

Pensions CIV Sectoral Joint Committee

Item no: 9

Quarterly Client Engagement and Stakeholder Report

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Date: 13 September 2017

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Summary: This report provides the Committee with an update on the levels of engagement taking place with the London Local Authorities.

Recommendations: The committee is recommended to note the report.

Quarterly Client Engagement and Stakeholder Report

Overview

1. This report provides the Joint Committee with an overview of the progress being made in developing client and wider stakeholder engagement.
2. The report sets out current investments on the CIV platform, current levels of engagement with the participating Local Authorities. It also provides the Committee with an overview of the scale of engagement in terms of the meetings taking place and the events schedule and feedback from the recent LCIV Annual Conference.

Investments in Sub-Funds

3. The quarterly performance table below provides an update on the sub-funds and the number of investors as at 30th June 2017. Since that time, LCIV have launched an additional global equity sub-fund with management delegated to Longview, which launched with one LLA (Wandsworth) with an investment of £285m, this was followed with a further transition of £85m from Harrow. The sub-fund has also seen a strong level of interest from other LLAs with a number meeting direct with the underlying manager and deciding to make allocations over the next few months.

FUND (Underlying Manager)	PRICE (Pence)	FUND SIZE £M	Q2	YTD	1 year	SINCE INCEPTION	INCEPTION DATE	Number of Investors
UK Equity Sub-Fund								
LCIV MJ UK Equity (Majedie) <i>Benchmark: FTSE All Share Index</i> Performance Against Benchmark	97.4	£510	N/A	-2.60% -1.28% -1.32%	N/A	-2.60% -1.28% -1.32%	18/05/17	3
Global Equity Sub-Funds								
LCIV Global Equity Alpha (Allianz Global Investors) <i>Benchmark: MSCI World Net GBP Index</i> Performance Against Benchmark	133.3	£691	3.89% 0.14% 3.75%	10.95% 5.27% 5.68%	25.12% 21.64% 3.48%	35.95% 34.31% 1.64%	02/12/15	3
LCIV BG Global Alpha Growth (Baillie Gifford) <i>Benchmark: MSCI All Countries World Gross Index</i> Performance Against Benchmark	140.1	£1,674	4.62% 0.71% 3.91%	12.56% 6.12% 6.44%	31.13% 21.81% 9.32%	41.23% 33.53% 7.70%	11/04/16	9
LCIV NW Global Equity (Newton) <i>Benchmark: MSCI All Countries World Gross Index</i> Performance Against Benchmark	100.7	£659	N/A	0.70% 1.11% -0.41%	N/A	0.70% 1.11% -0.41%	22/05/17	3
DGF/Total Return Sub-Funds								
LCIV PY Total Return (Pyrford)	109.3	£225	0.18%	1.86%	5.60%	9.30%	17/06/16	3
LCIV Diversified Growth (Baillie Gifford)	116.2	£362	1.75%	4.63%	11.74%	16.77%	15/02/16	5
LCIV RF Absolute Return (Ruffer)	110.7	£473	-0.45%	-0.45%	8.61%	11.00%	21/06/16	5
LCIV NW Real Return (Newton)	104.6	£346	1.16%	3.16%	N/A	4.60%	16/12/16	3
Total LCIV Assets Under Management		£4,940						18

4. Members have previously requested that a full breakdown of the investing LLAs be provided for information to the Committee. This is attached as Annex A to this report and shows individual LLA holdings in the differing sub-funds. This shows 18 LLAs were directly invested through LCIV at the end of July 2017, although with the transition of Harrow's Longview assets this increases to 19 LLAs invested with assets under management (AUM) of £5.3bn and this is included within the data.
5. Passive Life Fund data for LLAs invested in LGIM is also shown in Annex A for information with AUM as at 31 July 2017 of £4.9bn. Whilst new rates have been agreed with another key passive provider BlackRock, confirmation from LLAs on signing up to the new arrangements is still awaited for two funds at the time of writing, however data relating to holdings at 31 March 2017 has been included to show the additional LLAs covered by this passive manager..
6. Taking into account LLAs directly investing through LCIV (19) plus additional LLAs investing through LGIM and BlackRock on LCIV negotiated fee rates over and above those in LCIV dedicated sub-funds adds a further 7 LLAs directly benefitting from the effects of pooling of investments taking the total up to 26 LLAs.
7. Further global equity sub-fund launches include emerging markets, Henderson in July (launched but not yet available for investment, awaiting market opening in India) and global equity income, Epoch and sustainable equities, RBC, the latter two scheduled for launch later in September.

