

1. INTRODUCTION

- 1.1. All LGPS Pension Funds in England and Wales are participating in the Government's pooling agenda aimed at reducing investment costs, gaining economies of scale, improving governance and investing in infrastructure in the LGPS. There are eight pools for LGPS funds, and the Government has agreed that these should all be established and regulated.
- 1.2. In London all 32 of the London Borough Funds have joined the London CIV (LCIV) including this Fund. Committee receives quarterly reports on the establishment and progress of the London CIV and transfer of assets into it. This report covers establishment and procurement of new sub-classes, launches of new sub-funds, assets under management and resource build-out at the CIV.
- 1.3. This will assist the Committee in its responsibility of asset allocation whilst future procurement of funds and day to day management is now the responsibility of the London CIV.
- 1.4. The CIV have £13.5bn of assets under management (AUM) with £13.2bn of passive funds totalling £26.7bn. It aims to pool 75% of the £44 billion total assets. As at 30 June 2021, they had achieved pooling of 60% of assets.

2. LONDON CIV UPDATE

Funds

- 2.1. Following the launch of the LCIV Global Alpha Growth Paris Aligned Fund in April there has been strong demand. The Sub-fund currently has two investors, and the CIV expects to see a further two Client Fund investments later this year (including this Fund) as they transfer approximately £400m from the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris-aligned Fund. Additionally, the CIV has seen had investments from two Client Funds totalling £250m to the LCIV Sustainable Equity Fund and the LCIV Sustainable Equity Exclusion Fund. The second close for The London Fund and the LCIV Renewable Infrastructure Fund took place on 2 July 2021, the latter drawing a further £247.5m in commitments from five new Client Fund investors.
- 2.2. The closure of the LCIV Equity Income Fund has commenced. The remaining two investors in this Sub-fund agreed to disinvest simultaneously in April 2021; the Sub-fund will remain open for adjustments for a while before its subsequent termination. The divestments from this Sub-fund have been reinvested into other products in the London CIV portfolio.
- 2.3. As part of the CIV's ongoing commitment to integrate Environmental, Social and Governance factors and processes in their products, they are making adjustments to the LCIV Global Bond Fund over the coming months. This Sub-fund has welcomed an additional two investors during Q2, and there continues to see be investor demand.
- 2.4. All appointed investment managers are under "routine monitoring", except for Longview (on "Watch"), who manage the LCIV Global Equity Focus Fund, and CQS (on "Enhanced Monitoring"), who manages the LCIV MAC Fund.

- 2.5. The CIV investment team have recommended that PIMCO, mandated to its Diversified Income strategy, should be added as a second manager to the CIV MAC Fund. The CIV have engaged with each of the twelve Client Fund investors individually over this quarter to collate their feedback and have proposed the recommendations to the Executive and Investment Oversight Committees in July 2021. Eight out of the twelve investors are broadly supportive of the introduction of PIMCO's strategy, and they represent 70% of the current assets in the Sub-fund. While two investors, who represent 15% of the total assets in the Sub-fund, are unable to confirm their position, the residual two investors have stated that the proposed blended solution provided by the CIV was incompatible with their respective investment strategies. Client demand for an Alternative Credit Fund to cater for those whose investment strategies that cannot be accommodated for by the proposed blended solution to the MAC Fund have now been established. The CIV are expecting to launch the Alternative Credit Fund by Q4 2021/Q1 2022. Three other client funds wish to invest into the blended CIV MAC fund, the launch of which will occur concurrently with the Alternative Credit fund.

Responsible Investment

- 2.6. The CIV now uses EOS at Federated Hermes to support its engagement activities.
- 2.7. On diversity, The Asset Owner Diversity Charter has been officially launched calling on fund managers to tackle diversity or risk losing clients. Under the charter, diversity questions will form part of the overall assessment score for each fund manager when they are bidding to win a new contract, or mandate, to manage funds.
- 2.8. The CIV has also joined the International Alliance on Human Rights which provides a collective action platform to facilitate investor advocacy on a full spectrum of human rights and labour rights issues.

People

- 2.9. London CIV have announced the appointment of Mike Craston as Chair designate of London CIV in succession to Lord Kerslake. The appointment is subject to Financial Conduct Authority approval and he is expected to take up post in September 2021. Mike brings considerable experience of the investment sector and pension asset management, including the LGPS. Mike is Chair and a Non-Executive director of Aviva Investors Holdings Limited a £300bn asset manager. Mike is also Non-Executive Chair of the Railpen Investments Board, the body responsible for overseeing the activities of RPMI Railpen ('Railpen') with responsibility for the £30 billion railways pension schemes.

Governance

- 2.10. The London CIV Annual General Meeting took place on 15 July 2021. The first item was the presentation and discussion of the [Annual Review](#) and statutory Report and Financial Statements. It provides a picture of progress during the year including fund launches, responsible investment/ESG, client engagement and communication. There is information about how the CIV works with Client Funds to develop investment solutions; their approach to Responsible Investment and on our financial effectiveness and how they are adding value.

- 2.11. There was also an update on the development of the Medium-Term Financial Plan and next steps during September to December to finalise the plan in discussion with Shareholders. This will then provide the basis for the Annual Budget which is to be agreed by Shareholders at the 27 January 2022 General Meeting.
- 2.12. Under the Remuneration and Nomination item the re-appointment of members of the Shareholder Committee was agreed for a further year and Cllr Rishi Madlani was appointed to the vacancy left as a result of Cllr Yvonne Johnson (Ealing) leaving that committee. Separately, Cllr Madlani has also been nominated by the Shareholder Committee to be the Chair of that committee. Cllr Rob Chapman continues as Chair of the Responsible Investment Reference Group (RIRG) and John Turnbull (s151 Waltham Forest) continues as Chair of the Cost Transparency Working Group (CTWG).
- 2.13. LCIV have appointed a new Senior Portfolio Manager, Yiannis Vairamis. The Investment Team have also appointed Rob Treich as Head of Public Markets.
- 2.14. The Non-Executive Director recruitment process is still ongoing. They have had a strong response to the advert and have entered the latter stages for the appointment of two NEDs.

3. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

- 3.1. There are no finance comments to add.

4. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

- 4.1. The Local Government Pension Scheme (Management and Investment Funds) Regulations 2016 requires all Local Authorities to commit to a suitable pool in order to achieve benefits of scale. This report demonstrates the adherence to the Regulations by providing details of the approach to pooling, the structure and the governance arrangements and the mechanism by which the CIV can be held to account

5. APPENDICES

Appendix A – PART II – Fund Launch plan and progress to date is in the restricted Appendix A (Part II) which has been sent to Committee Members only, as it is regarded as intellectual capital to the LCIV. **(NOT FOR PUBLICATION)**