London CIV

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

Response to:

Local Government Pension Scheme (England and Wales): Fit for the future

January 2025

London CIV

About London CIV

London LGPS CIV Ltd ('London CIV') is the investment pooling vehicle for all London-based Local Government Pension Schemes (LGPS), which have combined assets of £50.8bn AUM (at March 2024). Authorised and regulated by the Financial Conduct Authority ('FCA'), the pool is owned by all 32 London boroughs and the City of London (also known as London CIV's Partner Funds).

London CIV's partner funds

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

LGF Pensions Team
Ministry of Housing, Communities & Local Government
2nd Floor, Fry Building, 2 Marsham Street London SW1P 4DF

Sent by email to LGPensions@communities.gov.uk

15 January 2025

Dear LGF Pensions Team

Local Government Pension Scheme (England and Wales): Fit for the future

I (Dean Bowden, Chief Executive), write on behalf of London LGPS CIV Limited (London CIV) the pooling company for the 32 London Local Authorities and City of London.

London CIV was established as a FCA authorised and regulated company in 2015 and now has £18.4bn assets under active management (with a further £3.1m Private Markets funds committed) and a further £14.5bn deemed pooled.

There are currently £19.1bn in funds off-pool, £9.7bn liquid assets and £9.4bn illiquid assets. (Source London CIV/Northern Trust data as at 31 March 2024.)

Our areas of focus which deliver cost savings and efficiency are:

- **Asset pooling**
  Continuing to pool LGPS assets through vehicles built together with the London LGPS community which include place-based criteria.
- **Advisory offerings**
  Further utilising London CIV's enhanced regulatory permissions, including advisory and discretionary portfolio management, and the provision of investment advice.
- **Administration**
  Assessing the models available to see if a consolidated approach and collaboration can add value.
- **Procurement**
  Consideration of increased joint procurement, for example actuarial services.

Executive Summary

- London CIV welcomes the clarity that the proposals provide, in particular in respect of roles and responsibilities. Our focus is on working with partner funds and Government to ensure a successful implementation of the agreed way forward. We are committed to developing a sustainable plan, not just for the London LGPS but for the LGPS overall, one which will serve all its stakeholders in particular members. We will formally respond to Government as required by 1st March 2025 with our proposed development plan for meeting the requirements as set out in the joint ministerial letter of 2 December 2024 and following further dialogue with our partner funds. Key areas under discussion are identified in the reponse below.

- We agree with the summary of the minimum standards of pooling both as regards the responsibilities of pool companies and partner funds and a consistent approach across all pools. It is the detail and the "how" which is important in order to ensure that the LGPS ecosystem can continue to evolve in a way which benefits all stakeholders (in particular the members we serve ensuring their benefits are protected) against the backdrop of societal and economic changes, our ambitions for net zero and a sustainable financial services system.

- We agree with the Government's proposal that it would be desirable if pools advised on the strategic asset allocation. We would expect to be able to identify parameters which allowed for engagement around issues known to be of importance to our partner funds such as the balance of passives and actives as part of that work.

- London CIV was established as a voluntary venture by its partner funds and the London LGPS community continues to innovate collaboratively as the LGPS ecosystem evolves. We believe that any future strategy must be holistic. It is not just about pooling assets, it is about working together to improve all aspects of the London LGPS, for example administration.

- It is important that the implementation timescales are realistic given the size of the LGPS, need to ensure that investment opportunities offer real value for all funds, and the importance of avoiding costs which disadvantage scheme members. We have identified a provisonal implementation roadmap, which we are in the process of discussing in detail with partner funds on a one to one basis, we anticipate that this will enable the London LGPS to pool assets within the tight timeframes set.

- We take our obligations as a responsible investment manager seriously. We believe that our framework of investment beliefs, overarching Responsible Investment Policy and more detailed climate risk policy and supporting action plan and stewardship policy and priorities provide a framework within which the London LGPS can be invested responsibly. We are however cognisant of the different broader RI strategies of the 32 London Boroughs and aspirations of LGPS members. We will shortly be adding to our ESG portfolio with our Nature Based Solutions fund and are developing our supporting Net Zero Action plan in discussion with partner funds and expect this to take us a further step forward in meeting our collective aspirations.

