

Croydon Council

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| REPORT TO: | Pension Committee 5 December 2017 |
| SUBJECT: | Annual Report on the Progress of Asset Transfers to the London CIV |
| LEAD OFFICER: | Nigel Cook Head of Pensions and Treasury |
| CABINET MEMBER | Councillor Simon Hall Cabinet Member for Finance and Treasury |
| WARDS: | All |
| CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The pooling of LGPS Pension Fund assets is meant to drive out savings and allow for greater flexibility and responsiveness in the investment process. | |
| FINANCIAL SUMMARY: The Croydon LGPS Pension Fund is valued at £1.1 BN. Prudent stewardship and sound investment are essential to ensure current and future liabilities can be met. | |
| FORWARD PLAN KEY DECISION REFERENCE NO.: N/A | |

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note this report.

2. EXECUTIVE SUMMARY

- 2.1 This report summarises the progress achieved towards pooling Pension Fund Assets in the London CIV. Over half of the current assets can be treated as being pooled with another 30% being considered for transfer to sub-funds in the future.

3. DETAIL

- 3.1 The Department for Communities and Local Government (DCLG) has prepared guidance to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Pension Committee adopted its Investment Strategy Statement at its meeting on 20 June 2017, (Item A8 refers).
- 3.2 Regulation 7(2)(d) covers the approach to pooling investments, including the use of collective investment vehicles and shared services

- 3.3 It states that all authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue. For Croydon and indeed all London Boroughs, this is the London CIV (a Collective Investment Vehicle).
- 3.4 The Regulations require that each administering authority should set out their approach to pooling and the proportion of assets that will be invested through the pool. This must include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account. These details have been published by the London CIV.
- 3.5 The Regulations then go on to state that the authority must provide a summary of assets to be held outside of the pool, and how this demonstrates value for money. The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board.
- 3.4 The Croydon Fund comprises three asset classes plus an allocation to cash. These asset classes are: equities; fixed income; and alternates.
- 3.5 **Equities:** The Fund's allocation to listed equities is managed by Legal and General Investment Managers (LGIM) and invested in the L&G World Developed (Ex Tobacco) Index Fund. This represents 53.4% of the Fund. LGIM count all LGPS administering authorities invested in this fund as pooled and it is understood that DCLG accept this aggregation for the purposes of this regulation.
- 3.6 **Fixed Income:** The Fund's allocation is invested with Wellington and Aberdeen Standard Life. The London CIV has a plan to open a number of sub-funds for this asset class and this was described in a report to this Committee's 19 September 2017 report (Item 13). The timeline for opening these sub-funds was from December 2017 to May 2018 with a number of dates yet to be confirmed. This asset class represents 17.1% of the Fund.
- 3.7 **Alternates:** This asset class comprises Infrastructure, Private Equity and Property, and makes up 29.4% of the Fund. As described in the report referenced above, the London CIV does not currently have any plans to open for these sub-funds, save a reference to infrastructure in the summer of 2019. These investments are characterised by their illiquidity, the length of their duration and the fact that their legal structures do not readily lend themselves to this pooling approach.
- 3.8 In summary therefore, the Croydon Fund has currently over half of its assets in some sort of pooling arrangement. Nearly a third of the assets will be available for pooling when the appropriate sub-funds are established. The balance may not be suitable for pooling in the short to medium run.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

- 5.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 6.1 The Solicitor to the Council comments the Council is an Administering Authority under the Local Government Pension Scheme Regulations 2013 (the Regulations) for the London Borough of Croydon's Pension Fund.
- 6.2 The Pension Committee act as Trustee of the Pension Fund and is responsible for (1) ensuring that the Pension Fund is properly operated in accordance with the Regulations and all other relevant legislation and best practice as advised by the Pensions Regulator (2) adopting Fund specific policies concerning the administration of the Pension Fund and (3) discharging its fiduciary responsibility in the best interest of the Pension Fund.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker the Director of Law and Monitoring Officer.

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BACKGROUND DOCUMENTS:

None.