Pensions CIV Sectoral Joint Committee Agenda

13th December 2016 – 10:30am – 12:30pm

Conference Suite (1st Floor)

At London Councils offices, 59½ Southwark St., London SE1 0AL
Refreshments will be provided
London Councils offices are wheelchair accessible

Labour Group pre-meeting:	Room 1 (1st Floor)	10:00am
(Political Adviser: 07977 401955)		
Conservative Group pre-meeting:	Room 3 (1st Floor)	10:00 am
(Political Adviser: 07903 492195)		

Contact Officer: Alan Edwards

Telephone and email: 020 7934 9911 Alan.e@londoncouncils.gov.uk

Agenda item

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3	Minutes of the Meeting held on 18 October 2016	1-4
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***Declarations of Interests**

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

The Pensions CIV Sectoral Joint Committee will be invited by the Chair to agree to the removal of the press and public since the following items of business are closed to the public pursuant to Part 5 and Schedule 12A of the Local Government Act 1972 (as amended):

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information), it being considered that the public interest in maintaining the exemption outweighs the public interest in disclosing it.

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Pensions CIV Sectoral Joint Committee (PSJC)
18 October 2016

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Tuesday 18 October 2016 at 2:00pm in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	Cllr Dominic Twomey
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	-
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	-
Haringey	Cllr John Bevan (Deputy)
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	Cllr Iain Simpson
Lewisham	Cllr Liz Johnston-Franklin (Deputy)
Merton	Cllr Imran Uddin
Newham	Cllr Forhad Hussain
Redbridge	-
Richmond Upon Thames	-
Southwark	-
Sutton	Cllr Sunita Gorden
Tower Hamlets	Cllr Clare Harrisson
Waltham Forest	-
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Tim Mitchell (Deputy)

Apologies:

Barnet	Cllr Mark Shooter
Bromley	Cllr Teresa Te
Croydon	Cllr Simon Hall
Greenwich	Cllr Don Austen
Hammersmith & Fulham	Cllr Iain Cassidy
Haringey	Cllr Clare Bull
Havering	Cllr John Crowder
Lewisham	Cllr Mark Ingleby
Redbridge	Cllr Elaine Norman
Richmond-upon-Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Westminster	Cllr Sulhail Rahuja

Officers of London Councils were in attendance as were Hugh Grover (CEO, London CIV), Julian Pendock (CIO, London CIV), Brian Lee (COO, London CIV), Jill Davys (AD Client Management, London CIV), and Ian Williams (Chair, Investment Advisory Committee).

1. Announcement of Deputies

1.1. Apologies for absence and deputies were as listed above.

2. Declarations of Interest

2.1. There were no declarations of interest that were of relevance to this meeting.

2.2. The CEO to look into whether members should declare a deferred pension scheme as a declaration of interest at the PSJC.

3. Minutes of the AGM Meeting held on 14 June 2016

3.1. The minutes of the PSJC meeting held on 14 June 2016 were agreed.

4. London CIV Business Planning

4.1. The CEO introduced the report. He said that the key points could be found at paragraphs 10 to 14 of the report. Northern Trust said that the CIV had opened more sub-funds than any similar organisations. Passive investments were not generating any income because those assets now remained outside of the London CIV. The aim was to bring further detail to the PSJC meeting on 13 December 2016, including a resource plan and rationale.

4.2. The process of opening sub-funds had become easier, but there was no way of knowing if boroughs would individually move into these sub-funds (this was part of the budget issue for the CIV).

4.3. The following issues were discussed:

- Councillor Heaster asked for clarification for the sub-fund AuM fees being "significantly down" (paragraph 15, page 7). Brian Lee said that there was a £250,000 shortfall in passive funds, and a £100,000 deficit owing to the delay in the launch of some sub-funds (amounting to just over £300,000 in total).

- Councillor Malhotra voiced concern that some projects had been deferred. He said that greater prioritisation needed to take place. The CEO acknowledged the challenge responding that significant progress had been made, albeit not necessarily as planned.

- Councillor Greening said that he would prefer a fuller report. He said that a more realistic approach was needed and to stick with the principles of saving money. It was not possible to accurately forecast how large the transfer of assets would be and what fees would come from it.

