust

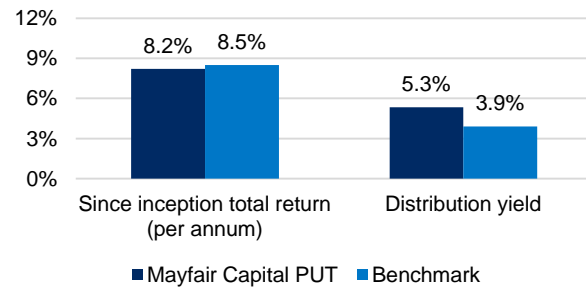



Investment rationale (2010)
 Take advantage of recovery in UK commercial real estate following the 2007-2009 market correction
 Target higher yielding, income producing assets in the UK
 Access to an experienced fund manager with a strong balanced fund management pedigree

Outcome
 A portfolio of low risk assets with a high distribution yield

Performance
 Total Return: 8.2%
 IRR: 8.1%
 Equity Multiple: 1.5x

Current value
£209.6m



Motor Retail Limited Partnership

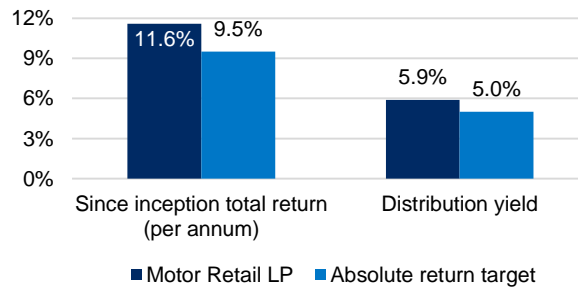



Investment rationale (2011)
 14 car dealerships acquired at a 7.1% NIY with WAULT of 19.3 years and annual RPI /fixed uplifts.
 Perceived to be mis-priced given 'double cover', improved b/s of operator and insulation from e-tail.
 50/50 JV with Schroder direct UK fund, advised by Automotive PC Ltd.



Outcome
 Portfolio is held with a view to crystallising in 2016

Performance
 Total Return: 11.6%
 IRR: 11.4%
 Equity Multiple: 1.6x

Current value
£59.8m



Local Retail Property Unit Trust

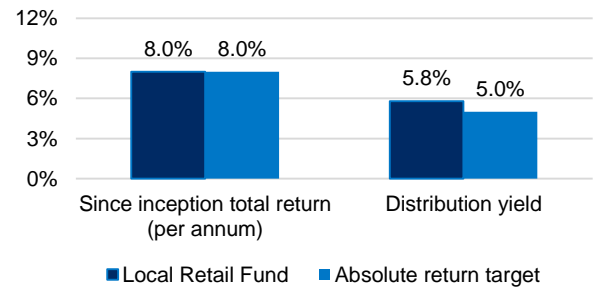



Investment rationale (2012)
 Target sectors of the UK real estate market where total returns are expected to be less dependent on wider economic growth, such as convenience retail
 Access to a specialist advisor, Waypoint Asset Management, with a long history and track record in the convenience retail sector

Outcome
 A portfolio of convenience retail assets generating a high distribution yield

Performance
 Total Return: 8.0%
 IRR: 8.0%
 Equity Multiple: 1.3x

Current value
£81.0m



Source: Schroders June 2015. Performance is shown against each fund's respective benchmark; Mayfair Capital PUT: AREF/IPD UK Quarterly Property Fund Index – All Balanced Funds weighted average, Motor Retail LP: Absolute return of 9.5% per annum, Local Retail Fund: Absolute return of 8.0% per annum. Note: Distribution yield for Mayfair Capital PUT is the AREF/IPD UK Quarterly Property Fund Index – Other Balanced Funds weighted average which is more representative as the All Balanced Funds include an element of non-distributing funds.

Investment case studies

Partnership funds

Metro Property Unit Trust



Investment rationale (2013)

Target small lot size bands in all UK sectors positioned to offer better value than larger assets in current cycle

Strong occupational demand for small lot size assets, driving rental growth in certain locations

Access to a top UK real estate fund manager, James Real Estate, with strong asset sourcing capabilities

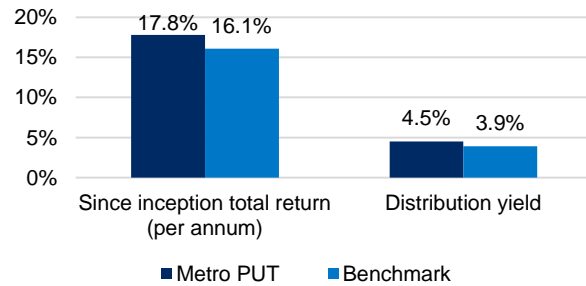
Outcome

A portfolio of low risk assets in the small lot size range with a high distribution yield

Performance

Total Return: 17.8%
IRR: 17.8%
Equity Multiple: 1.3x

Current value
£115.9m



Multi-Let Property Unit Trust



Investment rationale (2014)

Target sub £10m lot size multi-let industrial assets across the UK

Manage the estates extensively to grow the income through lettings, re-gears and good estate management

