

REPORT FOR: Pension Fund Committee

Date of Meeting:

28 June 2017

Subject:

Information report - Local Government Pension Scheme Pooling Arrangements

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Wards affected:

All

Enclosures:

Appendix 1 – Letter from Minister for Local Government dated 15 March 2017
Appendix 2 – Progress report from CIV dated April 2017

Section 1 – Summary

Summary

The report updates the Committee on the development of the pooling arrangements and, in particular, on progress in the Global Equities sub-funds procurement.

Section 2 – Report

1. At their last scheduled meeting on 7 March 2017 the Committee received an update on pooling arrangements. They considered a report entitled “Pensions CIV Sectoral Committee: London CIV 2017/18 Budget and MTFS” presented to the Sectoral Committee on 8 February 2017. Matters specifically covered included:
 - Update on funds “in the pipeline”
 - Global equities procurement process
 - Passive mandates
 - CIV business plan and revenue streams
 - Proposed launch in May 2017 of a Global Equities mandate to be managed by Longview Partners
2. During April 2017 officers were advised that final agreement had been reached between the CIV and Longview Partners and that an indicative launch date of 28 June was proposed.
3. To meet the tight transition timetable for the Longview mandate a Special Meeting of the Committee was held on 10 May 2017 at which it was resolved that:
 - (1) the Fund’s current mandate with Longview Partners be transferred to the sub-fund of the London CIV in accordance with the fees and other arrangements as agreed between Longview and the CIV;*
 - (2) the Fund enter into a one-off transition management agreement with Russell Investments to carry out the transition at nil cost; and*
 - (3) the same proportion of currency hedge as at present, namely 50%, be maintained contemporaneously.*
4. It subsequently transpired that Longview would be able to manage the transition themselves and that the launch date would be in mid-July. Officers are working with the CIV, Longview and Record Currency to ensure that all arrangements are in place by the launch date.
5. On 15 March 2017 the Minister for Local Government wrote to the Chair of each of the pools requesting a progress report under the following headings:
 - Scale
 - Governance
 - Reduced costs and value for money
 - Infrastructure
6. A copy of the Minister’s letter and the CIV’s response are attached as appendices 1 and 2.

7. On the first page of their response the CIV discuss the launch of the next three sub-funds which are the first to be selected independently of existing London mandates namely:
 - Global Equity Income – EPOCH Investment Partners
 - Global Sustainable Equities – RBC Global Asset Management
 - Emerging Markets Equities – Henderson Global Investors

On 11 May the CIV organised an Information Day at which each of these three managers and Longview made presentations. This was attended by the Chair and an officer.

8. On 22 May 2017 the CIV issued a prospectus including details of all sub-funds launched up to May 2017. Copies of this have been sent separately to all members and “advisers.”
- 9 Elsewhere on the agenda the Committee are being asked to consider their future investment strategy and, when this is agreed, they will be invited to consider whether any of the sub-funds, other than Longview, so far launched would be a suitable vehicle for an investment.

Financial Implications

10. Whilst the pooling initiatives will probably have a significant impact on the costs and performance of the Fund there are no financial implications arising directly from this report.

Risk Management Implications

11. The risks arising from the management and investment of funds are included in the Pension Fund risk register.

Equalities implications

12. There are no direct equalities implications arising from this report.

Council Priorities

15. The financial health of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council’s priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert

Director of Finance

Date: 15 June 2017

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None