- Councillor Simon suggested that boroughs that had benefited from the reduced fees for passive investment should pay a percentage of the savings to LCIV. The CEO responded that the issue was being discussed with Officers/Treasurers and options would come to a future meeting.

- Councillor Greening said he was concerned at the excessive regulatory costs. He agreed that it would be preferable to look at Councillor Simon's proposal rather than levying the boroughs more.

4.4. The Committee:

(i) Noted the contents of the report;

(ii) Agreed that a more detailed report would be brought to the PSJV on 13 December 2016; and

(iii) Agreed to look into the possibility of boroughs with savings accruing from passive funds outside of LCIV paying a percentage of the savings to LCIV.

5. Investment Report and Fund Update

5.1. Julian Pendock introduced the report. He said that with a great deal of volatility in the market at present the Allianz and Baillie Gifford sub-funds had both been performing well.

5.2. Jill Davys informed the PSJC that the Stewardship Working Group had met in the summer and the draft minutes were attached to the report. She confirmed that there had been approximately 5 alerts within a six month period.

5.3. Councillor Malhotra asked if further reports could contain a cumulative total of funds under management, in order to see how the funds were performing.

5.4. The Committee noted the report.

6. Global Equity Procurement

6.1. Julian Pendock introduced the report informing members that tender submissions had been received from over 200 fund managers, 58 meetings had been arranged with fund managers, and that the fees being offered had been very encouraging.

6.2. Councillor Simon asked whether tax savings would be identified as well as cost benefits. The CEO responded that the CIV was very tax efficient and that tax savings would be identified where it was possible to do so.

6.3. Councillor Simpson asked whether the start-up fees would go down once the size of the sub-funds increased. The CEO noted that start-up fees would indeed go down over time.

6.4. The Committee noted the report.

7. Investment Advisory Committee (IAC) Update

7.1. Ian Williams, Chair of the IAC, introduced the report. He informed members that the IAC had been working closely with LCIV to develop the Business Plan.

7.2. The Committee noted the report.

8. Review of Benefits

8.1. The CEO said that efforts would be made to quantify the savings made although defining fund manager fee savings was a complex issue that would increase in complexity over time as boroughs started to make new investments that were not part of the initial ‘commonality’ approach and therefore it would be difficult to define a prior fee position against which to make the comparison.

8.2. Councillor Greening said that a fuller picture of the costs, benefits and future estimations (including any “guesswork”) was required, preferably in a table format. This could be carried out through the deputy chairs of the PSJC. Councillor Simpson suggested including a timeframe, as well as costs and benefits. The CEO said that ranges for the benefits might need to be incorporated.

8.3. Councillor Simon asked whether transition arrangements for new funds would be supported by the CIV. The CEO said that it was on the agenda to go through a procurement exercise to generate a framework contract with a number of Transition Managers for the boroughs to call off.

8.4. The Committee:

(i) Noted the report, and

(ii) Agreed to look into having costs, benefits and future estimations, in a table form, in future Benefits reports that went to the PSJC.

9. Remuneration Committee Policy & Terms of Reference

9.1. Councillor Greening felt that the total remuneration figure of £500,000 was excessive (page 52). The CEO said that this figure was set by the FCA and was not an indicative amount in terms of what LCIV staff might be paid, but simply part of the FCA’s regime for identifying ‘Code Staff’. The Chair confirmed that it was the regulator that required this figure. The CEO said that he would take legal advice on this issue to ascertain if it was possible to use a lower figure.

9.2. The Committee:

(i) Noted the report; and

(ii) Agreed to look at taking out the figure of £500,000 for the total remuneration of code staff (page 52, paragraph 6.3 for the report) and consider putting in a reference to the FCA’s handbook for this remuneration instead.