Access to a leading industrial advisor, Jones Lang La Salle, with a strong performance track record in the sector

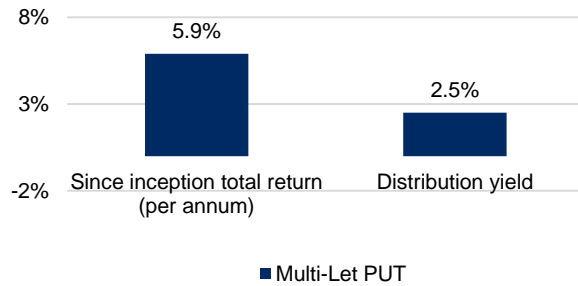
Outcome

Portfolio is held with a view to crystallising in 2016

Performance

Total Return: 5.9%
IRR: -0.3%
Equity Multiple: 1.0x

Current value
£21.6m



Real Income Fund



Investment rationale (2011)

Unique, income-focussed and thematic investment approach targeting real estate investments with low correlation to GDP growth

Typical lease structures are longer than average with fixed or inflation linked uplifts

Access to alternative areas of the real estate market with specialist partners

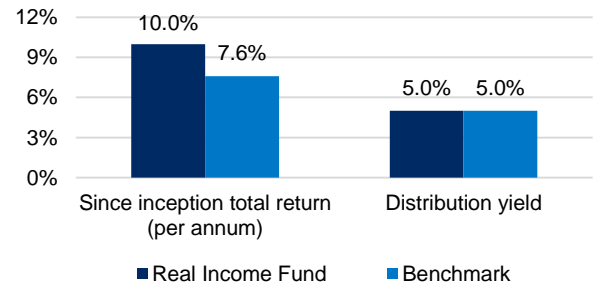
Outcome

Five strategies including healthcare, leisure and student accommodation

Performance

Total Return: 10.0%
IRR: 10.3%
Equity Multiple: 1.5x

Current value
£228.1m



Source: Schroders June 2015. Performance is shown against each fund's respective benchmark; Mayfair Capital PUT: AREF/IPD UK Quarterly Property Fund Index – All Balanced Funds weighted average, Motor Retail LP: Absolute return of 9.5% per annum, Local Retail Fund: Absolute return of 8.0% per annum. Note: Distribution yield for Mayfair Capital PUT is the AREF/IPD UK Quarterly Property Fund Index – Other Balanced Funds weighted average which is more representative as the All Balanced Funds include an element of non-distributing funds.

Strategy

Regional office fund

- No credible specialist regional office funds are available for investment.
- SRECaP has shortlisted seven expert managers to advise on a new partnership fund.
- Two parties have been selected to present to the SRECaP Investment Committee.
- Partner to be selected in early September.
- New fund is likely to be:
 - Jersey based property unit trust
 - Open-ended
 - Ungeared
 - Well diversified by location
 - Exclusive to SRECaP clients

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Abbey View, St. Albans (illustrative example from Threadneedle PUT)

Source: Schroders, 30 June 2015.

CEF I portfolio

31 March 2015

APPENDIX I: SCHRODERS PRESENTATION

Fund Style	Fund	Target holding market	% total NAV	GAV (€mn)	Gearing % LTV	No of properties
Core	Sierra Portugal Fund	Portugal, retail	6.1	368.6	61.0	9
	Henderson Herald	Europe, retail	4.8	697.2	45.3	12
Value add	NREP Logistics AB	Nordic, logistics	12.5	496.5	48.4	28
	Axa European Value Add Fund	Europe all sectors	2.7	112.3	56.9	29
	Valad V+ Nordic Fund	Nordic, all sectors	1.0	269.1	91.6	43
	Pradera Central & Eastern Europe	Central Europe, retail	10.3	234.2	56.0	6
	API Property Fund Denmark	Denmark, all sectors	17.0	840.7	60.6	51
	Corestate German Residential	Germany, residential	0.4	84.9	76.0	134
	Cornerstone Nordic Retail Fund	Nordic Retail	9.2	667.0	53.8	16
	Rynda en Primeur	France, office / industrial	8.6	134.2	56.2	29
Opportunity	AXA European Real Estate Opportunity Fund II	Europe, all sectors	17.7	166.4	58.0	2
	FREO Germany II Partners	Germany, all sectors	1.3	58.6	0.5	2
Listed	IGD Siiq	Europe, retail	3.2	1,951.2	48.3	71
	Net cash and other assets		5.1			
	Total (€m) / Weighted Average (%)		100.0	4,129.6	50.9%*	227**

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Data may be subject to rounding errors. *Calculated on a look through basis to underlying real estate funds divided by CEF I net asset value excluding listed securities; **Total number excludes Corestate and ANF Immobilier due to their large exposure to residential properties.

