

## **Report for: Pension Board**

---

<b>Date of Meeting:</b>	6 October 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>	Yes – Appendices 1 and 2 are exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as they contain information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Exempt Appendix 1 – London CIV net savings by client 2020-21 Exempt appendix 2 – London CIV net savings since inception

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

---

This report updates the Board 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 Board is requested to note the report.

## Section 2 – Report

1. 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 July 2021, Harrow had approximately £598m of assets invested via LCIV, or in the passive equity funds where a pooled fee arrangement was negotiated via LCIV – this equates to 58.5% of the Fund.
3. During 2021 the Pension Fund Committee has taken a number of decisions which have built on previous progress and increased the proportion of investments regarded as pooled, as follows.
  - The reorganisation of the fixed income portfolio,
    - allocating 5% of the Fund to the LCIV Global Bond Fund and
    - 5% to the Blackrock passive Index linked Gilts Fund, which is regarded as pooled
  - The commitment of £50million to the LCIV Renewable Infrastructure Fund.
4. Once the transitions for the fixed income portfolio are completed this will increase the proportion of assets pooled to approximately 64% of the Fund, and once the commitments to the LCIV Infrastructure Fund and LCIV Renewable Infrastructure Fund have been fully drawn down this will increase to 74.5%
5. During 2020 and in 2021 to date, LCIV has 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 30 June 2021, LCIV had over £13.5 billion of assets under management (including commitments). A further £13.2billion were managed via the passive funds which are regarded as pooled. Their current fund range includes.
  - 8 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 Renewables Infrastructure Fund

- 1 property fund (the London Fund)
  - 1 Private Debt Fund
7. Other Funds are currently under development including
- Alternative credit (a second MAC fund)
  - 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. It is possible to participate in these groups to gain an understanding of how the mandate will develop without committing to invest. Consequently, LBH officers participated in a number of these groups as our Investment strategy Review progressed.
9. A key aspect of the move to pooling was the desire to reduce management costs. The London CIV has recently circulated details of estimated savings to client funds from pooling. These are included at appendix 1 (savings for the year ended 31 March 2021) and appendix 2 (Since inception). Please note that both appendices contain exempt information.

## **Legal Implications**

10. 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**

11. 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 and thus increase net returns earned on investments. The financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council’s priorities there are no impacts arising directly from this report.

## **Risk Management Implications**

12. The Pension Fund’s Risk Register is reviewed regularly by both this Pension Fund Committee and by the Pension Board. The next review will be at the Board’s meeting on 1 December 2021.
13. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key

component in developing the Fund's investment strategy and the risks are set out in the ISS.

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

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

## **Council Priorities**

15. The performance 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**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 17/09/2021**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 21/09/2021**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 17/09/2021**

## **Mandatory Checks**

**Ward Councillors notified:** Not applicable

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

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk), Telephone 020 8736 6552

**Background Papers:** None