The Exempt minutes were agreed (Item E3)

The meeting closed at 15.05pm

Pensions CIV Sectoral Joint Committee

Item no: 4

Global Equity Procurement Update

Report by:	Julian Pendock	**Job title:**	Chief Investment Officer
Date:	13 December 2016		
Contact Officer:			
Telephone:	020 7934 9887	**Email:**	julian.pendock@londonciv.org.uk

Summary

The CIV Investment Team, working alongside the Global Equity Sub-Group (drawn from local authority colleagues of the Investment Advisory Committee (IAC)) has been progressing with the global equity procurement. In total some 57 clarification meetings were held with prospective fund managers, covering nine global equity strategies. A final preferred list will be discussed with the IAC and the Joint Committee. In addition, London Funds have been completing a survey to assess their current requirements in the global equity space, in order to decide which sub-funds should be opened first.

Recommendations

The committee is recommended to:

i. Note the contents of this report

Global Equity Procurement Update

Background

1. Members of the Joint Committee were provided with a brief update on the global equity procurement at the previous meeting of this Committee in October. As Members may recall, the rationale for focusing on this area was that this represented the largest single asset allocation decision for the London Pension Funds. So far two global equity managers have been transitioned on to the CIV platform, with a further two due to come on stream before the end of the financial year. It was clear from preliminary soundings that there was appetite for some new managers, particularly in strategies where funds did not currently have significant allocations, such as equity income and emerging markets.
2. Tenders were received from more than 200 fund managers. The Investment Team, along with the IAC Sub-Group and the Investment Consultants, assessed the submissions and produced a comprehensive short list. Submissions were evaluated on the basis of the following classification with the percentages allocated to each category:

Main Evaluation Category	Sub-Category Evaluation Criteria		
Philosophy, Process & Implementation (40%)	Idea Generation & Process	Portfolio Construction & Risk Management	Implementation
Business Management (20%)	Ownership Structure	People & Culture	
Track Record (10%)	Returns	Context	
Transparency & Reporting (10%)	Reporting		
Fees (20%)	Fees for £250m Mandate	Fees for £500m Mandate	

3. Clarification meetings were held with a total of 57 managers during October and November, which covered nine broad strategies.
4. Key points from the process:

- **“New” names.** The potential size, as well as the profile of the tender, meant that managers not previously well-known to the LGPS (or little-known strategies from well-known managers) applied. In some cases, knowledge of some of these “new” names came from sources other than the investment consultants, e.g. CIV officers’ knowledge of the market and /or prior engagement with the managers. The inclusion of these names was welcome, and achieved the goal of spreading the net more widely.
- **Scoring process and decision-making.** The clarification meetings proved to be appropriately named; in most cases, the meetings did clarify issues and questions which the Group (i.e. CIV officers and Global Equity Sub-Group) had identified. On occasions where they did not, a further written clarification was sought and circulated

to those involved in the relevant meetings. As a result, by the end of each day, the top three or four fund managers for each strategy had become evident.

- **“Ranking” the managers**. In some cases, the approach that each manager took for each strategy was different and therefore this made simple ranking more challenging, as it would be akin to comparing apples and oranges. Two examples of this would include the “Income” class, whereby the approach to managing factor risk, specifically duration risk, was key. Another example would be “Core”, a strategy defined more by what it is not than what it is, and therefore resulted in a range of approaches which were highly differentiated.

- **Number of managers for each strategy**. There is a trade-off between maximising the number of managers for each strategy in order to maximise choice, versus minimising the number in order increase scale economies and reduce time until launch, and oversight and monitoring costs. For each strategy, more than one manager has been taken through to the next stage (apart from Quality, which is already very well represented on the CIV). Ultimately it is preferable to have at least one manager in reserve, and certainly, much can change between now and on-boarding, and therefore it is preferable to maintain some flexibility at this stage.

- **Good representation from the “decision makers”**. Again, given the profile of the tender, most (if not all) managers provided access to their key decision maker(s) fr each strategy, regardless of the distance that the individual was required to travel. This added immensely to the quality of each clarification meeting. Ongoing access to key decision makers was emphasised as a criterion for selection.

- **Fees**. The indicated fees point to substantial potential savings. In many cases, further fee redctions would likely be sought as part of further negotiations, once a manager has been provisionally selected.