Source: Schroders and fund documentation, 30 June 2015

EU referendum – risks to City of London

Uncertainty could restrain demand up to 2017

■ Pre-referendum:

- Occupier demand and development activity weaken as referendum approaches
- Availability levels start to rise

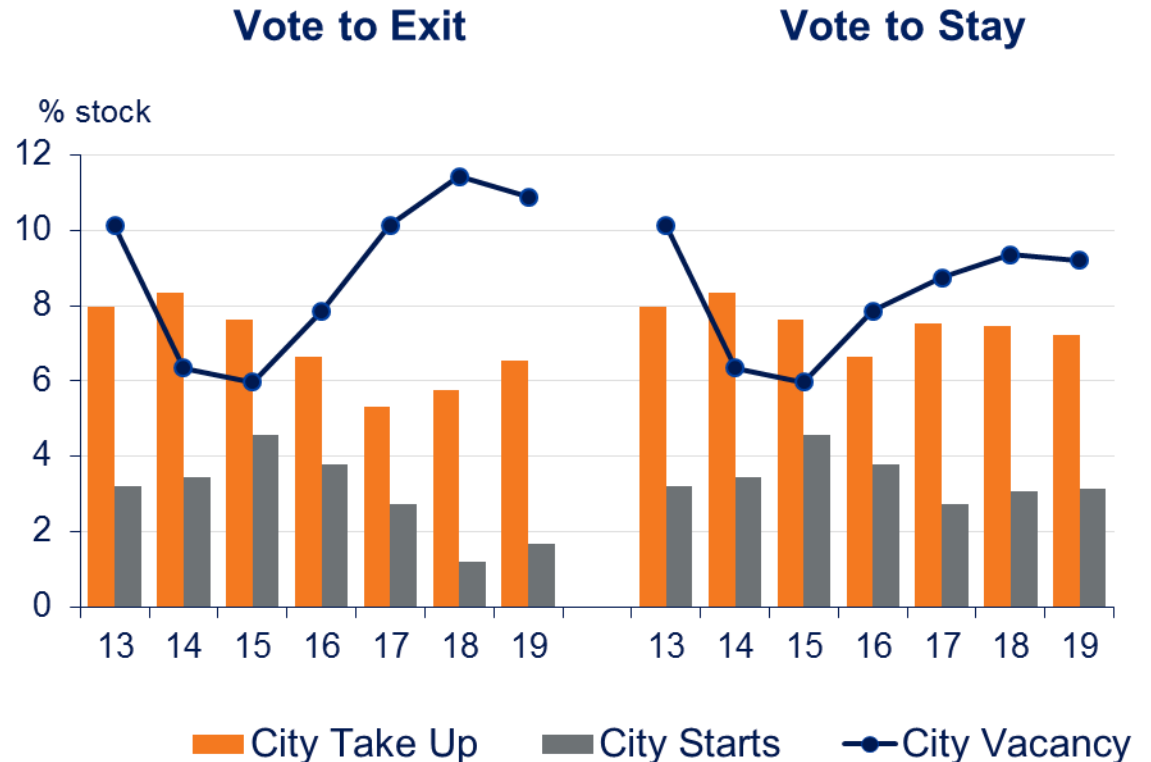
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■ Vote to Exit EU:

- Occupier demand sees minor rebound but remains weak
- Availability continues to increase
- Rental values fall significantly and development activity stalls

■ Vote to Stay in EU:

- Occupier demand and development levels return to trend
- Medium term rental values resume growth. Longer term, less certain



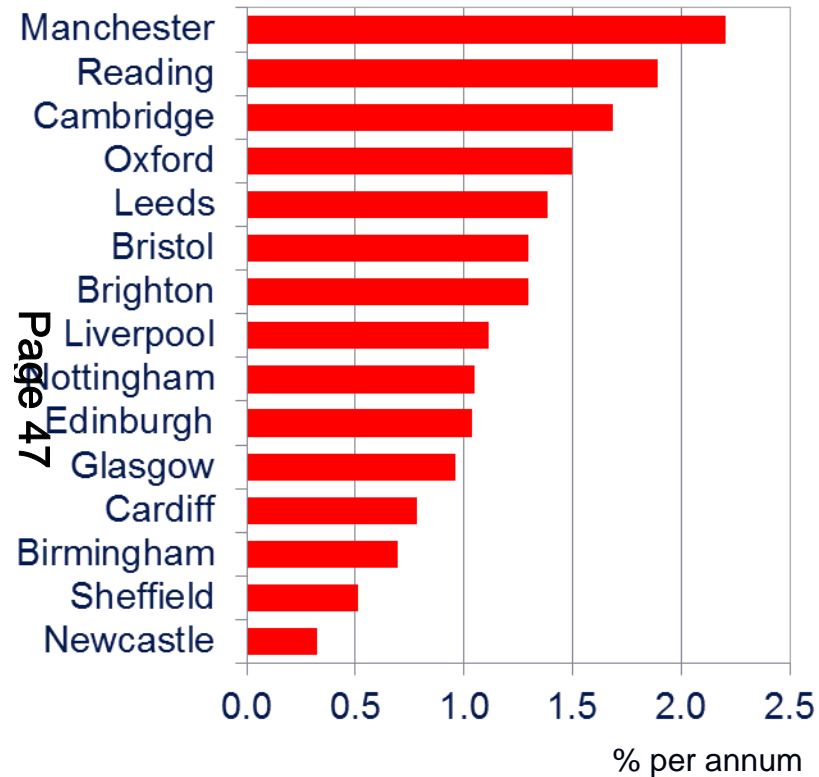
Source: PMA, Schrodgers, July 2015.