Meetings with London Local Authorities

8. This section provides an update to the Committee on the attendance by LCIV officers at meetings with stakeholders over recent months. The focus has continued to be primarily meeting with local authority officers to develop a greater understanding of the forward looking investment strategies for the LLAs following the actuarial valuation of 2016.
9. The table below sets out the number of meetings that London CIV officers have attended both with Pension and Investment Committees and other forms of engagement for the 2 months ended 31 August:

London Local Authority Meetings July - August 2017		Number of Meetings
Pensions Committee Meetings		1
Local Authority Officer Meetings		12
Attendance at Pension Board		0
Attendance at Pension AGMs		0

10. LCIV officers have been working closely with LLA officers to continue to review investment strategy, although recognising this is still ongoing in a number of LLAs. Work will be ongoing over the next few months to liaise closely with LLAs as they continue to develop their strategic asset allocation with their investment consultants. Ongoing monitoring of Committee papers, surveys and 1-2-1s as well as working closely with the Investment Advisory Committee to better understand future strategic investment requirements of the LLAs.

11. LCIV officers have also been working with LLAs and the underlying investment managers to help set up both individual meetings and information sessions for Committees. LCIV officers arranged for one of the delegated managers to present to both existing and potential investors to provide an update on performance and strategy and feedback was positive on this format.

Pooling Update

12. The CEO and CRD continue to attend the monthly cross pool working group meetings with the other pools to collaborate more widely across the country, with the next meeting scheduled shortly. The meetings are divided into an open session which includes representatives from LGA and Central Government (DCLG, Treasury and Cabinet Office) and closed with just the pool representatives.
13. The Cross Pools Group has a number of working groups, namely infrastructure, responsible investment, MiFID II and a new one for dealing with tax related issues. Representatives from LCIV sit on the various working groups feeding into the discussions at a national level.

Voting & Engagement

14. Members will recall that this Committee has agreed a voting policy which recognises the importance of collaborative working and will use as a basis for voting, the alerts issued by LAPFF in connection with voting. The alerts issued by LAPFF are forwarded to LCIV's external managers and asked to vote in accordance with the alert and for clear explanations to be provided where for wider investment or company reasons they have not followed the alert.
15. Since the end of June, LCIV has only received one voting alert in respect of Sports Direct and the outcome of this is set out below:

LAPFF Voting Alerts		Equities						DGF/TRF				Passive
Voting Alert	Date	Allianz	BG GAG	Majedie UK	Newton GE	Longview	Henderson	BGDGF	Pyrford	Ruffer	Newton TR	LGIM
Fund Inception Date		02/12/2015	11/04/2016	18/05/2017	22/05/2017	22/07/2017	22/07/2017	15/02/2016	17/06/2016	21/06/2016	16/12/2016	
Sports Direct - Oppose Annual Report; Oppose Re-election of directors	24/08/2017	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Nil holdings	Vote in accordance with alert

16. Stewardship Code: Pyrford which had a level 2 status on the Stewardship Code has recently updated their statement of compliance and now achieves a level 1 compliance.

Events

17. **August 2017 (Officers only) – MiFID II (hosted by LCIV):** The workshop on MiFID II was designed to raise the awareness with officers about the MiFID II opt-up process, recognising that there is limited time to complete the necessary opt-up process in advance of the January 2018 deadline. Around 25 LLAs were represented at the workshop and feedback was extremely positive. A copy of the feedback can be found in Annex C.
18. Members will note that MiFID II is the subject of a separate paper being presented to this Committee.