- **Combining (or blending) strategies: mainstream strategies, EM and Incubator**. The Global Equity tender process will offer Pension Funds the opportunity to spread their equity allocations across several strategies, thereby reducing specific strategy risk. Further, within each strategy, Pension Funds may also wish to have a combination of managers, given that some managers approach each strategy differently, and therefore a combination of managers can reduce manager risk. In both cases, there will be the opportunity to optimise the risk / return profile of the allocation, by diversifying risk.

- **Incubator**. Whilst all other lots are more self-explanatory, the Incubator strategy deserves more explanation. The idea behind incubator strategies is to identify funds / fund management companies which are at an earlier stage, but which by all (or most) measures except current AUM, would make it onto the full list (or, they are sufficiently differentiated and niche to be of interest in their own right). By investing at an earlier stage, boroughs would have access to capacity at a lower price than would be the case if and when the strategy were to mature, and at the same time ensure that promising fund managers were not caught out by the increasing difficulties of achieving critical mass. In sum, the relationship is symbiotic, and having such a facility is considered best practice in many large funds across the globe. Given the nature of these investments, LBs (should they wish to invest) may well wish to be able to access these as one “basket”, and therefore the CIV will be engaging with the LBs in order to determine the optimal ways of accessing these funds.

5. Discussions took place with the equity sub-group after each clarification meeting and broad agreement was reached on the managers to be put forward to the next stage, subject to compiling the evaluation reports for each strategy and discussion with the IAC on finalising a list to be considered for appointment. Officers of the CIV are currently compiling detailed reports on each of the strategies and the managers and these will be presented to the IAC in December. Once the list of managers has been reviewed and agreed the intention will be to have "Meet the Managers" days, in order to gauge indicated interest in each manager.
6. Following review of the managers presented at the IAC, the IAC will then make recommendations to the Joint Committee on managers to be taken forwards. These recommendations will then be considered by the Board of the London CIV and final decisions taken on appointment.
7. The London CIV has also been conducting a survey of the London LGPS Funds to enhance current understanding of likely equity fund requirements which will help to determine which of the 9 strategies is put forward for development of new funds and the timeframe for doing so. Due diligence will be conducted on all the managers where sub-funds are going to be opened and commercial negotiations finalised.
8. London CIV is targeting opening the new global equity sub-funds in the summer 2017 with 3 planned as an initial phase, with a further 3 strategies opening in the autumn where demand arises.

Recommendations

9. The committee is recommended to:
    i. Note the contents of this report

Financial implications

10. There are no financial implications for London Councils

Legal implications

11. There are no legal implications for London Councils.

Equalities implications

12. There are no equalities implications for London Councils

Appendices

Appendix 1 – Global Equity Investment Strategies

Appendix 2 – Global Equity Procurement Timeline

Appendix 1

GLOBAL EQUITIES PROCUREMENT – INVESTMENT STRATEGY LOTS

Lot 1 – Generic Global Equities – 6 investment strategies:

- **Global Core** (Redington) - Exposure to long-only listed global equity markets with tilts to a blend of multiple style factors. This might include (but not exclusively); a combination of Value, Momentum and Quality factors.
- **Global Value** (Redington) - Exposure to long-only listed global equity markets with persistent style exposure to "value" factors (relative to the MSCI World). This might include (but not exclusively); low price to earnings, price to cash-flow or price-to-book ratios.
- **Global Quality** (Mercer) - Exposure to long-only listed global equity markets with persistent style exposure to "quality" factors (relative to the MSCI World). This might include (but not exclusively); high return on equity, high return on assets, low volatility of earnings growth or low levels of financial leverage.
- **Global Trend Growth** (global unconstrained) (Mercer) - Exposure to long-only listed global equity markets with persistent style exposure to "trending" factors (relative to the MSCI World). This might include (by not exclusively); price momentum, fundamental momentum or earnings revisions.
- **Global Income** (Mercer) - Exposure to long-only listed global equity markets with persistent style exposure to "dividend yield" (relative to the MSCI World), and a portfolio-level yield persistently in excess of the dividend yield on the MSCI World.
- **Global Low Volatility** (Redington) - Exposure to long-only listed global equity markets with a focus on creating a portfolio of securities that primarily target a lower overall volatility than MSCI World.