Note. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. Please see Important Information regarding forecasts

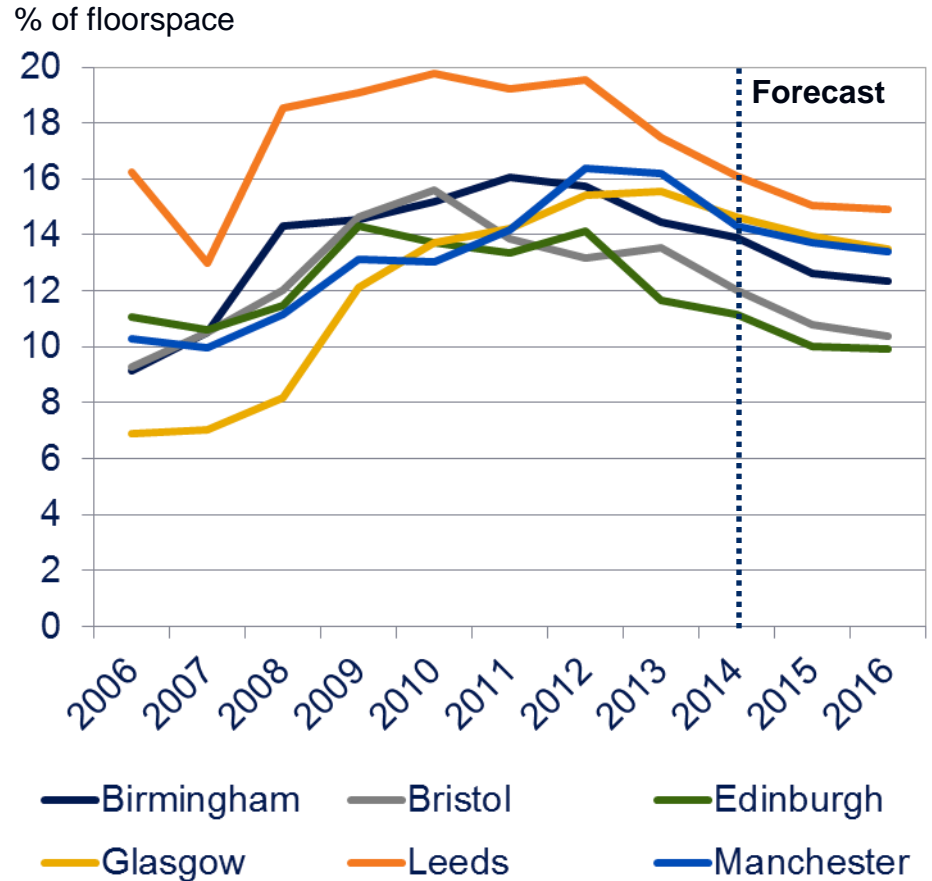
Major regional office markets

Private sector demand is recovering, but high vacancy persists in several cities

Growth in office employment Forecast 2014-2019



Vacancy rates



Source: Oxford Economics, PMA. June 2015. Data include city centres and out of town office parks.
 Note. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. Please see Important Information regarding forecasts.

Forecast office rental growth

The speed and timing of the upswing will vary across cities

Group Composition

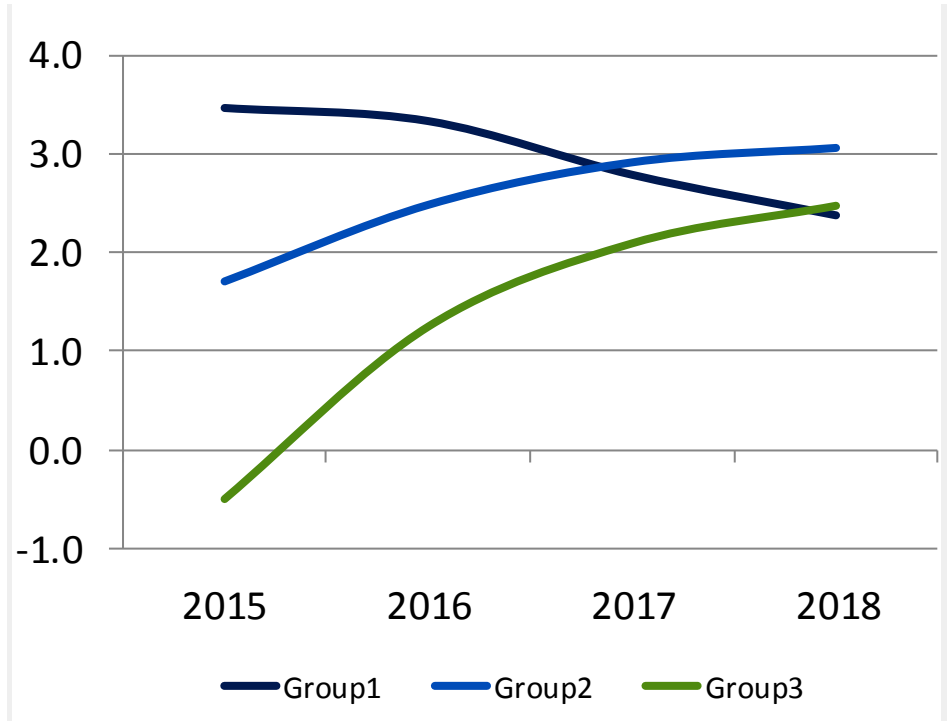
(Within groups, markets are ranked by avg. growth 2014-2018)

