

# London CIV Briefing Report

March 2024

## Introduction

**1.1 This report is a briefing for London Local Authority Elected members on the ongoing development of London CIV, which exists to be a collaborative value-add partner that supports the LGPS for London boroughs. A key personal focus since taking over as CEO in December 2022 continues to be meeting with each of our Partner Funds (the individual boroughs and the City) to find out how we can best serve you.**

**1.2** Our goal is to be your investment partner. Our approach is summarised in our new purpose statement agreed in March 2023: “Working together to deliver sustainable prosperity for the communities that count on us all.”

**1.3** Following the Mansion House speech in July 2023, the government issued its long-awaited consultation on LGPS pooling guidance. The London CIV response, submitted in October 2023, followed a robust engagement process with partner funds. This included a workshop during the London CIV annual conference in September, two briefing events for elected members and officers, and final drafting with lead s151 officers.

**1.4** The government has now issued its response to the consultation, which was timed to align with the Chancellor’s 22 November 2023 Autumn statement. We are working closely on how we approach implementation with partner funds, bearing in mind that detailed guidance is not expected to be issued until Summer 2024.

**1.5** Our responsibility for delivering value is always central to our planning. Every basis point or pound sterling we save partner funds can ultimately be invested elsewhere to drive prosperity across London.

**1.6** Equally, London CIV is uniquely placed to support partner funds in the drive to Net Zero. The more we act in unison the greater the financial and sustainability impact we can have.

## Our purpose

**Working together to deliver sustainable prosperity for the communities that count on us all**

## Our values

### Collaboration

We work together to build and sustain strong partnerships both internally and externally

### Responsibility

We are committed to deliver on our promises, meet the needs of our stakeholders and go the extra mile

### Integrity

We act with honesty, ethics, and respect in everything we do

### Diversity

We respect and celebrate our differences and create an inclusive environment where everyone feels welcome



### London LGPS CIV Limited

Fourth Floor,  
22 Lavington Steet,  
London, SE1 0NZ  
Company No. 9136445  
[www.londonciv.org.uk](http://www.londonciv.org.uk)

# Delivering on key objectives in 2023

## Key progress highlights for the 2023 calendar year include:

### 2.1 Funds and services

- Launch of the LCIV UK Housing Fund
- Launch of the LCIV Buy and Maintain Credit Funds (Long and Short Durations)
- London CIV's Climate Reporting became a nil-charge service for all partner funds. The service covers all investments, both pooled and off-pool.

### 2.2 Partner fund engagement

- The London CIV response to the LGPS Pooling consultation, which was produced after significant engagement with partner funds, recognises our role as an investment partner for London boroughs' LGPS, as well as the fiduciary responsibility of partner funds, while highlighting implementation issues of the proposals.
- The Responsible Investment Reference Group (RIRG) re-launched as the Sustainability Working Group (SWG) in September 2023. With a wider membership and programme for 2023/24, the SWG intends to work collaboratively to achieve improved outcomes.
- The Cost Transparency Working Group (CTWG) is now chaired by Damon Cook - s151 Officer for the Royal Borough of Greenwich. The group met three times in 2023.

### 2.3 Business

- The Regulatory Capital requirement was met in April 2023, with final formal confirmation received from the Financial Conduct Authority (FCA) in December 2023.

- Our Variation of Permissions (VoP) were formally approved by the FCA in December 2023.
- Revised Board composition is now as follows:
  - Chair
  - Three independent non-execs (INEDs)
  - Two shareholder-nominated NEDs
  - Executive directors (CEO and CFO)
 Total: Eight members
- A review of our organisational model, including separating COO and CFO roles, was undertaken. We've increased clarity (re: roles, responsibilities and accountabilities) across the business, with clearer segregation of responsibilities achieved.
- We've further strengthened our expertise, with new senior hires:
  - Martin Gloyne joined as COO
  - Aoifinn Devitt joined as CIO (Jan 2024)

### 2.4 Diversity

- Excluding the two shareholder NEDs, 33% of the Board are female against a target of 40%. Excluding the Executive Directors, 50% of the NEDs are female.
- The Executive Committee (EXCo) increased in size to eight members, with a total of three female members (40%).
- The Board Diversity policy sets targets in respect of senior staff defined as "Head of" level and above. Of these, 39% are held by women (against a target of 40%) and 17% by individuals from a minority ethnic group (against a target of 15%).
- A diversity and inclusion factsheet is included as an appendix.