Lot 2 – Emerging Markets Strategy:

- Emerging Markets (Mercer) - Exposure to long-only listed emerging market equities with the majority of portfolio invested in securities listed in countries defined as "emerging".

Lot 3 – Sustainable Equities Strategy:

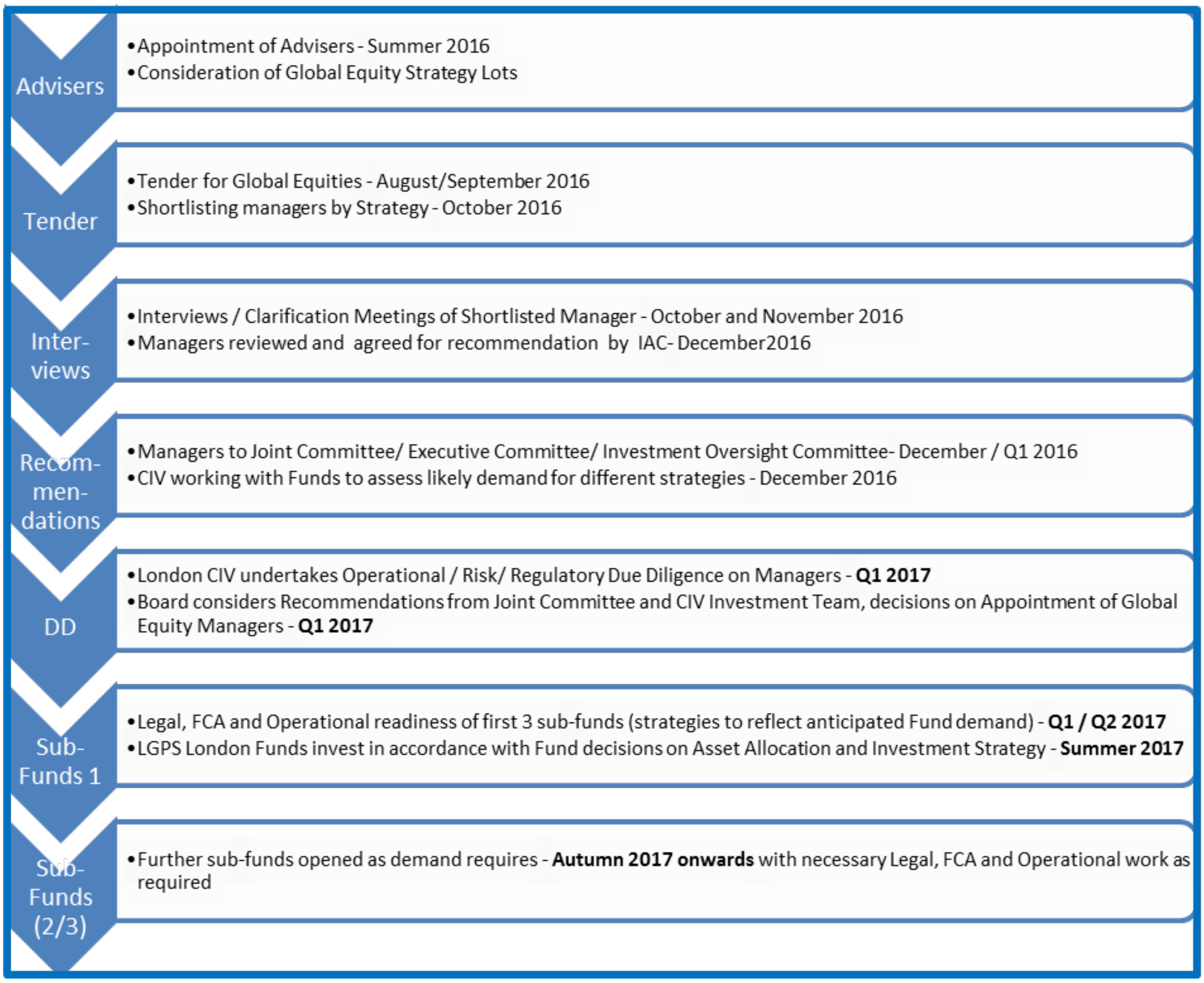
- Sustainable Equity (Redington) - Exposure to long-only listed global equity markets with a focus on explicitly considering environmental, social and governance (ESG) factors in portfolio selection and management.