Group 1
London
Stockholm
Munich
Frankfurt
Berlin
Hamburg
Cologne
Vienna
Stuttgart

Group 2
Paris: CBD
Paris: La Défense
Lyon
Madrid
Barcelona
Brussels
Copenhagen
Amsterdam
Dusseldorf
Budapest
Marseille
Lisbon
Lille

Group 3
Prague
Rotterdam
Helsinki
Milan
Warsaw
Rome
Geneva
Zurich

Average rental growth patterns (group averages, %)



Source: Schroders, December 2014. Note forecasts are for average investment grade offices, not prime.

Graeme Rutter, MRICS – Head of Real Estate Capital Partners

- Twenty one years investment experience
- Joined Schroders in 2007
- Previously Fund Manager responsible for Morley (now Aviva) Fund Management's property multi-manager team
- 1998 – 2004 Director, Investment Agency, Savills
- Commenced his career at Weatherall Green & Smith specialising in valuation
- Member of the Royal Institution of Chartered Surveyors (MRICS), holder of the IMC and a corporate finance representative under the SFA
- Chairman of the Association of Real Estate Funds (AREF) Investor Committee; Chairman of the Investment Property Forum (IPF) Indirects Working Group; member of the AREF / IPD UK Property Funds Index Consultative Group
- BSc (Hons) Geography University of Bristol, Diploma in Land Economy (Commendation) University of Aberdeen



Anthony Doherty, MRICS – Property Fund Manager

- Real Estate Fund Manager, based in London
- Responsible for portfolio management, client servicing, portfolio analysis and strategy. Promoted to Manager in the capital partners team in 2005, which he joined as a fund analyst in 2004. In 2001 he joined Schroder Real Estate as a research analyst. Investment career started upon joining Schroders as a research assistant in the Economics team in 2000
- BSc (Hons) in Economics and Business
- Member of the Royal Institution of Chartered Surveyors (MRICS)
- Holder of the IMC and a corporate finance representative under the SFA



Important information

APPENDIX I: SCHRODERS PRESENTATION

Participation in the Schroder Real Estate Capital Partners service may involve investment in various asset classes including property equity and collective investment schemes ("Funds") within the meaning of Section 235 of the Financial Services and Markets Act 2000 ("FSMA"). Most of these Funds are not authorised unit trust schemes, OEICs or recognised schemes within the meaning of the FSMA and therefore constitute unregulated collective investment schemes. The Schroder UK Property Fund is authorised by the Financial Conduct Authority (the "FCA") as a Qualified Investor Scheme ("QIS"). Only investors that meet the requirements for eligibility to invest in a QIS, as specified in COLL 8, Annex 1, of the FCA's Handbook may invest in Schroder UK Property Fund

Investors and potential investors should be aware that past performance is not a guide to future returns. No warranty is given, in whole or in part, regarding performance of the portfolio and there is no guarantee that the investment objectives will be achieved. The value of units and other investments and the income from them may fluctuate upwards or downwards and cannot be guaranteed. Property-based pooled vehicles such as property unit trusts, invest in real property, the value of which is generally a matter of a valuer's opinion. It may be difficult to deal in the units or to sell them at a reasonable price, thus creating a liquidity risk. There may be no recognised market for units in the Funds and, as a result, reliable information about the value of units in the Funds or the extent of the risks to which they are exposed may not be readily available. A potential conflict with the Manager's duty to the client may arise where the Manager invests in units in a Fund(s) managed by itself or an Associate. However the Manager will ensure that such transactions are effected on terms which are not materially less favourable than if the potential conflict had not existed.

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Agenda Item 4

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investec Performance for the period end 30 June 2015		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	2 September 2015

1. SUMMARY

- 1.1 This report is a presentation by the Pension Fund's Fund Manger Investec on the performance of the property portfolio for the period ending 30 June 2015.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance of the Fund Manager is for noting.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are covered in the quarterly performance report from the Fund's advisors, Hymans Robertson – see separate agenda item..

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

- 7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

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

9. EQUALITIES IMPLICATIONS

- 9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached. Commentary will be provided at the meeting by the Fund Manager presenting.

FURTHER INFORMATION

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

David Austin, Head of Corporate Resources on 020 831 49114.

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	State Street Local Authority Performance Review for 2014/15		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	2 September 2015

1. SUMMARY

- 1.1 This report is a presentation by State Street on the performance of Lewisham Pension Fund relative to other Local Authority Funds for the year ending 31st March 2015.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites State Street to make a presentation on their Local Authority performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance Lewisham Pension Fund is worth noting.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications.

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

- 7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

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

9. EQUALITIES IMPLICATIONS

- 9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached. Commentary will be provided at the meeting by State Street.

FURTHER INFORMATION

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

David Austin, Head of Corporate Resources on 020 831 49114.

