

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: London Collective Investment Vehicle Progress Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 4 December 2023
SUMMARY OF REPORT: This report provides a quarterly update on developments at the London Collective Investment Vehicle (CIV) in creating sub-funds for the spectrum of asset classes, on-boarding of assets and development of the CIV's staff resource. Progress with the London CIV contributes to the Government's pooling agenda and drive to reduce costs in the Local Government Pension Scheme (LGPS).	
Local Government Act 1972 – Access to Information No documents requiring to be listed were used in the preparation of this report:	
Contact Officer: Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG	
Telephone	0207 974 1904
Email	nigel.mascarenhas@camden.gov.uk
RECOMMENDATIONS: The Committee is asked to note the contents of the report.	
Signed by	
Director of Finance Agreed
Date: 22/11/2023

1. INTRODUCTION

- 1.1. All Local Government Pension Scheme (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 Collective Investment Vehicle (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. In October 2021 our Pension Committee chair, Cllr Madlani, was appointed chair of the Shareholder Committee.

Fund Portfolio

- 1.4. As of 30 September 2023, the total assets deemed pooled by Client Funds stood at £27.4 billion, of which £13.4 billion are public markets funds (Authorised Contractual Scheme (ACS)), and £12.6 billion in passive equity funds and £1.4 billion has been drawn in respect of Private Market funds, with a further £2.6 billion committed.

2. FUND ACTIVITY

Short-Term

- 1.1. The fund is planning to launch the **LCIV Long/ Short Duration Buy & Maintain Credit Fund** in November 2023 with an FCA review in process.
- 1.2. LCIV are currently undergoing discussion with potential seed investors for the Global Equity Value Fund and are in the process of selecting a second investment manager for the LCIV UK Housing Fund.
- 1.3. Redington has been appointed as an advisor through a competitive procurement process for the Natural Capital Fund, working with LCIV on project planning and design and a review of sustainability and climate guidelines is proposed for the LCIV Global Bond Fund and LCIV MAC Fund.
- 1.4. The ACS quarterly investment reports came out in October and the Sustainable Working Group was set to have its first meeting.

Mid-Term

- 1.5. Strategic Business Reviews (SBRs) are projects commissioned by the CIV Chief Executive and focus on improving the value proposition by reducing management and other fees and improving the quality of reporting and other services. The Investment cost review and fund range review were completed and have fed into the launch and modifications plan and funding model with Cost Transparency Working Group (CTWG). The Responsible Investment

Reference Group (RIRG) has been renamed Sustainable Working Group with new Terms of Reference and revised membership.

- 1.6. SBR workstreams are set to increase focus on business relevance and maturity and the Corporate London CIV Net Zero working group will be formed as part of the mid-term activity, this will be an internal cross-team initiative. LCIV are also exploring an Impact Investing Working Group and are continuing work with Commercial Property Planning.

Fund Monitoring

- 1.7. As at October 2023, there are no funds on the **Watch** list for LCIV. 4 funds are undergoing **Enhanced Monitoring**, Global Equity Focus Fund (Longview), Global Total Return Fund (Pyrford) and the Diversified Growth Fund (DGF) (Baillie Gifford which we are invested in) and LCIV Global Equity Fund (Newton). The next review for the DGF sub-fund is scheduled for December 2023.
- 1.8. The other LCIV funds are undergoing **Normal Monitoring**. Reviews were completed in Q3 and October 2023 on 5 CIV funds including the Global Alpha Growth Paris Aligned Fund (Baillie Gifford) and LCIV Global Bond Fund (PIMCO) which we are invested in.

Fund Launches

- 1.9. The **Buy and Maintain Fund** has now obtained Financial Conduct Authority (FCA) approval and seed investment is expected to occur before year-end.
- 1.10. The **Global Equity Value Fund** is in Stage 1 for a Q1 2024 first launch, with Seed Investment Groups (SIGs) in progress and is in manager selection stage. The launch is dependent on securing at least two seed investors (currently earmarked to be the London Borough of Newham and London Borough of Hillingdon).
- 1.11. **Natural Capital**: Redington have been appointed as the consultant to assist LCIV in delivering a nature-based solutions fund in H1 2024. Natural capital education session for pension officers was held on 7 November with placeholders for the first SIG for 21 November and 5 December.

Other Fund Activity

- 1.12. **LCIV Absolute Return Fund** has moved to 'fund of one' to deliver fee savings and FCA approval and transition is now complete.
- 1.13. **LCIV Real Return Fund** is moving to a sustainable version which would be managed on a delegated/ segregated account basis by Newton. This is still in progress and yet to be approved. This is guided by investors in the fund, who are currently reviewing their allocation to multi-asset funds as part of their respective Investment strategy review.

2. COST TRANSPARENCY WORKING GROUP (CTWG) UPDATE

- 2.1. LCIV have been working with the CTWG as a sounding board to discuss the revised funding methodology amongst other important topics such as an alternative fee saving methodology.
- 2.2. The LCIV have agreed the following principles with the CTWG:
 - sharing of manager fee savings is appropriate in being able to reduce the Development Funding Charge.
 - passive fees form an integral part of LCIV funding.
 - LCIV needs to maintain financial stability to support its shareholders/investors.

3. RESPONSIBLE INVESTOR COMMENT

- 3.1. The Fund's engagement with, and commitment to, the London CIV is an important part of how the Fund can act as a responsible investor. Pooling increases the leverage and influence that any individual LGPS fund may have with fund managers, creating more opportunities for RI to be both discussed and practised. The Fund will need to think carefully about how to incorporate Task Force on Nature Related Financial Disclosure (TNFD) requirements in the future.

4. ENVIRONMENTAL IMPLICATIONS

- 4.1. This report covers several of the actions taken by the CIV towards responsible investment, in response to pressure from London Boroughs including Camden. TNFD requirements will ensure that nature based risks are captured in the Fund's investment approach.

5. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

- 5.1. There are no finance comments to add.

6. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

- 6.1. The Local Government Pension Scheme (Management and Investment Funds) Regulations 2016 requires all Local Authorities to commit to a suitable pool 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.