- Our place based approach to investing includes opportunities to invest in London and the UK more widely. The LGPS review expectation that we work with regional Mayors, in our case the GLA, aligns with the approach we already take. We collaborated with LPPI to launch The London Fund and are now working with the GLA and partner bodies to identify new investment opportunities in London. Our UK Housing Fund is 100% UK invested and our Infrastructure Fund is 35% UK invested (with approximately 70% in renewables) and our Renewable Infrastructure Fund) is 42% UK invested with the Real Estate Fund 100% UK Invested. (Data source London CIV Annual Report 2024.) The information does not include public markets UK investments.

- We make use of external capabilities to complement our inhouse teams both as regards asset management and a wider range of services which also provides resilience and gives access to expensive technology platforms in a cost effective way. We expect to build both our internal capacity and use of external capacity to scale up, ensure resilience, build knowledge and provide development opportunities for staff.

- In discussion with partner funds we are evolving a broader service offer including an advisory service which aims to minimise waste and fragmentation and make use of short supply professional skills amongst the LGPS community. We currently provide training for elected members and officers through our online briefings, annual conference and briefings for Pension Boards. We are keen to develop this further in collaboration with partner funds, meaning we are all well placed to meet the requirements proposed by the consultation.

- We review our governance framework on an ongoing basis in the light of evolving good governance practice and regulatory requirements including those of the FCA, FRC, Companies Act and LGPS regulations. These place legal and regulatory obligations on companies, SMFs, officers and directors including personal liabilities. That ongoing review now takes account of the LGPS Fit for Purpose proposals and benefits from the well developed governance frameworks already in place in respect of pension schemes and FCA requirements in respect of managing conflicts of interest. We have an existing "handbook" in place which describes our framework (others use the word "Governance Charter"). It will be important that the LGPS framework, including any detailed guidance, ensures that we can meet FCA requirements at all times and we would welcome the opportunity to contribute to that work. We are focused on ensuring good decision-making which ensures clear accountability and an ability to measure delivery against an independent view of "what good looks like". In short a governance system that is percieved by all stakeholders to be "healthy", ensures they have a voice and where LGPS funds can specify their requirements in a way which meets their fiduciary obligations and allows them to hold pool companies to account for delivery.

- We expect to work in a collaborative way with other pool companies. We believe that the approach taken by the London LGPS community, which focuses on finding flexible ways to deliver solutions that meet the varying needs of 32 partner funds, puts London CIV and its partner funds in a strong position to enable further cross-pool collaboration.

Response to Questions in the Consultation

LGPS pooling

Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

We agree with the summary of the minimum standards of pooling both as regards the responsibilities of pool companies and partner funds and a consistent approach across all pools. We have considered this in more detail below and it is the detail and the "how" which is important in order to ensure that the LGPS ecosystem can continue to evolve in a way which benefits all stakeholders (in particular the members we serve ensuring their benefits are protected) against the backdrop of societal and economic changes, our ambitions for Net Zero and a sustainable financial services system.

- It is important that the timescales put in place are realistic bearing in mind the scale of the LGPS, the number of parties involved in a change programme of this type, investment opportunities (including the need to avoid concentration risk and to treat customers fairly), and the importance of avoiding costs which disadvantage members.
- We believe that any future strategy must be holistic. Its not just about pooling assets, its about working together to improve all aspects of the London LGPS.
- We have identified a provisonal implementation roadmap, which we are in the process of discussing in detail with London LGPS partner funds on a one to one basis, which we anticipate will enable the London LGPS to pool assets within the tight timeframes set.
- Our implementation roadmap takes account of the importance of a considered approach to achieving the benefits of scale in the context of asset management including to preserve value and manage costs. It therefore adopts an organic scaling up strategy.

Question 2: Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

We agree with the definition/description of the investment strategy set out in the consultation which distinguishes between setting objectives, the strategic asset allocation and implementation. We recognise that the question of whether or not Administering Authorities (Aas) are fulfilling their obligations as fiduciaries/trustees is important and that sound governance is a key issue when it comes to implementing the proposals. This question about accountabilities and obligations is also important to the directors, SMFs and other officers and staff of London CIV as a regulated company. The table in the consultation document is helpful in setting out how those responsibilities are proposed to be discharged.