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	London LGPS Collective Investment Vehicle - update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	2 September 2015

1. SUMMARY

- 1.1 This report seeks members agreement to invest £150,000 required for regulatory capital for the London Local Government Pension Scheme Collective Investment Vehicle Ltd (London CIV) and to delegate authority for moving Pension assets into the London CIV to the Executive Director for Resources and Regeneration in consultation with the Chair of the Pension Investment Committee (PIC).

2. RECOMMENDATION

- 2.1 The Committee is recommended to:
1. Approve the payment of an annual service charge of £25,000 to support the operational costs of the London CIV while the Council remains an owner of the company.
 2. Approve the payment of £150,000 to the London CIV for use as regulatory capital to meet the requirements for Financial Conduct Authority authorisation.
 3. Approve, where circumstances arise and the PIC is not available for consultation, to delegate authority to the Executive Director of Resources and Regeneration in consultation with the Chair of PIC to authorise the transition of pension fund assets into the London CIV. This is subject to the necessary financial due diligence being performed by officers and relevant professional (financial and legal) advice being received.

3. BACKGROUND

- 3.1 The London Local Government Pension Scheme Collective Investment Vehicle (London CIV) was created by London Councils coming together in response to Government papers dating back to June 2013. Government Ministers have shown significant interest in the LGPS over the last two years and have been particularly keen to consider options for reform that might deliver cost savings and efficiencies.
- 3.2 Under the leadership of the London Councils, the London CIV has become a reality in the form of a limited company owned by the London Boroughs. The CIV is in the process of being reviewed for regulatory approval. Which, once granted, will enable it to begin to take on pension fund mandates from London Boroughs.

4. PROGRESS

- 4.1 On 17th July 2014 the London LGPS CIV Limited (trading as London CIV) was incorporated. Thirty London local authorities (including Lewisham) have become shareholders and active participants in the CIV programme and have each contributed £50,000.
- 4.2 The London CIV has made significant progress, some of which is briefed below:
- Appointment of Northern Trust as the Asset Servicer for the London CIV. This includes depositary, fund administration and custody services.
 - Submission of the regulatory application for Company authorisation to the Financial Conduct Authority (FCA) on 26th June 2015.
 - Appointment of Hugh Grover as interim Chief Executive of London CIV for a period of 18 months starting from 1 May 2015.
 - The establishment of the Pensions CIV Joint Committee (first meeting December 2014).
 - The formation of a new officer committee, the Investment Advisory Committee, under the leadership of the Society of London Treasurers.
 - Commencement of the recruitment process for permanent Board members.
 - Discussions with fund managers with similar mandates with more than one London Borough to explore the opportunities for consolidating these funds.

5. SERVICE CHARGE

- 5.1 The Pension Joint service committee have made the decision to put in place an annual service charge (currently set at £25,000). This will be a fixed fee and will not be dependent on the size of the fund, or whether you have decided to move Pension Fund assets into the CIV.

6. REGULATORY CAPITAL

- 6.1 It is a regulatory requirement for a Company managing and operating an Authorised Contractual Scheme (ACS) fund to have a minimum level of 'regulatory' capital (RC) that is separately identifiable and readily available (liquid). RC is required to ensure the ongoing viability of a Company faced with an unforeseen event that might otherwise cause its insolvency, and to cover the potential exposure of the Company to professional liability in respect of all its activities. Effectively it is a reserve designed to protect investors in the fund (not investors in the Company) by ensuring that the Company can continue trading if faced with an unplanned liability or event that might otherwise put it out of business. While it might be argued that the nature of the CIV and its relationship with its investors (who at the outset at least are all also owners of the Company) makes the need for such protection less necessary, there are no exceptions or exemptions under the regulations.
- 6.2 The proposal is that each participating borough should contribute equal amounts in the form of share capital. It is permissible to invest regulatory capital to generate a return (and this would be the intention for the CIV) but it must be in near-cash assets (e.g. gilts).
- 6.3 The amount of regulatory capital required at any point in time is dictated by a formula (broadly driven by the quantum of assets under management) up to a maximum of £10 million. It is proposed that the boroughs each contribute share capital of £150,000 at the outset which will effectively over-capitalise the Company

but is estimated to address the regulatory capital issue at least through the first three years of the CIV's development.

- 6.4 It should be noted that the injection of RC by the participating boroughs should be seen effectively as an investment and not expenditure, as it will remain as an asset of the borough and will be invested by the Company in liquid assets which will generate a return.

7. DELEGATION OF AUTHORITY TO TRANSFER FUNDS

- 7.1 The CIV has now reached a stage where managers with multiple mandates across London have provided their best and final offers on fees for inclusion in the CIV. Each borough which currently invests with that manager will be asked in the near future whether they wish to transfer existing funds with that manager to the CIV under the CIV fee schedule.

- 7.2 Once those indications are received contracts will need to be signed and funds transferred. This can only be undertaken once the FCA have authorised the CIV Operator and Fund for trading. This authority is expected by Autumn 2015. For the CIV to launch on schedule it is imperative that boroughs are able to sign off on the transition of current mandates into the CIV and associated capital. Otherwise there is the real possibility that the CIV launch will be delayed, thereby reducing the immediate benefits to the boroughs.

