

London CIV

Delivering collaboration for the
LGPS

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LB Croydon
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Ambition

London CIV aims to be
the investment vehicle of choice
for Local Authority Pension Funds,
through successful collaboration
and delivery of compelling performance.

Agenda

- London LGPS
- Reasons for change
- Government agenda
- Our progress
- Governance
- Fund
- Benefits

London LGPS

- 33 London funds
- £29bn of investments*
- £109m fund management costs*
- 250 different investment mandates
- 90 investment managers
- 33 mandate changes per year on average

Reasons for change

- Responding to possible merger
- Proactive response to government agenda
- Cross borough collaboration
- Reduce cost and deliver wider benefits

BUT

- Boroughs maintain sovereignty over their pension funds!

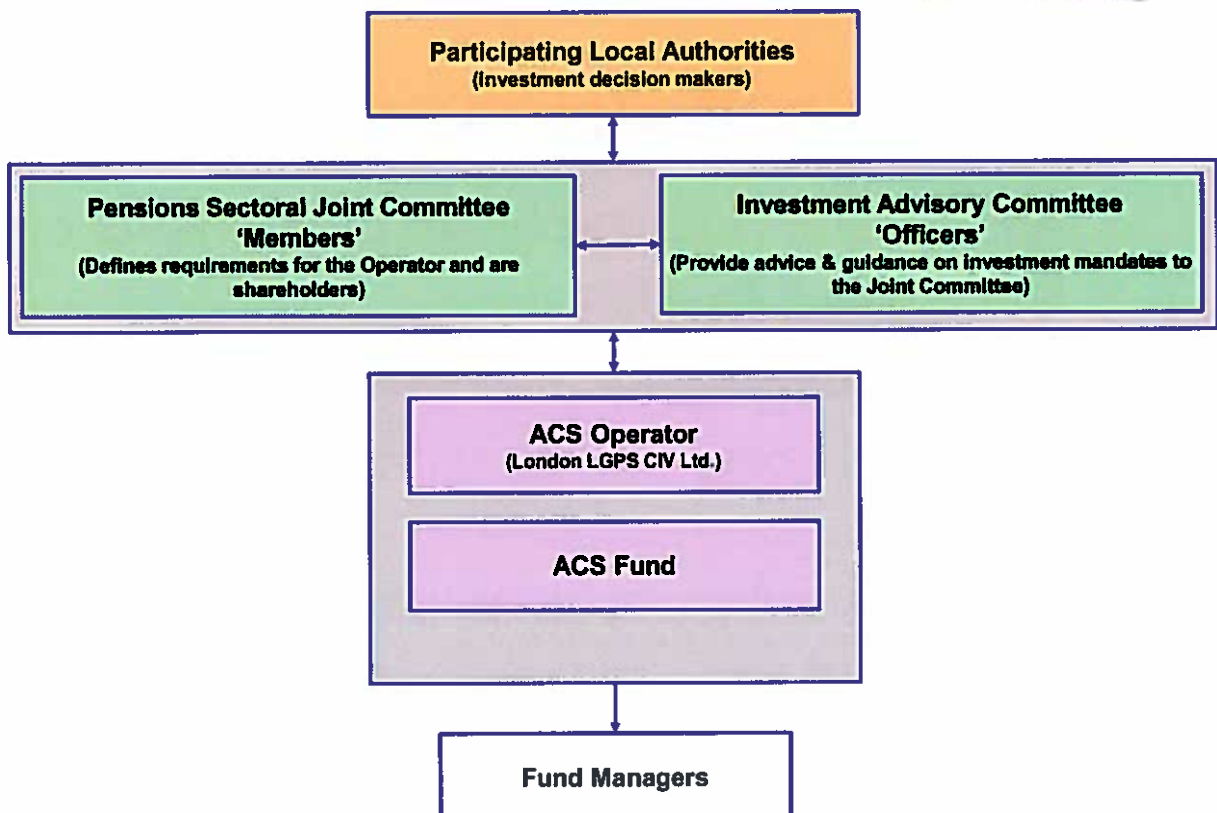
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Government agenda - Pooling

- Asset pool(s) that achieve the benefits of scale (6 x £25 billion)
- Strong governance and decision making
- Reduced costs and excellent value for money
- An improved capacity to invest in infrastructure

Progress

- 32 boroughs participating
- Firm and fund fully authorised!
 - The 1st full scope AIFM in LGPS
- 3 sub-funds open
- ~£1.8 billion under management
- > £1 million fund manager fee savings



Governance

- Firm is a full scope AIFM
- Permission to operate a UK Authorised Contractual Scheme fund (ACS)
- Boroughs are shareholders in the company
- Overall control of pension fund stays at local level
 - Boroughs set their own investment strategy
 - Boroughs decide asset allocation mix
 - Under advice from Consultants and Advisors

Governance (2)

- JC provides Member oversight and guidance
- IAC gives officer advice to Joint Committee
- Company makes final decision to appoint a fund manager
- Non-London LGPS can invest, but need to discuss:
 - Shareholders or not
 - Members of JC or not
 - Level of commitment