19. **13 September 2017 New Global Equity Manager Session II (Open to Members, Officers and Advisers) – hosted by LCIV:** This is being held after the PSJC meeting on the 13 September to help promote the new sub-funds which have either been launched or are being launched over the summer and is a half-day with 4 managers presenting, namely RBC, Epoch, Henderson and Longview. It is recognised that the timing of the previous global equity information day clashed with political campaigning for the general election and also accounts closedown. The managers have been asked to provide attendees with an overview of the investment strategy and updated performance.
20. **19 September 2017 Low Carbon Workshop (Open to Members and Officers) – hosted by FTSE Russell:** This event has been organised as a workshop to enable funds to consider what/if climate change might have an impact on longer terms investment portfolios and gives funds the opportunity to hear from a wide range of speakers on what the potential risks might be as well as how some funds are responding and what you might need to consider. It also provides funds with the opportunity to discuss with other funds in London what they are doing and what expectations are or should be of LCIV. The agenda is currently being finalised and will be circulated shortly, but includes speakers from the Bank of England, Mercer, Squire Saunders, Environment Agency Pension Fund, FTSE and LAPFF.

Investment Advisory Committee and Working Groups

21. The Investment Advisory Committee (IAC) is one of the key mechanisms for engaging with a wide range of LLA's (see separate report from the Chair of the IAC) and following the nominations process the group has expanded to 28 members and represents 29 LLA pension funds.
22. The IAC continues to meet on a monthly basis and provides for 2 way feedback on progress on LCIV. The Committee has reviewed a quarterly update and been kept informed about thinking on the fixed income proposals. The Reporting & Transparency working group has been very active in helping LCIV refine its reporting proposals as well as the portal for the website. It is also reviewing requirements for the Transparency Code, which a number of LCIV managers have already signed up to and the additional information that funds will need from managers.

Website Development

23. The dedicated client portal has been reviewed by both the Reporting & Transparency group and also the IAC. Feedback on the ease of use of the portal and the potential for using as the main repository of LCIV fund information has been very positive. It is anticipated that the portal will shortly be opened up to all funds to access.

Recommendations

24. The Committee is recommended to note the report.

Financial Implications

25. The financial implications are limited in terms of the costs involved in the development of client and stakeholder relationships; however, there are significant financial implications for failure to provide the right level of engagement.

Legal implications

26. There are no legal implications.

Equalities implications

27. There are no equalities implications.

ANNEXES

Annex A LLA Investments through LCIV, passive investments, etc.

Annex B MiFID II Seminar Feedback

ANNEX A – LLA INVESTMENTS IN LCIV

	Total AUM 31/03/17^ £m	LCIV Assets 31/07/17 £m	% of LLA AUM	Funds Invested In	LGIM Passive Investments 31/07/17 £m	LGIM Passive % of LLA AUM	BlackRock Passive Investments 31/03/17 £m~	BlackRock Passive % of LLA AUM	Assets covered by LCIV negotiations
Barking & Dagenham	916	343.4	37.49	Baillie Gifford GE; Pyrford; Newton RR					37.49
Barnet	1,052	132.9	12.63	Newton RR	415.2	39.5			52.10
Bexley	804	372.1	46.28	Newton GE					46.28
Brent	804	124.8	15.53	Baillie Gifford DGF; Ruffer	382.0	47.5			63.06
Bromley	894	0.0	-						-
Camden	1,517	243.0	16.02	Baillie Gifford GE	500.0	33.0			48.98
City of London	926	0.0	-						-
Croydon	1,021	0.0	-						-
Ealing	1,092	371.5	34.02	Allianz					34.02
Enfield	1,077	48.7	4.52	Baillie Gifford GE			268.0	24.9	29.40
Greenwich	1,234	0	-				529.4	42.9	42.90
Hackney	1,282	0.0	-						-
H&F	982	231.9	23.61	Ruffer; Majedie	310.8	31.7			55.27
Haringey	1,248	0	-		849.4	68.1			68.06
Harrow*	770	85	11.04	Longview					11.04