- 7.3 Accordingly, in order that the Council can start to receive CIV fee reduction benefits as soon as possible it is proposed to delegate authority to the Executive Director for Resources and Regeneration to settle any contracts concerned with the CIV on behalf of the Council and Pension Fund. This is likely to include signing contracts, transferring funds, and supplying capital for investment as regulatory capital. In exercising this discretion the Executive Director for Resources and Regeneration will be in consultation with the Chair of PIC, and having regard to the necessary financial due diligence being performed by officers and relevant professional (financial and legal) advice being received.

- 7.4 The necessary due diligence will include, but not be limited to, assessing the potential benefits from transitioning into common mandates at the same time as other boroughs, the cost of transition, the tax and crossing risks of the structures to be operated by the CIV compared to current arrangements, the difference in management fee, and any impact on the balance of the Council's overall fund structure and assets held in line with the agreed investment strategy.

8. FINANCIAL IMPLICATIONS

- 8.1 The payment of £150,000 will be considered as an investment and not a contribution. This means that if Lewisham was to withdraw the equity, the money will be refunded after a one year notice period. While invested, the Joint Pension Committee of the London CIV will decide what will happen to the return gained from this shareholding.

- 8.2 If Local Authorities outside of London decide to invest in the London CIV, then there is the potential that the regulatory capital will need to be increased, and this will mean more contributions from the Shareholders. The Joint Pension Committee has decided that this class of shareholding, as with the voting shares, should be restricted to the London Boroughs.

9. LEGAL IMPLICATIONS

- 9.1 Paragraph 4 of this Report updates the Committee with the progress of the CIV. It has yet to be approved by the FCA for trading but is at an advanced state of preparation.
- 9.2 As set out in the body of the Report, the CIV will require operating capital to enable it to meet all of the expenses of running the company. This is proposed to be met by a service charge of £25,000 from each Council so long as it has an ownership stake in the company. This is not an unreasonable requirement if the company is to be well run for the interests of its shareholders.
- 9.3 It is recommended that the Committee also agree to an initial investment of £150,000 as a contribution to the CIV's regulatory capital as required by law and explained at paragraph 6 of this Report. Again, the Council, as Administering Authority for its Pension Fund and a shareholder in the CIV, (which is wholly owned by the 30 London Councils) must ensure that that the capital required by the company is sufficient to meet its legal obligations to investors in the fund and any professional liability in relation to the same.
- 9.4 The Pensions Investment Committee has been delegated with the responsibility of exercising all functions of the Council in relation to local government pensions under the Superannuation Act 1972 and all other relevant pensions legislation including the overall investment strategy and policies of the fund. It is therefore the appropriate body to make the decision whether to invest in the CIV.
- 9.5 If the Committee does determine to invest in the CIV, then such investment will be subject to the Council's published Statement of Investment Principles, (which itself will need amending to reflect the establishment of the CIV) and the relevant investment thresholds prescribed in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended which set limits on the percentage of the fund which can be invested in different types of investment.
- 9.6 The recommendation to delegate authority to the Executive Director of Resources and Regeneration in consultation with the Chair of PIC to authorise the transition of pension fund assets into the London CIV is permissible under the Schedule of Delegation to officers in relation to the functions of the Pensions Investment Committee under the Council's Constitution. As stated in the Recommendation, this is subject to the necessary financial due diligence being performed by the Executive Director of Resources and Regeneration and relevant professional (financial and legal) advice being received. Any decision taken by the Executive Director would have to be reported back to the Committee.

10. CRIME AND DISORDER IMPLICATIONS

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

11. EQUALITIES IMPLICATIONS

- 11.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector

Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

- 11.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

12. ENVIRONMENTAL IMPLICATIONS

- 12.1 There are no environmental implications directly arising from this report.

FURTHER INFORMATION

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

David Austin on 020 8314 9114, or Adeola Odeneye Principal Accountant Strategic Finance on 020 8314 6147

Background Documents

London LGPS Collective Investment Vehicle	26 Jun 2014	http://councilmeetings.lewisham.gov.uk/documents/s29590/item%208%20Collective%20Investment.pdf
Briefing on a London LGPS Collective Investment Vehicle	20 Feb 2014	http://councilmeetings.lewisham.gov.uk/documents/s27484/Collective%20Investment%20Vehicle%20Briefing%20for%20PIC.pdf
Update on the Local Government Pension Scheme reforms	2 Sep 2013	http://councilmeetings.lewisham.gov.uk/documents/s24288/Item%206%20-%20LGPS%20Reform%20-%20PIC0200913.pdf

Agenda Item 7

Pension Investment Committee			
REPORT TITLE	Pension Investment Committee Pensions update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	2 September 2015

1. PURPOSE

- 1.1. This paper provides members with an update on Pension related matters and action points raised in the previous meetings.

2. RECOMMENDATIONS

- 2.1. Members are asked to note this report.

3. BACKGROUND

- 3.1. This briefing will provide a summary of current topics and follows up on action requested in previous meetings.