Guiding principles

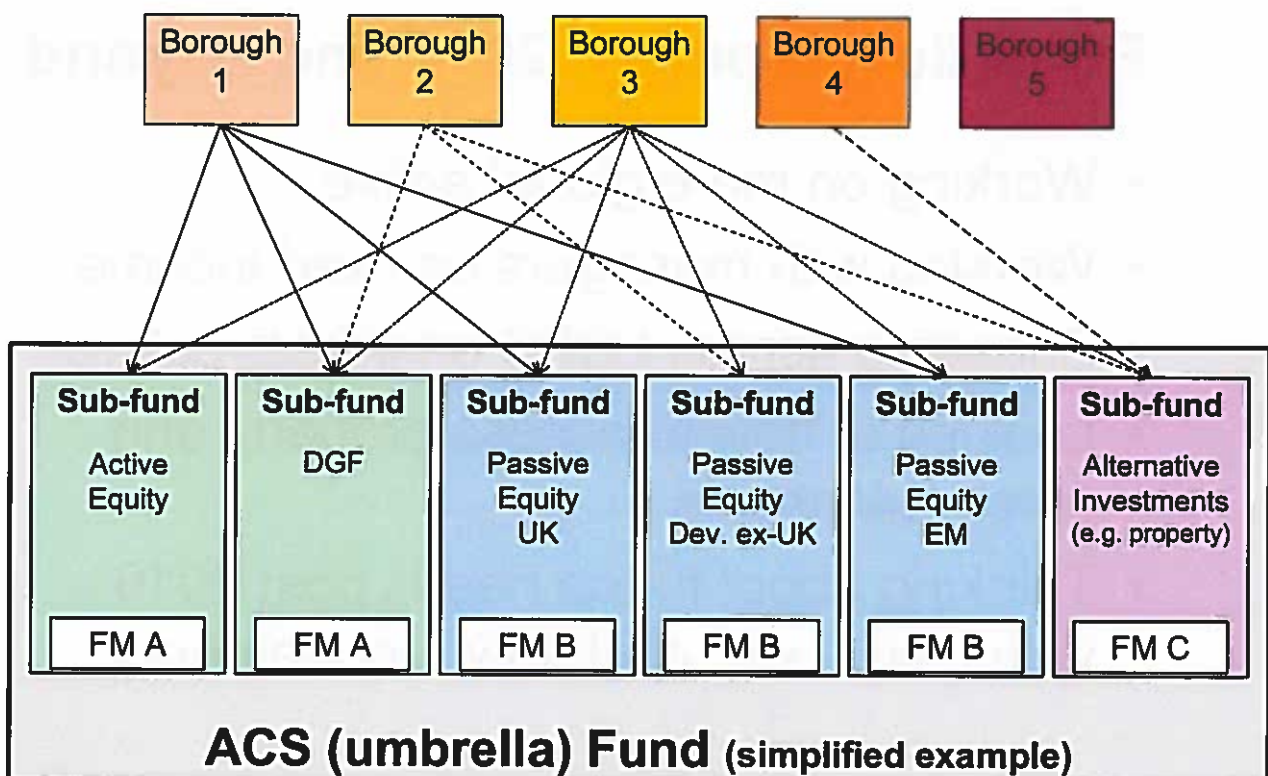
- Investment in the ACS should be **voluntary**, both entry and withdrawal.
- Boroughs **choose** which asset classes to invest into, and how much.
- Borough shareholders should have sufficient **oversight** over the ACS Operator.

Guiding principles (2)

- Investing authorities will take a **shareholding** interest in the Operator.
- Shareholders will have **membership** of the Pensions Joint committee.
- ACS Operator will provide regular **information** to participating boroughs.
- ACS will **not increase** the overall investment **risk** faced by boroughs.

Fund structure

- Fund is a tax transparent UK ACS
- Regulated by the FCA
- Umbrella structure
- Sub-funds will cover all asset classes
- Delegating fund management now
 - in-house later if investors want it



Fund development 2016-17

- Working with 9 Fund Managers
- 14 sub-funds
 - Multi asset
 - Active global equity
 - Passive equity (UK, developed global ex-UK, EM)
- > £8 billion AUM
- > £4 million pa fund manager fee savings

Fund development 2017 and beyond

- Working on more global active
- Working with managers on fixed income
- Engaging across LGPS on infrastructure
- Looking at how to access property and other real assets
- Thinking about future needs post 2016 valuation – e.g. cashflow requirements

Manager Selection

- For launch – ‘commonality’
 - 2 or more boroughs, 1 manager, same or similar mandate, quantum of assets
- BAU
 - In collaboration with the IAC and boroughs
 - Search, procurement and selection
 - Using consultants where appropriate
- Varied response from Managers

Cashable benefits

- Reduced Investment Manager fees
 - Up to 50% fee savings
 - Potential for in-house management later
- Tax transparent
 - International treaties and control of tax reclaims
- Procurement
 - c. £500k from reduced searches in first 18 months

Cashable benefits (2)

- Lower custody costs
 - c. 30-40% reduction
- Securities lending opportunities
 - Greater visibility and negotiating power
- FX transparency and monitoring
- Reduced brokerage costs

Wider benefits

- Governance/shared training/shared knowledge
- More thorough time to focus on strategic issues
- Reduced churn
- Shared investment manager oversight
- Data transparency and data access

Wider benefits (2)

- Greater security of assets compared to (e.g.) legacy life wrapped vehicles
- Buying power
- Voting power
- Access to 'alternative' investment
- Regulatory scrutiny
- Proactive response to the LGPS reform agenda

Thank you

Q&A

Disclaimer

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