

**Report for: Pension Fund  
Committee**

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<b>Date of Meeting:</b>	24 March 2021
<b>Subject:</b>	Update on London CIV and Investment Pooling Arrangements
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	List Ward(s) affected by decision. <b>All</b>
<b>Enclosures:</b>	None

## **Section 1 – Summary and Recommendations**

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This report updates the Committee on the current position of the Fund's investments in the context of the Government's requirements for pooling, and on current developments within the London CIV.

**Recommendations:**

The Committee is requested to note the report.

## **Section 2 – Report**

1. The Government's approach to pooling of investments was developed to improve the efficiency and minimise costs (including fees paid to investment managers) of LGPS Funds' investments. The statutory guidance on investment pooling issued under the LGPS (Management and Investment of Funds) Regulations 2016 is specific in that it requires Funds to transition assets into the pool as quickly and cost effectively as possible, and states that "from 2020, funds should only make new investments outside of a pool in very limited circumstances". It is generally considered an informal target that as a minimum, Funds should have pooled at least 75% of their assets by 2023. Harrow is a member of the London Collective Investment Vehicle (LCIV), the

investment pool for the pension funds of the City of London and the London Boroughs.

2. Against these objectives, Harrow is making good progress. At 31 January 2021, Harrow had approximately £480m of assets invested via LCIV, or in the passive equity funds where a pooled fee arrangement was negotiated via LCIV – this equates to 51% of the Fund.
3. The completion of the transition from Oldfield to the LCIV Sustainable Equity Fund have increased this further, to 55% (based on 31 January valuations), and the remaining commitment of £52m to the LCIV Infrastructure Fund would increase the figure to 61%.
4. The Investment Strategy Review reported elsewhere on this agenda includes further proposals to increase the Fund's level of investments made via the LCIV.
5. During 2020 LCIV made significant progress in a number of key areas, improving and increasing the number and quality of staff employed, and in developing its range of Fund offerings.
6. At 31 January 2021, LCIV had £10.7 billion of assets under management, and a further £600m of commitments. Their current fund range includes
  - 7 global equity funds (in addition to the passive funds which are held outside of the CIV)
  - 1 emerging markets equity fund
  - 4 multi asset funds
  - 2 Fixed income funds (1 MAC, 1 Global bonds)
  - 1 Infrastructure fund
  - 1 property fund
7. Funds currently under development include the following
  - Renewable Infrastructure
  - Private debt
  - Low Carbon passive equity
  - "Paris Aligned" active global equity
  - Sterling Credit
8. The Fund development process includes "seed investor groups" from funds which may be interested in the fund being considered. The purpose of these funds is to ensure that mandate development follows a direction which the client funds require and hence will invest in. However, it is possible to participate in these groups to gain an understanding of how the mandate will develop without committing to invest. Consequently, officers have participated in a number of these groups.

## **Legal Implications**

9. The LGPS (Management and Investment of Funds) Regulations 2016 provide the basis from which the Fund develops its Investment strategy and manages its investments. The Secretary of State has issued Statutory Guidance which requires all LGPS Funds to work towards pooling investments where it is practical and cost effective to do so.

## **Financial Implications**

10. There are no direct financial implications arising from this report. Pooling of investments has enabled the Fund to achieve some savings in the level of fees paid to investment managers.

## **Risk Management Implications**

11. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board. There are no direct risk management implications arising from this report. In implementing its Investment Strategy, the Fund takes account of the various types of risk associated with particular investments and seeks to ensure that the level of risk is commensurate with return expectations.

## **Equalities implications / Public Sector Equality Duty**

12. Was an Equality Impact Assessment carried out? No  
There are no direct equalities implications arising from this report.

## **Council Priorities**

13. The performance of the Pension Fund directly affects the level of employer contribution which in turn affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Sharon Daniels**

Signed on behalf of the Chief Financial Officer

**Date: 11/03/2021**

**Statutory Officer: David Hodge**

Signed on behalf of the Monitoring Officer

**Date: 11/03/2021**

**Chief Officer: Charlie Stewart**  
Signed by the Corporate Director  
**Date: 15/03/2021**

## **Mandatory Checks**

**Ward Councillors notified: NO**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager  
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**Background Papers:** None