4. CURRENT CONSIDERATIONS

Pension Board

- 4.1. The first local pension board met on the 23rd July 2015. The board is made up of four representatives:
 - Elizabeth Sclater, a Lewisham pensioner (Employee representative)
 - Tony Smith a Union representative from GMB (Employee Representative)
 - Alex Bush, a Lewisham Homes representative (Employer Representative)
 - Andreas Ghosh, a Lewisham Council representative (Employer Representative) sent his apologies.
- 4.2. At present there is no Chairperson of the local pension board. Officers have been instructed to advertise for the position. The board went through the terms of reference and other policy documents. The board

decided that training will be their priority. The board have agreed to meet three to four times a year. The next meeting is due to occur in late September, early October.

Actions arising from previous Pension Investment Committee:

London Living wage report

- 4.3 In the February 2015 meeting, during BlackRock's presentation, a question was asked with regards to the living wage index and a request was made for a report on the impact of the London living wage across the pension fund. The preparation of this report has been considered by officers and there is no obvious way to assess the impact of a living wage across the pension fund. The fund is invested across a range of assets on a global basis such that the variables to be considered are too many and too remote from the information available to be able to do this. For this reason this action cannot be progressed.

Offsite visit to Fund Managers

- 4.4 Members showed interest in attending the offices of the fund managers as part of their training development. It has now been agreed with M&G and BlackRock that site visits will take place on 25th November 2015 at 11 am, and 21st January 2016 at 12 pm respectively. Members are asked to confirm with officers whether they are able to attend these dates so that the firms can be advised on numbers.

Smart Beta proposals

- 4.5 Members have discussed moving a portion of the passive funds into Smart Beta. It had been requested that a report be presented to this PIC with a proposal for consideration. However, as discussed at the last meeting and in consultation with the Chair, this request has been put on hold pending members' consideration of options for the Credit Financing and Commodities mandates, the commitment to transition passive mandate(s) to the London CIV, and the results of the tri-ennial valuation in 2016 when the investment strategy will be revisited.

Training

- 4.6 Members were asked to complete a skills and knowledge audit at the last meeting. A schedule of current training opportunities over the next three months is provided in appendix one. A full list of training available for the year ahead is provided in the Pension Fund 2015-16 business plan.

5. LEGAL IMPLICATIONS

- 5.1. Legal Implications to follow.

6. FINANCIAL IMPLICATIONS

- 6.1. There are no financial implications arising from this report.

7. CRIME AND DISORDER IMPLICATIONS

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

8. EQUALITIES IMPLICATIONS

- 8.1. The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 8.2. The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

9. ENVIRONMENTAL IMPLICATIONS

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

10. BACKGROUND DOCUMENTS

- 10.1. None

APPENDICES:

Appendix one: Upcoming PIC related training as at Sept 15

For further information on this report please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

or

Adeola Odeneye, Treasury and Pension Manager on 020 8314 6147 or at adeola.odeneeye@lewisham.gov.uk

PIC RELATED TRAINING AND CONFERENCES COMING UP IN THE THREE MONTHS

Date	Conference /Event	Run By	Delegates/Cost
03-09-15	Understanding Investment (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members AM Event
03-09-15	Adding Value in Bond for Pension Funds (Le Meridien Piccadilly, London)	SPS Conferences	Free 2 spaces Day Event
10-09-15	Alternative Investment Strategies for Pension Funds (Le Meridien Piccadilly, London)	SPS Conferences	Free 2 spaces Day Event
14-09-15	Pension Basic (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members AM Event
15-09-15	Hot Topic Seminar: Defined Benefit (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members Day Event
16-09-15	Trustee training for new and existing Defined Benefit Pension Trustees	Russell Investments	Free Day Event
17-09-15	Introduction to Trusteeship- Part 1: The Theory (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members Day Event
24-09-15	Getting ready for your next Pension Valuation	Punter Southall	Free AM Event
24-09-15	Introduction to Trusteeship – Part 2 : The Practice (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members Day Event
29-09-15	2 nd Annual Investment Management Summit Europe		2 free spaces
08-10-15	Property & Real Asset Investment Strategies for Pension Funds (Le Meridien Piccadilly, London)	SPS Conferences	Free 2 spaces Day Event
21-10-15	Introduction to Trusteeship- Part 1: The Theory (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members Day Event
03-11-15	Local Authority Forum (138 Cheapside, London, EC2V 6AE)	NAPF	Free for members Day Event
05-11-15	Current Investment Issues for Pension Funds (Le Meridien Piccadilly, London)	SPS Conferences	Free 2 spaces Day Event
12-11-15	Trustee training for new and existing Defined Benefit Pension Trustees	Russell Investments	Free Day Event
19-11-15	Local Authority Pension Fund Investment Strategies (Le Meridien Piccadilly, London)	SPS Conferences	Free 2 spaces Day Event
26-11-15	Getting ready for your next Pension Valuation	Punter Southall	Free AM Event

Agenda Item 8

PENSIONS INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision	No	Item No.
Ward		
Contributors	Head of Corporate Resources	
Class	Part 2	Date: 2 September 2015

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:-

- (1) Performance of quarter
- (2) Alternative Growth Mandate Report

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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