## Future plans

**3.1** London CIV held its General Meeting on 30 January 2024 and shareholders, who are also our partner funds, agreed the Budget and Objectives for the 2024/25 financial year (summarised on the next page).

**3.2** We are now working to deliver a tailored pooling strategy for each of our partner funds. This includes:

- Delivering new funds to meet exposures not currently pooled
- Developing discretionary investment services for illiquid assets that are difficult to migrate into London CIV funds
- Provision of existing and additional reporting and support services

**3.3** Additional funds and services in the pipeline include:

- A Nature-Based Solutions (NBS) Fund, which will assist partner funds in delivering net zero strategies.
- A second Private Debt Fund that will build on the success of the first LCIV Private Debt Fund and provide the opportunity for more partner funds to gain exposure to this asset class.
- A Global Equity Value Fund to meet client demand for a solution that complements existing growth biased global equity exposures.
- A Real Estate Advisory service, enabling our partner funds to obtain more cost-effective exposure to indirect property investments.



# Themes and outcomes

Theme	Target outcomes / deliverables
Initiate an engagement strategy to understand the needs of individual partner funds and develop tailored pooling programmes so we can deliver on each of their needs	<ul style="list-style-type: none"> <li>• Detailed product plan for delivery in 2024/25 confirmed</li> <li>• Pooling and Service Programmes to be defined</li> <li>• Plan agreed with every partner fund</li> </ul>
Define and develop an engagement programme for pension chairs, s151s and pension officers (including Cost Transparency Working Group)	<ul style="list-style-type: none"> <li>• Proposals for a new engagement framework presented to July 2024 AGM (with direction of travel to Jan 2024 GM)</li> </ul>
Conclude the Variation of Permissions (VoF) application, which will broaden London CIV services beyond funds to include model portfolio and discretionary services	<ul style="list-style-type: none"> <li>• Approval to Variations of Permissions by FCA achieved early (Dec 2023). For use in 2024/25</li> <li>• Broader service offering, including real estate advisory, under development for phased launch in 2024.</li> </ul>
Develop a product and services pipeline that aligns to the needs of partner funds	<ul style="list-style-type: none"> <li>• Proposals to be presented in March/April 2024 including real estate, passive funds and natural capital</li> </ul>
Continue to drive down costs of manufacturing and services that partner funds currently face	<ul style="list-style-type: none"> <li>• Having achieved fee reductions, we aim to pass these savings on to partner funds in the form of a DFC reduction of £300k(total) in 2023/24 and £400k from current levels in 2024/25. We aim to deliver further fee and cost reductions in 2024/25</li> </ul>
Improve performance across our existing proposition	<ul style="list-style-type: none"> <li>• Measures of success to be presented in March/April 2024</li> </ul>
Gain agreement on a new funding model and reduce London CIV’s Development Funding Charge (DFC). Growth in AUM is uncertain at the date of budget approval, however work is hand with partner funds to create a collaborative plan, informed by the DLUHC consultation, which is set for approval by the Board in March 2024. A presentation to shareholders will take place in March/April 2024	<ul style="list-style-type: none"> <li>• We will set out the principles for our funding model, including passive funds, as a schedule to the MTFs for majority approval at July 2024 AGM. We’re monitoring progress of the CTWG via a quarterly report to Shareholder Committee/Chairs and officer finance forum(s). Changes to the funding model mix will take place over time to progressively reduce reliance on “fixed” members fees (currently 40%) towards ad valorem fees.</li> </ul>
Progress delivery of both London CIV’s and our partner funds’ Net Zero targets	<ul style="list-style-type: none"> <li>• We will launch a Natural Capital fund(s) in H1 2024</li> <li>• We’ll publish a comprehensive net zero plan by July 2024 that will include our strategy on how engagement can be utilised to achieve both our and partner fund targets</li> </ul>
Increase clarity around company objectives/targets, and embed within individual scorecards	<ul style="list-style-type: none"> <li>• A January 2024 approved document is to be revised in light of improved partner fund information. This will provide a more comprehensive plan for 2024 onwards. An update will be provided at the London CIV July AGM. We also report against these deliverables to shareholders/investors on a quarterly basis</li> </ul>

## Financial context

**4.1 We have made significant progress in our mission to deliver benefits for Partner Funds. In 2023, we started offering our Climate Reporting Service at no extra charge. Commercially, this would have cost upwards of £30,000 for individual partner funds. We intend to deliver further services, which partner funds currently source and pay for (through third parties), at no additional charge.**

**4.2** In 2023, we delivered an additional £2.4m of savings on fund manager costs through a robust programme of renegotiation of fund manager fees. This followed a saving of £1m in 2022. Much of these savings have been achieved based on existing AUM levels. However, we will be able to deliver further savings through increased scale.