Havering	648	298.5	46.07	Baillie Gifford GE; Baillie Gifford DGF; Ruffer					46.07
Hillingdon	931	102.7	11.03	Ruffer;	291.4	31.3			42.32
Hounslow	933	0	-				159.0	17.0	17.04
Islington	1,255	294.4	23.46	Allianz; Newton GE	169.3	13.5			36.95
K&C	1,047	0	-		366.6	35.0			35.01
Kingston	760	79.4	10.45	Pyrford					10.45
Lambeth	1,313	368.7	28.08	Baillie Gifford Ge; Ruffer; Majedie					28.08
Lewisham	1,225	0	-				549.0	44.8	44.82
Merton	623	0	-						-
Newham	1,335	0	-		291.5	21.8			21.83
Redbridge	743	262.2	35.27	Baillie Gifford GE; Newton RR					35.27
Southwark	1,431	0	-		415.1	29.0	415.0	29.0	58.01
Sutton	591	185.5	31.39	Baillie Gifford DGF; Pyrford; Newton GE	73.3	12.4			43.78
Tower Hamlets	1,368	423.7	30.97	Baillie Gifford DGF; Baillie Gifford GE; Ruffer	344.2	25.2			56.13
Waltham Forest	807	0	-						-
Wandsworth	2,093	823.0	39.32	Allianz; Baillie Gifford DGF; Baillie Gifford GE; Longview	366.2	17.5			56.82
Westminster	1,212	557.3	45.98	Baillie Gifford GE; Majedie	137.0	11.3			57.28
Total	33,934	5,348.7	15.76		4,911.9	14.48	1,920.4	5.66	35.90

^ AUM as at 31/03/17 where data available * Harrow transitioned Longview assets in August

~ BlackRock - LCIV rates negotiated, awaiting LLA decisions on whether to transition

ANNEX B – MiFID II SEMINAR FEEDBACK

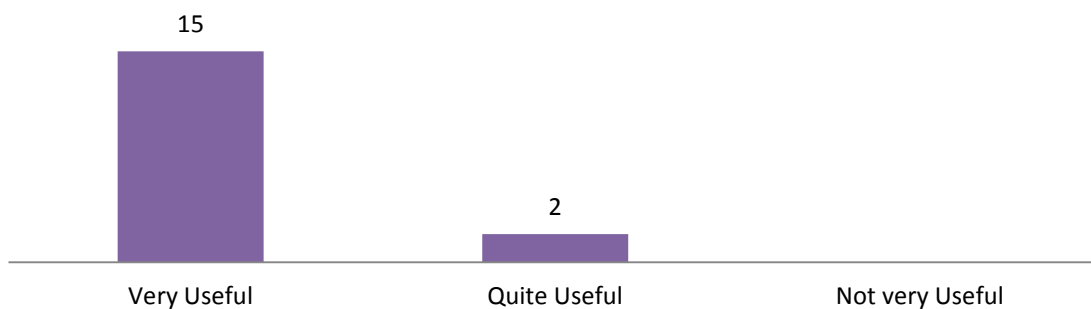
MiFID II Seminar Feedback Results

27th July 2017

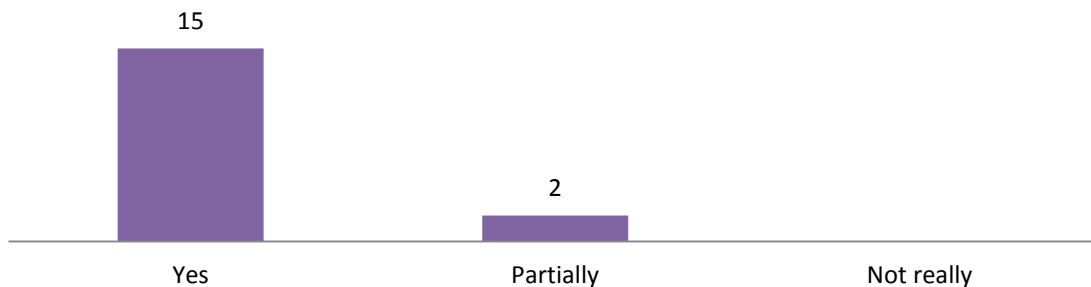
Out of the 25 people that attended the event, 17 people completed the feedback form.

