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| <b>LONDON BOROUGH OF CAMDEN</b>   | <b>WARD:</b> All   |
| <b>REPORT TITLE:</b><br>London Collective Investment Vehicle Progress Report  |  |
| <b>REPORT OF:</b><br>Executive Director Corporate Services  |  |
| <b>FOR SUBMISSION TO:</b><br>Pension Committee  | <b>DATE:</b><br>10 March 2025  |
| <b>SUMMARY OF REPORT:</b><br><br>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). |  |
| <b>Local Government Act 1972 – Access to Information</b><br>No documents requiring to be listed were used in the preparation of this report:  |  |
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| <b>RECOMMENDATIONS:</b><br><br>The Committee is asked to note the contents of the report.   |  |
| <b>Signed by</b>  |  |
| Director of Finance   | ..... <b>Agreed</b> .....  |
| Date:   | ..... <b>26/02/2025</b> .....  |

## **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 and the City of London 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.
- 1.4. As of 31 December 2024, the Camden Fund currently has 84% of its assets pooled, of which 37% is with the London CIV and 47% is under pool management with LGIM.

## **2. CIV GENERAL MEETING**

- 2.1. The London CIV held its General Meeting for shareholders on 30 January 2025. A key focus was the LGPS Fit for Purpose consultation, which will impact pooling arrangements and governance. London CIV submitted its response on 16 January 2025, and a Strategic Development Plan is due to be submitted to MHCLG by 1 March 2025.
- 2.2. Changes to the Articles of Association (AA) and Shareholder Agreement (SHA) were discussed, particularly in relation to governance, shareholder engagement, and regulatory compliance.

### **Governance and Leadership Updates**

- 2.3. Leadership changes were noted:
  - Christopher Gardiner was appointed Chief Financial Officer (CFO) in October 2024, replacing Brian Lee.
  - A new Chief Investment Officer (CIO) has been appointed and is expected to start in March 2025.
  - Liz Lynxwiler succeeded Kristina Ingate as Company Secretary in January 2025.
  - The Board Composition remains under review, particularly regarding the role of Shareholder Nominated Non-Executive Directors (NEDs).
- 2.4. The Shareholder Committee structure is being reconsidered, with discussions on replacing it with more flexible governance arrangements. This includes two additional informal Chairs' forums alongside the existing General Meetings.

## Diversity and Inclusion

- 2.5. The Board reaffirmed its commitment to diversity and inclusion, aiming for:
- 40% female representation on the Board (currently 33%).
  - 15% of senior roles held by individuals from ethnic minority backgrounds (currently 30%).
  - Encouraging greater diversity in shareholder representatives.

## Investment and Stewardship Priorities

- 2.6. London CIV outlined its five key stewardship priorities for 2025:
- Climate Change – Implementing the Net Zero Action Plan, which sets asset-class-level targets.
  - Human Rights and Human Capital – Developing frameworks for investments in conflict zones.
  - Natural Capital – Supporting investments in Nature-Based Solutions.
  - Technology and Cybersecurity – Addressing investment risks related to cybersecurity.
  - Health, Safety, and Wellbeing – Strengthening due diligence in workforce conditions.
- 2.7. A key development is the launch of the Indirect Real Estate Pooling Solution (IREP), utilizing CBRE as a specialist partner to pool real estate assets.
- 2.8. The CIV is also progressing discussions on pass-through voting in pooled funds, an initiative that Camden’s Pension Fund has actively lobbied for.

## Financial and Budget Updates

- 2.9. The 2025/26 Budget and Medium-Term Financial Strategy (MTFS) were approved, emphasizing:
- Continued reduction in Development Funding Charge (DFC) to alleviate costs on partner funds.
  - Projected Assets Under Management (AUM) to increase from £34.1bn (March 2025) to £36.2bn (March 2026 budgeted).
  - Regulatory capital compliance, with London CIV ensuring sufficient financial resilience.
  - A review of capital funding requirements in light of increasing AUM growth and regulatory obligations.

## Income Statement

| Income statement                 | Forecast<br>Y/E Mar<br>2025<br>£'m | Budget<br>Y/E Mar<br>2026<br>£'m | MTFS<br>Y/E Mar<br>2027<br>£'m | MTFS<br>Y/E Mar<br>2028<br>£'m |
|----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Fixed fees                       | 3.1                                | 3.1                              | 3.1                            | 3.1                            |
| Public markets                   | 4.7                                | 5.3                              | 5.7                            | 6.0                            |
| Private markets                  | 1.5                                | 1.3                              | 1.3                            | 1.3                            |
| Passives                         | 0.7                                | 0.7                              | 0.7                            | 0.7                            |
| MiFID                            |                                    | 0.2                              | 0.2                            | 0.2                            |
| <b>Total Income</b>              | <b>10.0</b>                        | <b>10.6</b>                      | <b>11.1</b>                    | <b>11.4</b>                    |
| Staff costs                      | (7.3)                              | (8.0)                            | (8.3)                          | (8.6)                          |
| Non staff costs                  | (2.6)                              | (2.5)                            | (2.6)                          | (2.6)                          |
| <b>Total Expenses</b>            | <b>(9.9)</b>                       | <b>(10.5)</b>                    | <b>(10.9)</b>                  | <b>(11.2)</b>                  |
| <b>Operating Profit (EBITDA)</b> | <b>0.1</b>                         | <b>0.1</b>                       | <b>0.2</b>                     | <b>0.2</b>                     |