**4.3** The current profile of invested assets varies significantly from one client fund to another, which includes investments in both active and passive funds. The table on the next page provides an overview of London LGPS, which compares assets pooled with London CIV and non-pooled assets.

**4.4** DLUHC has suggested that all London LGPS assets are transferred (or plan to be transferred) and pooled with London CIV by March 2025. From a practical perspective, and bearing in mind the associated costs and logistics, we believe March 2026 to be more realistic. In many cases, strategies will need to be “plan to pool”, as partner funds that are invested in private market funds (i.e. property / infrastructure) may be “locked in” for several years.

**4.5** As the key themes and objectives table on page 4 highlighted, we have begun work to review London CIV’s financial model. This includes the Development Funding Charge (DFC), which is currently £85,000 per annum, per shareholder.

**4.6** During the January 2024 General Meeting, London CIV announced that, for the first time since its introduction, we could reduce the DFC (11% in 2023/24). We aim to further reduce the DFC in 2024/25, and have an ultimate plan to entirely eliminate this charge to partner funds.

**4.7** The pace at which we can both eliminate the DFC and deliver increased fee savings is dependent on a number of factors, including the speed of delivering pooling requirements to partner funds. A detailed programme of work is being finalised to support this.

**4.8** We continue to benchmark the value we add to partner funds. Our Cost Transparency Working Group (CTWG), which is chaired by Damon Cook, s151 at the Royal Borough of Greenwich, provides an ongoing review on how London CIV provides value for money and is a vital important component of our partner fund engagement strategy.

**4.9** The CTWG is assisting us with the review of the financial model described above.

## London LGPS Assets at March 2023

Pooling by Asset Class	Not Pooled (Liquid)	Not Pooled (Non-Liquid)	Pooled	Deemed Pooled (Passives)	Total LCIV	Total LGPS
	£m	£m	£m	£m	£m	£m
<b>Growth Assets</b>						
Equity	4,969		8,374	11,317	19,691	24,660
Diversified Growth	892		2,298		2,298	3,190
Private Equity		1,115				1,115
Venture Capital		3				3
<b>Income Assets</b>						
Property		4,499	241		241	4,700
Infrastructure		1,793	755		755	2,548
Private Debt		1,301	435		435	1,736
Alternatives		222				222
<b>Stabilising Assets</b>						
Multi asset credit	713		1,658		1,658	2,371
Corporate Bonds - Active	1,680		669		669	2,349
Index-linked Gilts	31			1,074	1,074	1,105
Cash*	974					974
Corporate Bonds - B&M	473					473
Absolute Return Bonds	242					242
LDI*	193					193
Corporate Bonds - Passive				143	143	143
Liquid Credit	101					101
Currency*	18					18
<b>Total</b>	<b>10,286</b>	<b>8,893</b>	<b>14,430</b>	<b>12,534</b>	<b>26,964</b>	<b>46,143</b>

\*Assets that may not be available to transfer

- DLUHC has suggested March 2025 being a reasonable deadline for partner funds to transfer assets, with an initial focus on liquid/listed assets
- The table suggests a non-pooled universe of £10.3bn of liquid assets, with a contestable universe of £9.1bn
- The table also highlights a lack of pooled investments in real estate (property)

# Responsible Investments

## **5.1 We have set a target to become a Net-Zero company by 2040. This aligns with the Paris Agreement objectives to limit a global temperature rise below 1.5°C. We have also set two interim targets:**

- Reduce the carbon intensity of all London CIV's pooled investments by 35% by 2025 (relative to 2020), and 60% by 2030.
- Become a Net-Zero company across operational and supply chain emissions by 2025. We have produced a finalised plan that includes an implementation pathway. It will be published during Summer 2024.

**5.2** Beyond our fund de-carbonisation targets, we are setting sector-level decarbonisation, climate-engagement, and financing transition targets to drive GHG emissions reduction outcomes in the real economy. We are also working to assess the climate impact of assets invested passively through Blackrock and LGIM and plan to integrate these funds into London CIV's Net-Zero Strategy.