Results are as follows:

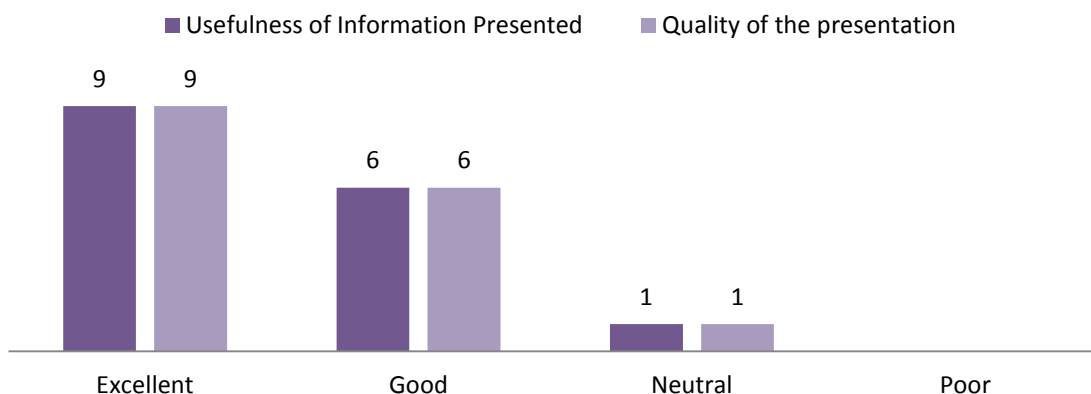
1. How useful did you find the seminar?



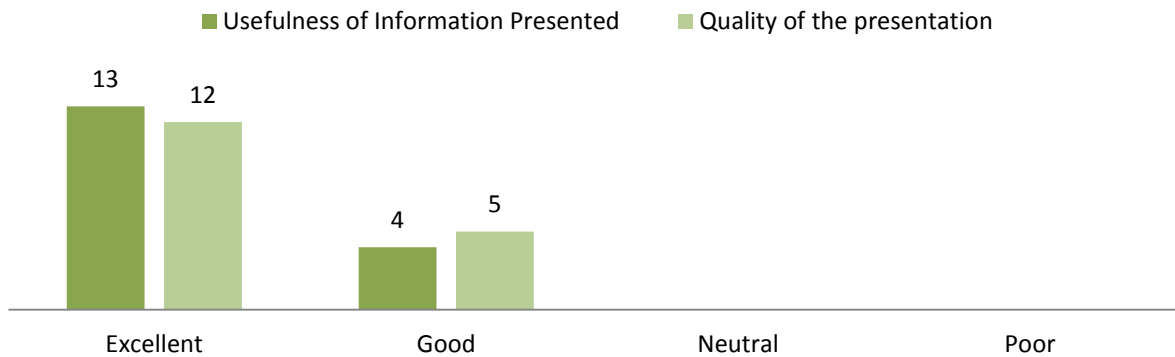
2. Did the event cover all your expectations?



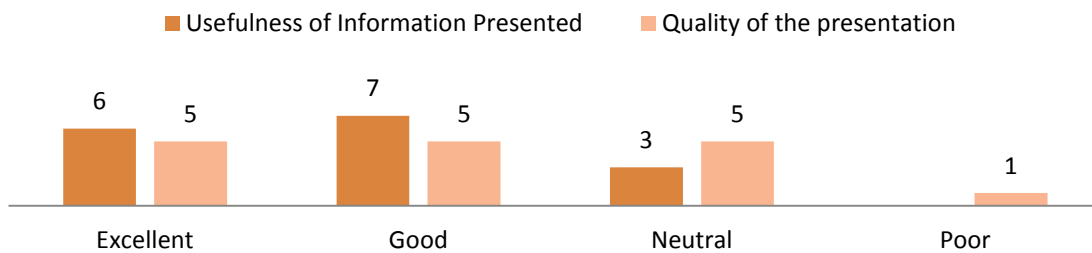
3. Quality and content of Hugh Grover's presentation (LCIV Update Feedback)