## Assets Under Management

| Assets Under Management        | F'Cast<br>Mar-25<br>£bn | Budget Mar-26<br>£bn | MTFS Mar-27<br>£bn | MTFS Mar-28<br>£bn |
|--------------------------------|-------------------------|----------------------|--------------------|--------------------|
| AIFMD AuM - ACS                | 17.0                    | 17.9                 | 19.6               | 21.2               |
| AIFMD AuM - Private Markets    | 2.3                     | 2.3                  | 2.3                | 2.3                |
| <b>Total AuM AIFMD</b>         | <b>19.3</b>             | <b>20.2</b>          | <b>21.9</b>        | <b>23.5</b>        |
| MiFID AuM                      |                         | 1.2                  | 1.2                | 1.2                |
| <b>Total LGIV AuM</b>          | <b>19.3</b>             | <b>21.4</b>          | <b>23.1</b>        | <b>24.7</b>        |
| Passive funds (LGIM+BlackRock) | 14.8                    | 14.8                 | 14.8               | 14.8               |
| <b>Total AuM</b>               | <b>34.1</b>             | <b>36.2</b>          | <b>37.9</b>        | <b>39.5</b>        |
| <b>Total LGPS AuM</b>          | <b>51.0</b>             | <b>51.0</b>          | <b>51.0</b>        | <b>51.0</b>        |
| Inflows (Incl. commitments)    | 1.6                     | 1.0                  | 1.6                | 1.6                |
| Outflows                       | 0.1                     |                      |                    |                    |
| <b>Net Flows</b>               | <b>1.5</b>              | <b>1.0</b>           | <b>1.6</b>         | <b>1.6</b>         |

### Future Outlook

2.10. The LGPS Fit for Purpose consultation response emphasized:

- Greater collaboration among LGPS pools.
- Development of additional advisory services to support strategic asset allocation.
- Enhancing cost-efficiency and scale in pooled fund structures.

2.11. A mid-year review of the budget and business plan is anticipated following further developments in LGPS policy and regulatory requirements.

### 3. CIV BUSINESS UPDATE

3.1. Some highlights from LCIV's Business Update meeting of the 12<sup>th</sup> of February 2025 meeting as well as updates from their most recent Q4 investment report are:

- **AUM Growth & Pooled Assets**

Total AUM: £32.8bn as of 31 December 2024.

Public Markets: £17.2bn pooled assets managed by BlackRock and LGIM.

Private Markets: £3.6bn committed, with £1.8bn drawn

Global Equities AUM: £10.7bn as of December 2024.

Multi-Asset AUM: £1.4bn.

Fixed Income AUM: £5.06bn

- **New Fund Launches & Private Market Activity**

LCIV Nature-Based Solutions Fund

- Launched 12th July 2024.
- Initial capital commitments made to Campbell Global and Manulife.
- Further investments planned with Gresham House once new client commitments are finalized.

LCIV Private Debt Fund II

- Launched 28th June 2024.
- Initial commitments made to Pantheon, Churchill, and Pollen Street.
- Additional commitments to Arcmont expected at next fund close.

Indirect Real Estate Pooling Service (IREP)

- Expected to launch by Q1 2025. Agreement with CBRE IM finalized (not yet signed).
- First pension committee approval received in December 2024.

LCIV Renewable Infrastructure Fund

- New £110m primary fund investment closed in December 2024 with Copenhagen Infrastructure Partners (CIP).
- The fund is fully committed at £1.1bn.

LCIV UK Housing Fund

- Sixth investment commitment of £100m into L&G Affordable Housing Fund.
- Fund is 89% allocated, with ~30% expected to be drawn by end of Q1 2025.
- Stepstone pursuing two co-investments in a UK smart metering business and a London-based hyperscale data center (combined £30m commitment).

- **Firm Updates**

New CIO: Jenny Buck appointed as Chief Investment Officer.

New Research & Monitoring Framework:

- LCIV Global Equity Fund upgraded to Skills rating '2' (equivalent to 'Normal' monitoring).

o LCIV Sustainable Equity Funds rated '3' for Skills and '4' for Value.

- **Upcoming Conferences:**

June 2025: Focus on pooling progress and Pensions Review.

January 2026: Second one-day conference planned.

- **Manager Monitoring and Reviews:** In-depth reviews were conducted for several funds, including LCIV Global Equity Fund (Newton), LCIV Diversified Growth Fund (Baillie Gifford), and LCIV Global Bond Fund (PIMCO). Additionally, the LCIV Emerging Markets Fund remains under enhanced monitoring following underperformance.

## **RESPONSIBLE INVESTOR COMMENT**

- 3.2. 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.