Lot 4 – Incubator Managers:

- Emerging Managers/ Incubator (Mercer and Redington) - Exposure to long-only listed global equity markets with firm-wide AUM less than $2bn

Appendix 2

Global Equity Timeline



Pensions CIV Sectoral Joint Committee

Item no: 5

Investment Advisory Committee Update

Report by:	Ian Williams	**Job title:**	Chair of Investment Advisory Committee
Date:	13 December 2016		
Contact Officer:	Jill Davys		
Telephone:	020 7934 9968	**Email:**	Jill.davys@londoncouncils.gov.uk

Summary

The Investment Advisory Committee (IAC) continues to work closely with the London CIV to consider a range of investment opportunities. In addition the treasurers from the IAC have been working closely with the management team from the CIV over the last quarter to consider the business plan and medium term financial strategy of the company.

Recommendations

The committee is recommended to:

i. Note the contents of this report;

London CIV Investment Advisory Committee Update
October – December 2016

Introduction

1. The Investment Advisory Committee (IAC) was formed in September 2015 with the remit to:

    i. To support the Joint Committee in the investment decision making process

    ii. To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.

2. Since the last Joint Committee meeting the IAC has formally met twice in October and November, however in addition, the Treasurers from the IAC have also met with the London CIV Management Team over the last 2 months to provide challenge and review the proposals for the London CIV financial plan and budget. The IAC Treasurers have provided commentary on the cost and revenue assumptions to ensure that they are robust and that further cash calls on Funds are minimised over and above what is included in the business plan. There has been recognition that the way costs are attributed need to be clearer and that it is likely that there will continue to be set up costs in interim period before the London CIV can be self-funding. Treasurers have also asked for a governance review to be undertaken by the CIV.

3. The main focus of the meetings, outside of the budget review, over the last couple of months has been to consider the global equity procurement, development of the fixed income and cashflow thought pieces and how this might progress and the timeline for the introduction of appropriate products.

4. The IAC have been kept informed of the work on the global equities procurement and the managers shortlisted for clarification meetings. The IAC global equities working group comprising 9 officers from the IAC alongside the London CIV Investment Team had met with the investment consultant to consider the 200+ submissions received in response to the tender notice, providing a good level of challenge to the shortlisting drawn up by the consultants, with a number of changes being made to those reaching the shortlist. The CIV team alongside representatives of the Global Equities sub-group conducted a total of 57 manager interviews during October and November. Preliminary discussions were held on each of the strategy meeting days to agree preferred managers with a meeting at the end of the process to agree a list of preferred managers to be taken forwards to the IAC and the Joint Committee. The list was presented at the November meeting of the IAC, but unfortunately with work still to be completed on a number of the individual manager detailed recommendations, the IAC have not yet been able to agree the final list. It was agreed that the format of the notes should be in the format of a Committee style report for the IAC to consider and that the London CIV team would work on these in advance of either the meeting in December or that an additional special meeting would be held. Further the IAC were keen to see the results of the global equity survey currently underway. The survey will help to determine those strategies selected for the first phase of sub-fund openings in 2017. The IAC ae keen to ensure that the

procurement process robust and individual Funds can be confident in the outcome of the selection process.

5. With regards to the Fixed Income and cashflow work, the IAC, having asked for this work to be brought forward, received a paper from the London CIV setting out the structural challenges facing both Funds and the current paucity of income from traditional fixed interest products. This is also tied in with the work of the triennial valuation currently underway for LGPS Funds. As Funds turn increasingly mature, i.e. with less active membership and less income from contributions into the Fund and increased payments out in terms of pension benefits, the Funds will increasingly need to access secure income streams to pay the pension benefits promise. This is at a time when interest rates on traditional products are at historical low levels meaning that these are unlikely to provide the level of income that Funds need. The London CIV is organising a seminar for Fund officers in January and the IAC has agreed the broad agenda for this seminar.