We agree that its appropriate for AAs to set strategic asset allocations. The investment strategy for any fund is designed to meet its ongoing obligations. In the context of the LGPS this is ensuring member benefits are paid as and when they fall due. This means identifying a required rate of return and yield and risk tolerance to achieve those aims informed by the advice of the scheme actuary. The Strategic Asset Allocation (SAA) that a fund implements is its chosen way to meet these objectives and again the AA should have oversight of this to ensure that it meets their needs and is appropriate in structure.

We agree with the Government's proposal that it would be desirable if pools advised on the strategic asset allocation or that individual funds delegated this decision to the pool (again within the broader investment strategy framework). The pools are in effect the investment division of the AA. We would expect to be able to identify parameters which allowed for engagement around issues known to be of importance to our partner funds such as the balance of passives and actives as part of that work.

To achieve the scale and benefits desired it is important that pools are clearly responsible for implementation. The pool will select providers who are able to provide exposure to different asset classes thus removing fragmentation. In the case of private markets, it enables greater pools of capital to be deployed with greater certainty this enabling access to more investment options.

We expect to set out in more detail for both MHCLG and our partner funds in our future pooling plan how we will migrate from the existing scenario to the new scenario both in respect of products and services which are already pooled and products and services under development. This includes how we expect to fulfil our respective obligations in an evolution of our existing product and service governance arrangements and broader formal and informal governance arrangements. Our future pooling plan will also set out how we expect to collaborate with other pools so that together we are able to provide our partner funds with a wider range of services and avoid unnecessary duplication.

We also recognise that ensuring that this is achieved in a way which mitigates any potential conflicts of interest is an important consideration and one which it is important for an FCA regulated firm to be able to demonstrate has been addressed, both to the regulator and other stakeholders. It is not unique to the LGPS nor to pool companies. We have begun to work through this in detail from the perspective of the requirements placed on us as a FCA firm and expect to scrutinise this carefully with our partner funds both collectively and individually in respect of all the issues raised. We expect the detailed design of the arrangements put in place to manage conflicts of interest to make use of the existing rigorous frameworks and good practice expectations set by The Pensions Regulator (TPR) and the FCA We also expect to consider requirements in respect of each phase of the transitional programme and in respect of broadening our offer beyond funds to providing advice and a wider range of services.

In developing future plans, including Net Zero action plans, one issue we are keen to address with our London LGPS partners is convergence and choice in respect of responsible investment strategies and what this means for delivering our net zero ambition as a pool overall and at asset class level. We are concerned that as drafted the proposals potentially frustrate the objectives of pooling and create barriers to removing fragmentation and work against achieving scale as potentially individual partner fund strategies, depending on how they are expressed, could lead to expectations of tailored solutions. We would welcome the opportunity to discuss this further in order to identify an appropriate way forward which meets wider Responsible Investment goals in particular Net Zero ambitions.

The proposals to include high-level investment objectives relating to broad ESG issues as well as responsible investment within the scope of the investment strategy set by the AA will need careful thought to ensure that they allow individual authorities to act on their broad values without creating barriers to achieving the objectives of pooling.

Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Yes, we agree that defining the investment strategy on the basis set out in the consultation document would be sufficient to meet the AAs fiduciary duty as the AA is setting the requirements necessary to deliver the objectives of the fund which is ultimately to pay the pensions of the LGPS beneficiaries.

It will be important that the framework ensures that both entities and individuals with statutory and regulatory responsibilities (including local authority officers and the boards and SMFs in FCA regulated firms) are able to discharge their obligations in a satisfactory way taking into account LGPS, FCA, TPR and other relevant legal requirements.

We expect to review our current governance arrangements to ensure this is the case, bearing in mind the good governance proposals and that AAs will also need to review their governance arrangements.

Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Broadly speaking the SAA template is at the right level and provides a basis on which to engage with AAs about an asset allocation that will deliver to their specific objectives and risk tolerances without creating a level of complexity which obscures the pathway to achieving objectives or creates barriers to leveraging the scale of the LGPS. We suggest that the Credit and Private Credit segments of the SAA be grouped together to reinforce the importance of considering composite exposure to all forms of credit risk when developing asset allocation plans.

Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool. If so, what form do you envisage this taking?

Yes, we agree that it is appropriate for the pool to provide advice. The pool company is essentially the outsourced investment division for the partner funds and not a standalone/independent entity as is the case with external fund managers. It can therefore provide the advice on the investment strategies of its partner AAs and it is not conflicted in the same way as an external fund manager. This is not saying that potential conflicts do not arise, and this point is dealt with more fully in Question 2.