**5.3** London CIV uses an aggregated voting and engagement service that fully aligns with respective guidelines. Individual engagement initiatives are undertaken in collaboration with circa 20 partners, including Pensions for Purpose, the Diversity Project and LEAF. Our voting and engagement services are provided by Hermes EOS.

**5.4** Cllr Rishi Madlani, chair of London CIV's Shareholder Committee, and Cllr John Gray, Trade Union Member of the Shareholder Committee (also a member of the LAPFF Executive and Chair of the Newham Pension Committee) are both working to identify opportunities where we can proactively collaborate with LAPFF on engagements. With this capability, we can focus our stewardship activity around priority themes, bearing in mind materiality, client and stakeholder concerns, and where we can generate the greatest impact.

**5.5** On an annual basis, we review specific priorities against a framework that makes use of four stewardship pillars. We are supported in this work by a Sustainability Working Group (SWG), which is a collaborative Forum that includes our partner funds. The SWG, an evolution of the RIRG, has a wider membership and includes more Committee Chairs. Its revitalised programme includes key topics designed to enable partner funds and London CIV to move strategic priorities, such as nature-based solutions, forward.

**5.6** In 2023, London CIV made its Climate Reporting a nil-charge service for all of our partners' funds (whether pooled or not). So far, 17 partner funds have signed up to make use of this service.

# People, Diversity and Inclusion

**6.1 We know that staff stability is important to both our partner funds and their advisors/consultants. We are pleased to report that we achieved a balance between having a stable staff and attracting new talent in 2023.**

**6.2** We are a small firm with limited scope to provide promotion opportunities to our team. As such, we aim to develop our team to the point where they can progress their careers elsewhere. We already have a reputation for talented alumni.

**6.3** We also work with the Catalyst Education Programme (CEP) to identify career opportunities for a wider demographic of young people.

**6.4** We have undertaken a review of our operating model and organisational structure, including to provide greater long-term resilience.

**6.5** As part of this, we created a new Chief Operating Officer role, separating the position from the Chief Financial Officer, which has also brought a fresh pair of eyes on how we deliver day-to-day operations and services to partner funds more efficiently.

**6.6** A diversity and inclusion factsheet is included as an appendix.

# Conclusion

**7.1** This paper provides a summary of progress and developments at London CIV. More information is available in the London CIV 2024/25 Budget and Medium Term Financial Strategy, which was approved by shareholders at the January 2024 General Meeting.

This document is intended for shareholders only and is not for wider circulation. For investment information, email [clientservice@londonciv.org.uk](mailto:clientservice@londonciv.org.uk).

## London CIV's partner funds





# Appendix A

## Our Fund Range, Assets under Management and Services

London CIV Products			
	AUM	Manager	Investors
	£m		
<b>PUBLIC MARKETS</b>			
<b>Growth</b>			
LCIV Global Alpha Growth Fund	1,392	Baillie Gifford	5
LCIV Global Alpha Growth Paris-Aligned Fund	2,093	Baillie Gifford	11
LCIV Global Equity Fund	574	Newton	3
LCIV Global Equity Quality Fund	535	MSIM	2
LCIV Global Equity Focus Fund	1,189	Longview	6
LCIV Emerging Market Equity Fund	529	JP Morgan	8
LCIV Sustainable Equity Fund	1,302	RBC	8
LCIV Sustainable Equity Exclusion Fund	693	RBC	5
LCIV Passive Equity Progressive Paris-Aligned "PEPPA" Fund	868	State Street	4
LCIV Global Equity Value Fund	Launching Q2 2024		
<b>Multi-Asset</b>			
LCIV Global Total Return Fund	85	Pyrford	1
LCIV Diversified Growth Fund	650	Baillie Gifford	6
LCIV Absolute Return Fund	969	Ruffer	10
LCIV Real Return Fund	177	Newton	2
<b>Fixed Income</b>			
LCIV Global Bond Fund	944	Pimco	10
LCIV MAC Fund	1,428	CQS + Pimco	14
LCIV Alternative Credit Fund	402	CQS	3
LCIV Short Duration Buy and Maintain Fund	121	Insight	2
LCIV Long Duration Buy and Maintain Fund	351	Insight	3
<b>PUBLIC MARKETS TOTAL</b>	<b>£14.4bn</b>		