6. The IAC is also working closely with CIV officers to consider a range of other issues, including the introduction of MiFID II and the implications for both the CIV and Funds if current proposals were followed through. A response is being drafted for circulation and all Funds are being encouraged to put a response to the FCA consultation which closes on 4th January 2017. The new Investment Strategy Statements required of LGPS Funds to be in place by 1st April 2017, also includes statements on pooling, voting and ESG (Environmental, Social and Governance) approaches. The Stewardship working group of the IAC is currently working on some standard wording that might assist Funds with their statements to ensure that there is some consistency and avoid too many conflicting requirements that could make any standard approach at a Pool level too difficult to implement.

7. Reporting to Funds by the London CIV to ensure that their requirements are met both from an accounting perspective and for Pension Committee reporting, has meant that it has been agreed to establish a further working group of the IAC to work closely with the CIV to develop a reporting framework which meets the needs of London Funds.

8. Current IAC working groups are set out below:

    i. Global Equities
    ii. Fixed Income and Cashflow
    iii. Stewardship
    iv. Infrastructure
    v. Housing
    vi. Reporting

9. Future work: the IAC will continue to work closely with the CIV on key projects to help ensure that they are able to deliver the investment strategies that the Funds need to meet their requirements. This will include a further review of the preferred global equity managers, consideration of how the fixed income and cashflow piece should be addressed. The IAC will also review the Stewardship Code Statement proposed by the CIV and the target level of compliance being targeted.

Recommendations

10. The committee is recommended to:

    i. Note the contents of this report

Financial implications

11. There are no financial implications for London Councils

Legal implications

12. There are no legal implications for London Councils.

Equalities implications

13. There are no equalities implications for London Councils

Pensions CIV Sectoral Joint Committee

Constitutional Matters — Item no: 6

Report by:	Christiane Jenkins		Director of Corporate Governance
Date:	13 December 2016		
Contact Officer:	Christiane Jenkins		
Telephone:	020 7934 9540	**Email**	Christiane.jenkins@londoncouncils.gov.uk

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Summary

All 33 London local authorities have now adopted a similar form of resolution to facilitate their participation in the London LGPS CIV Limited (09136445) and the London Councils Pension CIV Sectoral Joint Committee (PSJC). In delegating the exercise of sections 1 and 4 of the Localism Act 2011 for those purposes, the authorities agreed that, should all 33 London local authorities resolve to participate in the arrangements Leaders Committee should exercise those functions, instead of the sectoral joint committee which is restricted to having a maximum of 32 members under the London Councils (Leaders') Committee Governing Agreement, and the Governing Agreement should be varied accordingly. Therefore, with the decision of the 33rd local authority, the Governing Agreement will be formally varied with the exact mechanism for achieving this being subject to further legal advice. The Pensions CIV Sectoral Joint Committee will be dissolved upon the variation being completed by all 33 participating local authorities.

Recommendations

The Pensions CIV Sectoral Joint Committee:

1. Is asked to note that following a decision of the 33rd London local authority to delegate the exercise of sections 1 and 4 of the Localism Act 2011 for the purpose of participating in the London Councils Pension CIV Sectoral Joint Committee (PSJC), a formal agreement varying the London Councils Governing Agreement will be prepared and sent to each London local authority to incorporate into that Agreement the functions which Leaders' Committee will instead jointly exercise on behalf of all 33 authorities.

2. Is asked to note that the Pensions CIV Sectoral Joint Committee will be dissolved upon the formal variation being entered into by all 33 participating local authorities.

3. Is asked to note that until such time as all the participating authorities have returned the signed variation, that the Pensions CIV Sectoral Joint Committee will continue to exist and meet.

Background

1. “London Councils” is a term that is used to refer collectively, and for convenience, to three separately constituted, but inter-related, statutory joint committees appointed by the 33 London local authorities for the joint discharge of their functions i.e.:

    a) London Councils Leaders’ Committee (“Leaders’ Committee”);
    b) London Councils Transport and Environment Committee (“LCTEC”); and
    c) Grants Committee.

