



Haringey Council

Report for:	Corporate Committee 19 th September 2013	Item number	
Title:	Pension Fund: London Collective Investment Vehicle		
Report authorised by :	<i>J. Power</i> 10/9/13 Director of Corporate Resources		
Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621		
Ward(s) affected: N/A	Report for Non Key Decision		

1. Describe the issue under consideration

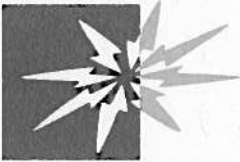
- 1.1 This report advises the Committee of a communication received by the Director of Corporate Resources from the London Borough of Wandsworth asking whether the Council was “considering joining the CIV.” This report discusses the background to the CIV (Collective Investment Vehicle) and the principles underlying it. It recommends that the Council supports its establishment and allocates up to £25,000 as a contribution towards the initial funding of the project but not that it joins the CIV.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Committee should support the establishment of a London-wide Collective Investment Vehicle (CIV).



- 3.2 That the Committee approves expenditure of up to £25,000 as a contribution towards the legal and other related costs in connection with the establishment of the CIV.

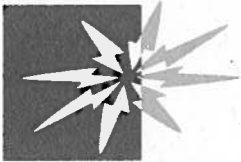
4. Other options considered

- 4.1 None.

5. Background information

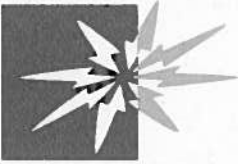
- 5.1 In recent years there have been a number of discussion papers and a degree of academic research which has intimated that the LGPS would be more efficient if it was operated as a smaller number of larger funds. It has been argued that those larger funds would have lower unit administration costs and have better investment returns.
- 5.2 Over recent months, Government statements and consultation papers have developed these principles and there have been statements from the LPFA arguing that all London funds should be merged and that they should manage the single fund.
- 5.3 The overall response of the London boroughs has not been supportive of forced mergers and certainly not in favour of the LPFA proposal.
- 5.4 However, there is a view within the London boroughs that the maintenance of the status quo is not a viable proposition and one response has been the commissioning by London Councils of a survey by the Society of London Treasurers to gauge interest in establishing a Collective Investment Vehicle (CIV).
- 5.5 On 18 June 2013 the Director of Corporate Resources received a communication from the Director of Finance, London Borough of Wandsworth as follows:

"Indicative support for CIV. It would be useful if you are considering joining the CIV if you could get some kind of in principal support from whatever is the appropriate body in your Council (I suspect in most cases its your pensions committee or similar.). Ideally , this should be backed with an offer to pay some of the set up costs , I estimate that this will be no more than £25,000 per borough and probably less. *If you are prepared to do this please let me know.* This is not a definite we are signing up but a firm expression of interest. I have this at present from two boroughs. If you have any queries on the CIV please let me know. If it helps I append the report which I did for our Pensions committee last month ,which you can use as template (NB This report has unfortunately been misquoted in the trade press as a Wandsworth take over bid , it is not , the report clearly states that our preference is for a London Council's led vehicle, with our offer to lead only being



secondary to ensure that something happens). Could you please let me know by July 3rd if possible if you are going to report this to your Pensions committee or equivalent and what the recommendation is likely to be.”

- 5.6 The survey conducted by Wandsworth indicates that there is significant interest in the creation of such a vehicle.
- 5.7 The basic principle underling the proposal is that the London boroughs could achieve both lower investment administration costs and greater investment performance without the loss of operational independence in terms of asset allocation policy.
- 5.8 Some of the main operational proposals are as follows:
- The management would be fulfilled with a lead authority carrying out the role which could be either London Councils itself or a lead borough
 - Funding would initially come from participating boroughs but, once the CIV was established, it would be financed from reduced fees
 - The lead authority would procure an investment adviser followed by a transition manager and investment funds / fund managers within each asset class, including alternatives like infrastructure
 - The CIV would operate by maintaining a “best of breed” selection of funds / managers for each asset class. These would be well defined, generally segregated mandates, with the CIV using its buying power to secure lower investment manager fees
 - The CIV would be responsible for day-to-day governance in relation to each selected manager, including, in conjunction with the appointed investment adviser, performing necessary due diligence for the chosen managers. This would include quarterly meetings with managers, providing quarterly reports for borough Pensions Committees that summarise performance and other pertinent due diligence.
 - Boroughs would be free to choose which, if any, manager to use from the CIV. They would not be compelled to use any CIV manager but, clearly, best in breed managers at the lowest cost obtainable should make the selection of managers desirable.
 - Boroughs would retain their own custodians, control over asset allocation and accounting responsibilities, although manager related information would be supplied by the CIV
 - In time, the CIV could also be used to provide any other officer-related investment duties that boroughs voluntarily wished to delegate, for instance if key staff left a particular borough this could extend to preparing draft reports for investment related matters, using a common custodian, preparation of accounts etc



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- If and when appropriate funds / managers would be de-selected and recommendations for change made
- Boroughs would be free to focus their investment governance budget on asset allocation, the key driver of investment performance e.g, the London boroughs could achieve both lower investment administration costs and greater investment performance without the loss of operational independence in terms of asset allocation policy.

5.9 As can be seen from the email above, the Council is not being asked to "sign up" to the CIV but simply to support its establishment and to commit up to £25,000 as a contribution towards its establishment costs. The Committee are recommended to do so.

6. Comments of the Chief Financial Officer and financial Implications

6.1 At this stage the Council is only being asked to support the establishment of a London-wide Collective Investment Vehicle (CIV). The proposed expenditure of up to £25,000 can be met from the Pension Fund.

7. Head of Legal Services and Legal Implications

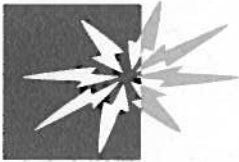
7.1 The Council has the power as administering authority to the Haringey Pension Fund to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009 and a duty to review the performance of its investment managers and the investments made.

7.2 All investments must comply with the Council's published investment policy and the asset allocation must be in accordance with the investment strategy adopted on 12 April 2011.

7.3 The Council is being asked to contribute a sum of up to £25,000.00 to set up the CIV if the Council is interested in joining the CIV. Before joining the CIV, there are a number of issues that will need to be address including (but not limited to) what kind of vehicle it would be, control, decision making, what interest this Council would have, its relationship with this Council, the policies under which the CIV will operate, how the Council will review the performance, the costs and risks.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.



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9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Not applicable

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

