

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>London Collective Investment Vehicle Governance Arrangements</b>
<b>Report of:</b>	<b>Steven Mair City Treasurer</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no financial implications arising from this report</b>

## 1. Executive Summary

- 1.1 This report summarises the best practice guidance which has been produced by CIPFA to support pension funds when participating in LGPS asset pooling arrangements and outlines the governance arrangements around the London CIV.

## 2. Recommendations

- 2.1 The Board note the contents of this paper.
- 2.2 The Board nominates one representative to attend the Fund Manager Monitoring Day on Friday 16<sup>th</sup> December 2017.

## 3. Background

- 3.1 There are 90 administering authorities which maintain and manager the LGPS pension funds in England and Wales. Although the pension funds will continue to be separately managed, administering authorities are now expected to pool investments to deliver reduced costs (through economies of scale), while maintaining overall investment performance.

3.2 CIPFA has produced guidance to support pension funds when participating in investment pooling arrangements. This report aims to summarise the key points from that guidance and also outline the governance arrangements around the London CIV, which is the investment pool operator which the Westminster Pension Fund has signed up to.

#### **4. Investment Pooling Governance Arrangements**

4.1 As LGPS administering authorities move to and eventually deliver elements of investment management through investment pool operators, it is important that administering authorities:

- Review their own internal governance arrangements
- Ensure any oversight committee meets best practice governance
- Ensure operators meet best practice governance, albeit and FCA regulated entity will also necessarily be subject to further requirements.

4.2 Westminster City Council has delegated the Pension Fund functions to the Pension Fund Committee and the Committee may wish to review its responsibilities and update the Terms of Reference.

4.3 The revised investment regulations require that each Fund must set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account. It is expected that the London CIV will prepare a standardised content for authorities to adopt to comply with this requirement.

4.4 The administering authority will be required to prepare an Investment Strategy Statement (ISS) which will include the authority's approach to pooling investments, the authority's policy on ethical, social and corporate governance issues and the oversight of voting. The ISS is a new requirement from 1<sup>st</sup> April 2017 and replaces the present requirement of a Statement of Investment Principles. This will require a review of the Committee's current approach to these issues, in particular a discussion with the London CIV in connection with the Stewardship Code, increased reporting and greater effort to take into account the views of the Pension Board and Scheme Members. These areas will be addressed in drafting the ISS in the next few months.

## 5. London CIV Governance Arrangements

5.1 The London CIV submitted a joint response to the DCLG in respect of pooling of investments, which addressed the governance structures, terms of reference, decision-making processes and implementation timetable. An extract from the response detailing the proposed governance arrangements of the London CIV is attached as Appendix 1. The complete papers can be found at the following link:

<http://londonciv.org.uk/2016/07/27/engaging-with-the-boroughs/>

5.2 The London CIV are due to attend the Fund Manager Monitoring day on Friday 16<sup>th</sup> December, where all fund managers are invited to update the Pension Fund Committee and officers on their respective mandates. Deloitte will be hosting the event at their office, 2 New Street Square, London EC4A 3BZ.

5.3 The timings of the day are as follows:

<b>Time</b>	<b>Fund Manager</b>	<b>Mandate</b>
8.30 am	London CIV	Asset Pool Operator
9.30 am	Baillie Gifford / London CIV	Pooled Global Equities
10.30 am	Majedie	Pooled UK Equities
11.30 am	Longview	Pooled Global Equities
12.30 pm	LUNCH	
1.15 pm	Insight	Segregated Bonds
2.15 pm	Hermes	Pooled Property
3.15 pm	Standard Life	Pooled Long Lease Property

5.4 The fund managers have all confirmed their attendance and they have been provided with the prescribed set of questions, which can be found at Appendix 2. The presentations will each last for 30 minutes, with 15 minutes at the end for any other questions which members may wish to raise.

5.5 The Chair of the Pension Board (or an alternate) is invited to attend the fund manager monitoring day and raise questions as appropriate. The Board are invited to nominate a representative to attend.

**If you have any queries about this Report or wish to inspect any of the  
Background Papers please contact:**

**Nikki Parsons [nparsons@westminster.gov.uk](mailto:nparsons@westminster.gov.uk) or 020 7641 6925**

**BACKGROUND PAPERS:**

Investment Pooling Governance Principles for LGPS Administering Authorities,  
CIPFA guidance

**APPENDICES:**

Appendix 1 – Proposed Governance Arrangements of the London CIV  
Appendix 2 – Fund Manager Questions