

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Additional Funding to the London LGPS Collective Investment Vehicle		
KEY DECISION	No	Item No:	7
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 th February 2015

1. SUMMARY

- 1.1 This report requests for members to agree additional contributions to the establishment of the London Local Government Pension Scheme (LGPS) Collective Investment Vehicle (CIV)

2. RECOMMENDATION

- 2.1 The Committee is recommended to:

Agree further payments of £50,000 this is split into:

1. A contribution of £25,000 for 2014-15, and
2. A contribution of £25,000 for 2015-16

3. BACKGROUND

- 3.1 In June 2013, the Government issued a call for evidence on the future structure of the LGPS, and sought professional advice to consider either Collective Investment Vehicles or merger of funds as potential routes forward.
- 3.2 The London Councils took the lead and set up a Pension Working Group (PWG) to further the goal of establishing a London CIV. In February 2014, the PWG presented to the Leaders Committee a progress report and business case for the next steps of a London LGPS CIV.
- 3.3 In September 2014 the full Council agreed to the London Borough of Lewisham becoming shareholders of the London CIV. Subsequently, a contribution of £25,000 was paid towards the creation of the CIV.
- 3.4 By December 2014, 30 London Authorities had become active participants in the CIV programme and each had contributed or committed to contribute £25,000.
- 3.5 In Autumn 2014 the London LGPS CIV Limited was incorporated with 23 boroughs as shareholders, and seven more committed to becoming shareholders. The board of directors met for the first time on 14th October 2014.

- 3.6 The initial fund was established following the December 2013 and February 2014 Leader's Committee meetings. Once all thirty boroughs have made their initial contribution of £25,000. The total contributions would be £750,000

4. UPDATE AND NEXT STEPS

- 4.1 The project towards establishing the CIV has created a number of key workstreams including:
- Revising the Company's Articles of Association
 - Development of the Company's operating model
 - Procurement of the Asset Servicer
 - Engagement with Fund Managers
- 4.2 The initial fund that was established was for £750,000. Of this £469,000 has been spent or committed. The balance of £281,000 is insufficient to take the project all the way to launch. Therefore London LGPS CIV limited have requested further contributions from its members.
- 4.3 Best estimates of future expenditure suggest a total cost of implementation in the region of £1.7 million. The London LGPS CIV has gained the agreement from board to approach participating boroughs for a further contribution of £25,000 now, and £25,000 on 1 April 2015. A copy of the letter to Councils, subsequent email and the budget breakdown is detailed in appendix one.

5. FINANCIAL IMPLICATIONS

- 5.1 The set up of the London CIV is estimated to cost £1.7 million. There is the possibility that this figure will increase. An initial payment was made by the Fund in 2014. A further payment of £25,000 is due to be paid as soon as practically possible upon agreement from PIC. An additional payment of £25,000 will be paid in April 2015. And there is the potential for future payments. These payments are being charged to the Pension Fund.

6. LEGAL IMPLICATIONS

- 6.1. The CIV was set up as a company using the powers in Section 1 and 4 of the Localism Act 2011 which enables local authorities to set up the company and trade for commercial return. It will be subject to the regulatory control of the Financial Conduct Authority.
- 6.2. Once it is fully operational and investing on behalf of the London LGPS Administering Authorities it will be accountable to this Committee and other London Pension Committees in the same way as their other Investment Managers and it will be for this Committee to determine, upon review of the company's performance, if and how much to invest in the vehicle, subject to proper independent advice.
- 6.3. The CIV is subject to review and monitoring by the Pensions CIV Joint Committee which is a joint sub-committee of London Councils which is itself a joint committee. The Chair, on behalf of the CIV Pensions Committee, has set out in a letter the reason for the additional expenditure and provided a breakdown of existing expenditure to assist Members in determining whether the additional establishment costs as set out in the letter at Appendix 1 are reasonable.

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.

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 th June 14	http://councilmeetings.lewisham.gov.uk/documents/s29590/item%208%20Collective%20Investment.pdf
Briefing on a London LGPS Collective Investment Vehicle	20 th February 14	http://councilmeetings.lewisham.gov.uk/documents/s27484/Collective%20Investment%20Vehicle%20Briefing%20for%20PIC.pdf
Update on the Local Government Pension Scheme reforms	2 nd September 13	http://councilmeetings.lewisham.gov.uk/documents/s24288/Item%206%20-%20LGPS%20Reform%20-%20PIC0200913.pdf