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# London CIV

## Responding to the government's LGPS agenda

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CIPFA Pensions Network Annual Conference  
11 November 2015



## Agenda

- Progress
- Governance
- Benefits
- Government agenda
- Lessons we've learnt
- Structures

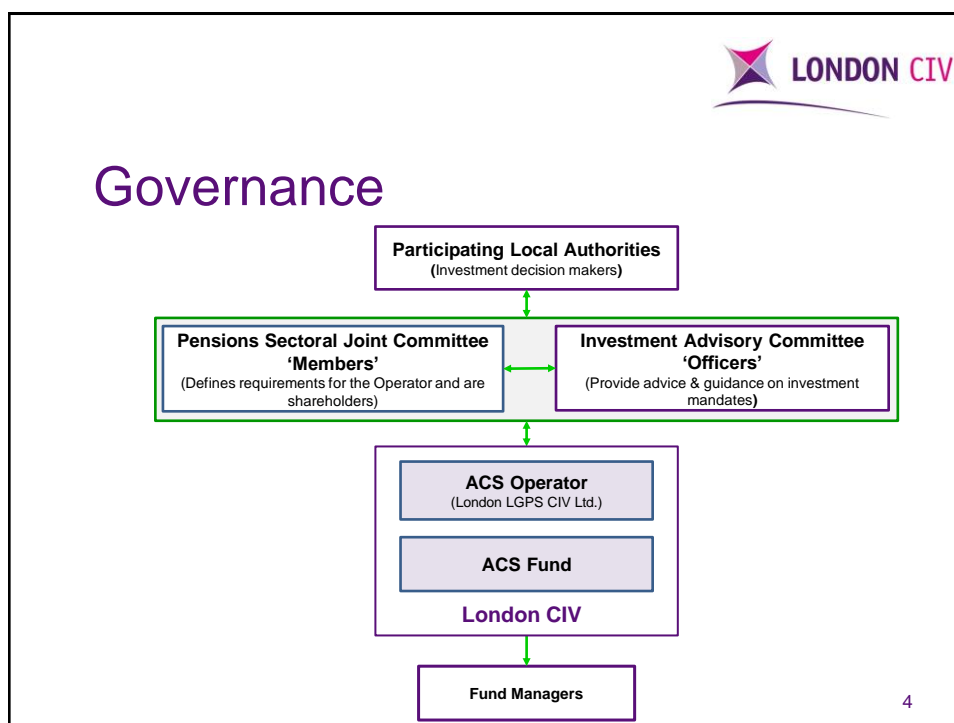
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## Progress

- Firm authorised!
  - The 1<sup>st</sup> full scope AIFM in LGPS
- Fund authorisation expected within days!
- 1<sup>st</sup> sub-fund open by Christmas
- 8 more sub-funds to open before f/y end
- > £6bn AUM
- Additional sub-funds to open in 2016 and beyond

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## Governance

- Investors set their own investment strategy
- Investors decide asset allocation mix
- Firm is a full scope AIFM authorised to operate an Authorised Contractual Scheme fund
- Umbrella fund with a number of sub-funds covering all asset classes
- JC provides Member oversight and guidance
- IAC gives officer advice to Joint Committee

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## Guiding principles

- Investment in the ACS should be **voluntary**, both entry and withdrawal.
- Boroughs **choose** which asset classes to invest into, and how much.
- Boroughs should have sufficient **control** over the ACS Operator.

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## Guiding principles (2)

- Investing authorities will take a **shareholding** interest in the Operator.
- Shareholders will have **membership** of the Pensions Joint committee.
- ACS Operator will provide regular **information** to participating boroughs
- ACS will **not increase** the overall investment **risk** faced by boroughs.

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## Cashable benefits

- Reduced Investment Manager fees
  - Up to 50% fee savings
  - Potential for in-house management later
- Tax
  - e.g. currently, UK OEIC 30bps w/holding on US equities, zero for ACS
- Procurement
  - c. £500k from reduced searches in first 18 months

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## Cashable benefits (2)

- Lower custody costs
  - c. 30-40% reduction
- Securities lending opportunities
  - Greater visibility and negotiating power
- FX transparency and monitoring
- Reduced brokerage costs

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## Softer benefits

- Governance/shared training/shared knowledge
- More borough time to focus on strategic issues
- Shared investment manager oversight
- Data transparency and data access

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## Softer benefits (2)

- Greater security of assets compared to legacy life wrapped vehicles
- Market management
- Voting power
- Access to 'alternative' investment
- Regulatory scrutiny
- Proactive response to the LGPS reform agenda

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## Government agenda

- “significantly reduced costs”
- “maintaining overall investment performance”
- “proposals to meet common criteria”
- “sufficiently ambitious proposals” or
- “backstop legislation”
  
- Active/passive issue now closed!

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## Lessons we've learnt

- Be clear about desired outcomes
  - Govt. criteria, but are there others
- What goes to the new structure what stays local?
- What's in it for everyone?
- Levels of control
  - In-house solution or outsourced

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## Lessons we've learnt (2)

- Requires individuals to give personal commitment and leadership
- Resources
  - Team and cash
- Project plan
  - it will take longer than you think!
- Procurement

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## Structures

- Who to collaborate with
- Lead authority or new organisation
- Degree of formality
  - Regulated or unregulated
  - Apply some GLUE!
- Legal and tax
- On-shore / off-shore
- Apply some GLUE!

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## Finally

- Open to all LGPS funds
  - Happy to discuss
- Fund will develop to meet the needs of LGPS investors
  
- Finally, finally
  - Be ware of MiFID II

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# Thank you

## Q&A

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