



City of Westminster

Committee Report

Decision Maker:	Pension Fund Committee
Date:	21 June 2018
Classification:	Public
Title:	London Collective Investment Vehicle Governance Review
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	Although no direct impact on the general fund, the Pension Fund has in excess of £500m invested directly with the London CIV and consequently has vested interests its operations
Report of:	Steven Mair City Treasurer smair@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

- 1.1 This paper updates the Committee on:
- The progress made on the London Collective Investment Vehicle's (CIV) governance review.
 - Details on what is to be discussed at the annual general meeting on 12 July 2018.
 - A brief overview of the investment propositions to be launched with the CIV in the coming months.

2. RECOMMENDATIONS

- 2.1 That the Committee notes the update

3. LONDON CIV GOVERNANCE UPDATE AND AGM

- 3.1 After the London CIV (LCIV) approved its new governance structure at the (Pensions Sectoral Joint Committee (PSJC)), it has begun taking steps to implement it. This included the creation of a Shareholders Committee that will report to the Board, with the two non-executive directors to be appointed to the Board by London Local Authorities.
- 3.2 Discussions of the memberships of these governance structures are ongoing with nominations to be presented at the AGM where Committee Chairs will be able to vote on proposals. At the time of writing no names have officially been submitted.
- 3.3 There are to be amendments to the Shareholders Agreement and Terms of Reference that reflect the changes in the governance structure which will need to be signed by the Chairman.
- 3.4 One other issue that will need to be agreed by all shareholders is the guarantee of the pensions liability for LCIV staff. Currently LCIV is an admitted body to the City of London Pension Fund, whose wish is that all shareholders in LCIV should assume an equal responsibility of the liability guarantee. All shareholders must sign the agreement, otherwise alternative options to insure against this guarantee will be considered.
- 3.5 Further details of what will be in the AGM will be released to officers and Members imminently.

4. INVESTMENT STRATEGY UPDATES

Fixed income

- 4.1 LCIV has recently launched five new sub-funds in fixed income as listed below:
 - LCIV MAC (multi-asset credit) Fund: £344m at launch. The fund aims to utilise a range of long only strategies across a range of fixed income investment to generate returns during different market cycles.
 - LCIV Global Bonds Fund: A traditional global bonds fund that seeks to minimise turnover and secure quality bond purchases with low risk of default.
 - LCIV Global Liquid Loans Fund: Floating rate loans fund providing more secure covenant opportunities than a traditional bond portfolio.
 - LCIV Private Debt Fund: Illiquid Loans that provide higher returns at the cost of less liquidity and higher perceived risk.
 - LCIV Long/Short MAC: A multi asset credit fund that also takes short positions on debt as opposed to only long positions.

- 4.2 Currently the Fund's fixed income portfolio is solely with the recently acquired buy and maintain portfolio with Insight. The Committee is welcome to explore these other fixed income strategies should they so wish.

Asset Class and Asset Strategy Consultation

- 4.3 LCIV has launched an asset class and asset strategy consultation to assist local authorities with finding a solution to their investment strategies within their platform.
- 4.4 Currently the City of Westminster Pension Fund investment strategy and asset allocation is traditional, with four long only equity managers (three active, one passive), a global bonds fixed income strategy and two property managers. The Fund's assets would translate quite well to LCIV which is illustrated by the assets under currently under management.
- 4.5 The Fund does have a policy allocation of 5% to infrastructure which has yet to be progressed. The Fund did have representation on the LCIV infrastructure working group but activity has cooled in this area since the departure of the previous LCIV CIO. If LCIV is able to offer an investment solution in this area it will be in the Fund's interest to monitor the situation closely.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

None