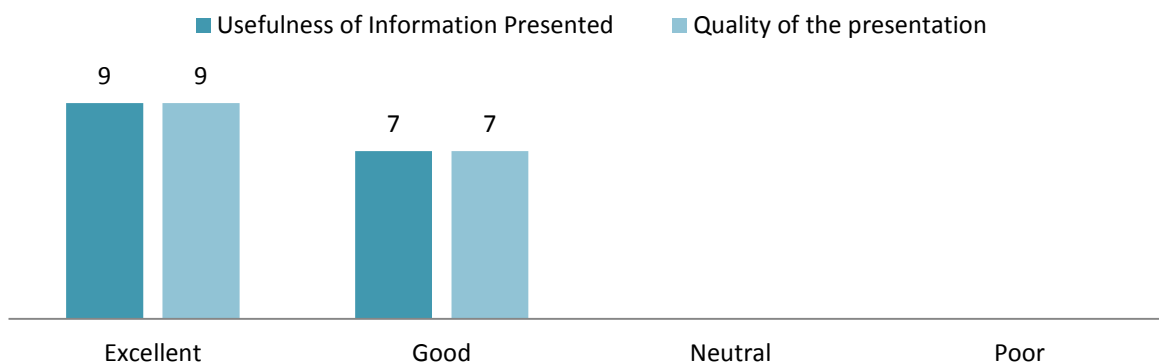
4. Quality and content of Jeff Houston's presentation (MiFID II and Code of Transparency)



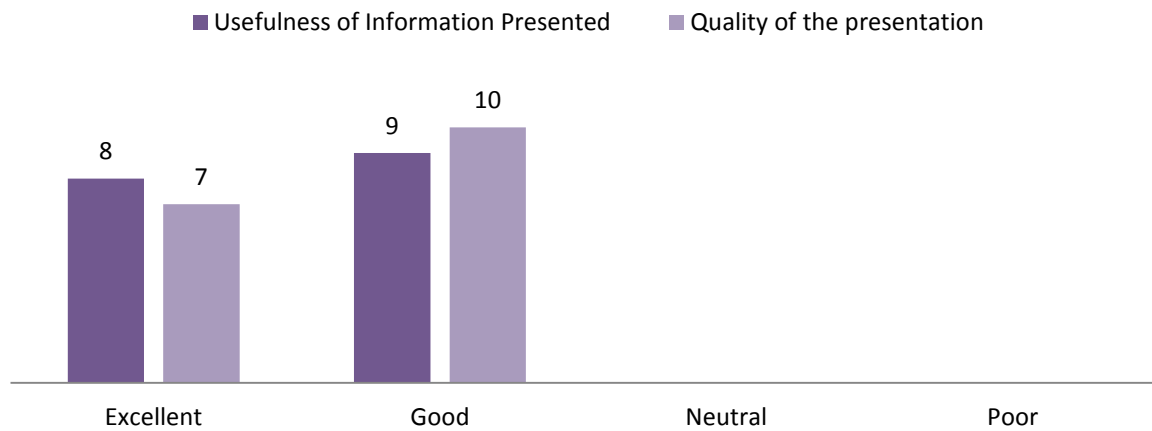
5. Quality and content of Neil Sellstrom's presentation (CIPFA Approach to Changes)



6. Quality and content of James Sparshott's presentation (How will Fund Managers Approach MiFID II and Code of Transparency)



7. Quality and content of Ranulph Day's presentation (LCIV Next Steps)



8. Do you have any further suggestions or comments to help us to improve future events?

Great idea & timing, good speakers, thanks

Seminar for members of Pension Fund committees

Very useful day.

Thank you for running this!