

REPORT TO:	Pension Committee 3 December 2021
SUBJECT:	London Collective Investment Vehicle - amendments to Shareholder Agreement and Articles of Association
LEAD OFFICER:	Nigel Cook - Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management:	
<p>The London CIV is a company owned by the 31 London borough pension funds and the City of London pension fund. London CIV's ability to deliver its original goal of collective investment on behalf of these funds, thus reducing the cost of investment management and improving risk adjusted returns will impact the financial performance of the pension fund and keep employer contributions low which will ensure the Council's contributions are stable and represent good value.</p>	
FINANCIAL SUMMARY:	
<p>This report contains commercially sensitive reports prepared to inform the Committee's discussions.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

Reason for urgency: this report is concerned with the management of the London CIV and requires that shareholders, of which Croydon Council is one, approve the signature of the written resolution and consent to vary the shareholder agreement. The deadline for this is 5 December but the last working day is 3 December. Work on the resolution by this authority was paused when the meeting was rescheduled and now the timeframe was been established this meeting represents the sole opportunity to address this in a timely basis.

1 RECOMMENDATIONS

The Committee is asked to:

- 1.1 Agree to the changes set out in the report to the London CIV's Articles of Association and Shareholder Agreement in principle set out in a report in Part B of the agenda; and
- 1.2 Delegate signing the amended Articles of Association and Shareholder Agreement to the s151 Officer.

2. EXECUTIVE SUMMARY

- 2.1 This report seeks agreement to changes to the Articles and Shareholder Agreement for London CIV. The need to do so arises following notification by the Financial Conduct Authority (FCA) that the current capital does not meet the definition of regulatory capital used by the FCA. This does not require London CIV to raise further

capital or for boroughs to contribute further capital. It is rather a case of amending the key constitutional documents to ensure that existing capital falls within the definition set out in regulations. The substance of this report is commercially sensitive and can be found in Part B, the closed part of the agenda.

3. DETAIL

3.1 The London CIV is a company owned by the 31 London borough pension funds and the City of London pension fund.

3.2 In 2015 the Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The stated objectives were to deliver:

- benefits of scale;
- strong governance and decision making;
- reduced costs and excellent value for money; and
- improved capacity and capability to invest in infrastructure.

3.3 By the time of the publication of this Guidance, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV) as a founder member. The London CIV's stated objectives are aligned with the Government's Guidance, that is to deliver broader investment opportunities and enhanced cost efficiencies than funds can achieve individually and overall better risk adjusted performance. It is FCA regulated and was the first of the eight asset pools in England and Wales to become established. All the London borough funds are members.

3.4 This report concerns the requirement to hold regulatory capital. This is considered commercially sensitive and so is reported in the closed part of the agenda, to which the Committee is directed. In order to adequately address the issue, agreement by 75% of shareholders to a written resolution is required. The report in the closed agenda details the changes proposed to the Company's Articles of Association and to the Shareholders' Agreement.

5 CONSULTATION

5.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

6 FINANCIAL CONSIDERATIONS

6.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

7 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

7.1 The Interim Head of Commercial & Property Law comments on behalf of the Interim Director of Law and Governance and Interim Deputy Monitoring Officer that the Council as part owner and shareholder in The London CIV is acting with proper responsibility to maintain the constitutional documents of the CIV to ensure they

comply with FCA regulations.

- 7.2 External specialist legal advised in consultation with external financial advisors to prepare changes to the constitutional documents to satisfy FCA regulations.

Approved by: Nigel Channer, Interim Head of Commercial & Property Law on behalf of the Interim Director of Law and Governance and Interim Deputy Monitoring Officer.

8 OTHER CONSIDERATIONS

- 8.1 There are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report.

9 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 9.1 This report contains confidential information which could be of a sensitive nature, disclosure of which could prejudice the commercial interest of the companies involved and those of the Council's Pension Fund.

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APPENDICES:

None.

BACKGROUND DOCUMENTS:

None.