2. Leaders’ Committee has been established with the authorities’ agreement under sections 101 and 102 of the Local Government Act 1972 and section 9EB of the Local Government Act 2000 (and the relevant Regulations). LCTEC is similarly constituted. The Grants Committee has been established in accordance with the London Grants Scheme made under section 48 of the Local Government Act 1985 and which forms part of the Leaders’ Committee Governing Agreement. The Leaders’ Committee Governing Agreement dated 13 December 2001 has been formally amended (varied) once in 2004[1] to give effect to a new Grants Scheme.

3. London Councils must operate within the delegations which have been made to the joint committees (Leaders’, Grants, the Pensions CIV, and LCTEC) by the London local authorities (and as relevant for LCTEC, TfL) as set out in the Governing Agreements.

4. On 11 March 2014, as permitted under the Leaders’ Committee Governing Agreement, Leaders Committee first approved the terms of reference of a new sectoral joint committee which was to be established under the London Councils governance arrangements (subject to amendment). This Pensions CIV Sectoral Joint Committee was constituted on 15 July 2014 with 30 members each having agreed to formally delegate the exercise of their relevant functions under sections 1 and 4 of the Localism Act 2011 to that joint committee to act collectively as a representative body for those local authorities who had resolved to participate in the London LGPS CIV Limited (09136445) arrangements, and to become shareholders of the company. Those arrangements, in

[1] Variation to Agreement dated 13 December 2001 to make a New Scheme for Grants to Voluntary Organisations, dated 1 February 2004. The Grants Scheme is made pursuant to section 48 Local Government Act 1985.

accordance with usual practice for such companies, are underpinned by a shareholder agreement which all the shareholding London local authorities have entered into.

5. The Governing Agreement provides that a maximum of 32 authorities may be members of a sectoral joint committee. On 4 July 2016 the 33rd authority resolved to participate in the arrangements. In delegating the exercise of sections 1 and 4 of the Localism Act 2011 for those purposes, the authorities each agreed that, should all 33 London local authorities resolve to participate in the arrangements, London Councils' Leaders Committee should instead exercise those functions and the Governing Agreement should be varied accordingly.

Next Steps

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6. The Pensions CIV Sectoral Joint Committee is asked to note that with the decision of the 33rd local authority to participate in the London LGPS CIV Ltd arrangements, the Leaders' Committee Governing Agreement will be formally varied with the exact mechanism for achieving this being subject to further legal advice. The Pensions CIV Sectoral Joint Committee will be dissolved upon the variation being completed by all 33 participating local authorities.

Recommendations

7. The Pensions CIV Sectoral Joint Committee:
   a) Is asked to note that following a decision of the 33rd London local authority to delegate the exercise of sections 1 and 4 of the Localism Act 2011 for the purpose of participating in the London Councils Pension CIV Sectoral Joint Committee (PSJC), a formal agreement varying the London Councils Governing Agreement will be prepared and sent to each London local authority to incorporate into that Agreement the functions which Leaders' Committee will instead jointly exercise on behalf of all 33 authorities.

   b) Is asked to note that the Pensions CIV Sectoral Joint Committee will be dissolved upon the formal variation being entered into by all 33 participating local authorities.

c) Is asked to note that until such time as all the participating authorities have returned the signed variation, that the Pensions CIV Sectoral Joint Committee will continue to exist and meet.

Financial Implications for London Councils

8. There are no specific financial implications arising from this report at this time.

Legal Implications for London Councils

9. London Councils' Leaders' Committee may exercise the functions which are delegated to the joint committee in accordance with the terms of its Governing Agreement, which the participating authorities have agreed. Where those authorities have each resolved that additional functions shall be delegated to the joint committee to exercise jointly on their behalf, the Governing Agreement must be formally varied to include reference to those functions.

10. The authorities have all resolved that, where all 33 of the London authorities have resolved to participate in the arrangements, the functions currently delegated to the Pensions CIV Joint Committee will instead be exercised by Leaders' Committee. This requires a formal written variation to the Governing Agreement to provide for the joint exercise of those functions by Leaders' Committee under London Councils governance arrangements.

Equalities Implications for London Councils

11. There are no specific equalities implications for London Councils arising from this report.