The pool companies do not exist to make a profit for their shareholders. The sole purpose of pool companies, which are collaborative ventures is to manage LGPS (and similar) assets, delivering benefit to partner funds and their members. Any "profits" or retained earnings are shareholders' funds which belong to the AAs who are the shareholders.

Having the pools provide the data means greater symbiosis between pools and partner funds and reduces the fragmentation inherent in the various funds across the pool seeking this advice from different parties as is the case today.

In addition, this is expected to result in a cost saving for partner funds as pools can do this in a more scalable manner.

We recognise that from time-to-time individual partner funds might wish to obtain "sense check" advice from an advisor. We suggest that the LGPS collectively give careful consideration to alternative options to "sense checking" or benchmarking pool advice to minimise cost and fragmentation. One possibility would be to provide for some review process at pool or scheme level (after the manner of the Canadian funds). We also expect that if additional expertise is added to partner fund governance bodies and training is further enhanced this will reduce the dependency on further advice and increase levels of confidence in the quality of advice provided by pool investment professionals.

We have set out our delivery plans for the London LGPS, including our use of internal capacity and external fund managers and strategic partnerships in the more detailed pooling plan requested by the MHCLG which we are discussing with our partner funds to make sure it meets their needs.

We commented on Conflicts of Interest in our response to Question 2 and repeat that comment here to ensure that the importance of managing that issue, which we know to be of concern to partner funds, is acknowledged. It is not unique to the LGPS nor to pool companies, so we expect to be able to draw on our existing umbrella Conflicts of Interest framework which complies with FCA requirements and the expectations set by TPR. We expect to scrutinise this developing framework carefully with our partner funds both in respect of investment governance and broader governance issues identified by the consultation in the specific context of the London LGPS.

Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Yes, to ensure the necessary standards and robustness of the advice, it should be provided by a FCA authorised and regulated company. It is also essential to ensure that all companies have the necessary range of permissions to deliver what is expected and that the LGPS framework supports those companies in making sure that they can meet those regulatory obligations at all times and are not constrained in making constitutional changes where this is necessary to do so.

Question 7: Do you agree that administering authorities should be required to transfer all listed assets into pooled vehicles managed by their pool company?

We agree that achieving scale will mean transferring listed assets into pooled vehicles managed by their pool company.

We would expect pool companies to develop a programme designed to achieve scale across asset classes, reduce fragmentation, reduce cost and move towards the introduction of direct investment capability over the medium term.

We have produced a transitional programme which is the subject of the plan we have produced at MHCLG's request and is currently the subject of discussion with our partner funds to make sure it meets their requirements and is deliverable. This plan recognises that 'transfer' may entail oversight of some assets in the short to medium term, to ensure that transition to a pool operated fund is done in the most appropriate manner.

Question 8: Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

We agree that achieving scale will mean transferring legacy illiquid assets into pooled vehicles managed by their pool company over time. However, a significant number of the current exposures of our partner funds have lock in periods and therefore it will take time to achieve this. In the interim period oversight of these legacy assets can move to the pool. However, it may be appropriate to consider de minimus time frames for run offs or AUM to avoid unnecessary costs at the pool level.

Our transitional programme in respect of illiquid funds aims to remove fragmentation, increase scale and oversight, and reduce costs. We expect to further develop direct management in some areas but also to make use of some partnerships to ensure access to the expertise required to manage illiquid assets e.g. real estate. We potentially see some benefit in developing joint ventures with other pools to leverage expertise (and provide development opportunities for staff).

Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?

London CIV has a dedicated and highly skilled private markets team that has the expertise to take on the management of a wider range of assets. Subject to confirmation of the outcome of the consultation and prior to March 2026 we would look to strengthen the team with additional hires. We will also be assessing the number of individual holdings to ascertain whether an outsourced arrangement is more appropriate shorter term, including to develop services which make use of specialist partners (as with our real estate service) utilising discretionary agreements.

Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

We agree that setting a challenging pace is important to create the necessary impetus to demonstrate whether the high-level outcome set out can be delivered or whether some adaptation is needed to ensure a suboptimal outcome is avoided. The London LGPS has made considerable progress over the last 18 to 24 months in developing a more collaborative model with 32 partner funds. An important issue for London is ensuring that the implementation model is achievable for this number of partner funds (each of which has multiple stakeholders) at a time when AAs and key individuals are also key in delivering other related objectives set out in the Mansion House speech which set out the goals for the LGPS review.