	Com'td	Drawn	Manager	Investors
	£m	£m		
<b>PRIVATE MARKETS</b>				
<b>Infrastructure</b>				
LCIV Infrastructure Fund	399	315	London CIV	6
LCIV Renewable Infrastructure Fund	1,109	414	London CIV	16
<b>Private Debt</b>				
LCIV Private Debt Fund	625	420	London CIV	8
LCIV Private Debt II Fund	Launching Q2 2024			
<b>Real Estate</b>				
LCIV Real Estate Long Income Fund	213	213	Aviva	3
LCIV UK Housing Fund	367	2	London CIV	6
The London Fund	250	92	LPPI	4
<b>Nature-based Solutions</b>				
LCIV Natural Capital Fund	Launching Q3 2024			
<b>PRIVATE MARKETS TOTAL</b>	<b>£3bn</b>	<b>£1.5bn</b>		

	AUM	
	£m	
<b>PASSIVE FUNDS (DEEMED POOLED)</b>		
Blackrock + Legal and General Investment Management (LGIM)	£13.6bn	
<b>PASSIVE FUNDS (DEEMED POOLED) TOTAL</b>	<b>£13.6bn</b>	

**Total pooled assets £29.5bn**

LONDON CIV DISCRETIONARY SERVICES			
<b>Climate Analytics</b>			
Climate Analytics Reporting Service	-	-	-
<b>Real Estate</b>			
Real Estate Advisory Service	Launching Q2 2024		

Source: Northern Trust + London CIV data at 31 January 2024

# Appendix B

## Fact Sheet: People, Diversity and Inclusion

**We monitor the diversity of our staff on an annual basis, taking into account multiple factors, including socio-economic diversity. However, the staff group is small, which is why data published in the annual report is limited to gender and ethnicity. We provide a mid-year report to the January shareholder meeting, which agrees the budget.**

**1.** Our targets, which are kept under review, are informed through surveys by the Diversity Project (an industry organisation), which has a Small Firms Forum. This is especially helpful in providing benchmarks and approaches for an organisation of our size. We are founder members of the Asset Owners Diversity Charter, which aims to promote good standards of diversity reporting across the sector. We also take into consideration Financial Conduct Authority (FCA) guidance and respond to their consultations. The current position is described below.

**2.** The January 2024 General Meeting provided an opportunity to introduce our new Chief Investment Officer (CIO) Aoifinn Devitt. Those present heard her emphasis on getting to know partner funds and the invitation to a weekly digital “Coffee with the CIO”. London CIV’s CEO, Dean Bowden, also commented more widely on the work we are doing in respect of diversity. This includes both ethnic diversity and social mobility. Dean referred to the Catalyst Education Programme (CEP), where we have been working with one of the founders, Andrien Meyers. Andrien is also Head of Pensions and Investments for the London Borough of Sutton and Royal Borough of Kingston upon Thames.

**3.** The targets set in respect of the composition of the Board and senior roles (the Executive team and level just below) are 40% of post holders to be female. The current composition is in line with these targets. Earlier this year, we set a new target for at least 15% (increased from 8% and consistent with the overall population demographic) of our “Heads of” to be from ethnic minorities. This has been achieved.

**4.** There are six members of the Board (January 2024), excluding the two shareholder nominated NEDs, four NEDs and two Executive Directors. 33% (2 individuals)

of the six-member board are female against a target of 40%. Excluding the Executive Directors, 50% of the NEDs are female. The total size of the Executive Committee increased to eight members, with the appointments of Martin Gloyne as COO and Aoifinn Devitt as CIO. Aoifinn’s appointment increased female committee membership to three.

**5.** In line with the Parker report, the Board has also set an objective of a composition that includes one ethnic minority member. In March 2021, it was agreed not to include the two shareholder nominated NEDs (who must be Leaders of London Councils) in calculating whether gender and ethnic diversity targets have been achieved. Whilst there is ethnic diversity on the board, the target has yet to be achieved.

**6.** An emphasis is now placed on the impact of having women in key Executive and NED roles. In addition to the Compliance Audit and Risk Committee (CARCO) and Remuneration and Nominations Committee, London CIV also has an Investment and Customer Outcomes Committee (ICO). The RemNomCo and Investment and Customer Outcomes Chairs are currently female NEDs. The Chief Investment Officer is female.

**7.** The Shareholder Committee is not as diverse as the London CIV team in terms of gender and ethnicity. However, the Chair of the Committee is from an ethnic minority. The Committee is nominated from amongst Pension Investment Committee Chairs and 151 officers, and includes one Trade Union member.