Other developments

Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

We are reviewing this complex topic in depth as part of the forward plan we are submitting to MHCLG and in discussion with other pool companies. Our high-level comments are as follows:

- Collaboration between pools continues to develop as pooling itself evolves. One example is the collaboration between London CIV and LPPI in developing The London Fund.
- We expect to continue to look for opportunities to collaborate with other pools as part of the response to the LGPS Fit for the Future review and also our ongoing strategic planning which we review annually with our partner funds who are both our clients and shareholders. In our view collaborations work best when it is a joint venture, both have a say in how the activity is run, and responsibilities are clearly set out. It is also important to set out how partner funds are engaged as again has been achieved with The London Fund.
- We would expect to seek out opportunities to collaborate not just in respect of areas of investment expertise and topics such as responsible investment but also in developing the infrastructure for LGPS pooling including IT systems and representation on external bodies.
- We would expect that as the discretionary role of pools in implementing investment strategies develops further this will provide further scope for collaboration as there will be greater clarity about the capital available for deployment.

Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

There is significant potential for collaboration and the forward strategic plan developed by London CIV and partner funds exemplifies what can potentially be achieved by thinking more broadly about the scope to drive out fragmentation and costs and share expertise. London CIV's role has to some extent been a facilitator in this regard as it is the AAs who will themselves drive the decisions as to whether to create shared service solutions for procurement of specialist services. For example, sourcing actuarial advice from a single source would facilitate a convergence of strategies and simplify planning through the use of a single consistent set of inputs.

We expect to further develop proposals in respect of administration and training more fully as part of the plan we are producing in response to MHCLG's request and for discussion with partner funds. Our preliminary focus in the period November to early January has been on the transfer of assets.

In developing our plans we expect to consider: our work to date to provide a richer offer; formal training requirements which might require some provision to be sourced from elsewhere; any requirements for partner funds to be "opted up"; and where the option to source training from more than one source might be desirable in order to ensure that regulatory standards are met.

Local investments

Question 13: What are your views on the appropriate definition of 'local investment' for reporting purposes?

In the case of the London LGPS "local investment" potentially encompasses individual borough investment, pan London investment or UK investment and there will likely be an interest on the part of partner funds in reporting on each of these. We need clarity as to the definition that is agreed to ensure consistency across our partner funds.

From a London CIV perspective we see a value in reporting on UK investment as a memorandum item and also on investment in London. London CIV's Annual Report 2024 reports this important information. However, the investment case must always come first. That said we expect to work in collaboration with our partner funds to identify the scope for investment in London, to identify investment themes and to do so in dialogue with the GLA.

Whilst investment in support of the Mayor's growth plan for London is one possible definition of local investment in respect of London we suggest that the definition should not be drawn too narrowly. We are concerned to avoid a scenario where, for example, important Net Zero initiatives where the City of London or universities are the identified co-sponsors are inadvertently excluded from what on a "common sense" test are local investments.

Question 14: Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

We agree with the principle of joined up solutions and already have established working relationships with the London-wide authorities.

This becomes more challenging if each of the 32 individual partner funds is able to request London CIV to undertake due diligence on local opportunities it has identified. We need to develop an approach with partner funds to identify possible opportunities which are viable bearing in mind key principles in respect of "investability" and prioritisation of professional resources.

We would expect that to be achieved through partner funds/boroughs working with the GLA to identify a range of proposals which might include the pool as a financing option, and involving the pool in that discussion through a formal mechanism which would need to be developed to take account of the London context.

Question 15: Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

We suggest that this should be a "memorandum" item. A target is inappropriate given that the investment case must be primary. Given the small geographical area of the London LGPS AA this is particularly challenging and setting objectives rather than a target as part of a strategy that can be implemented by the pool is more realistic.

Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Yes, we agree, and this is the logical extension of pools responsibility for implementation assuming that AAs are required to set an objective which includes some goals in respect of local investment.

Question 17: Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Yes, we agree that it would be desirable to report on local investment but note that reporting will likely be combined between pool and the AA. AAs are best place to talk to the benefit to their specific authority from investment into that area, whilst the pools would report on impact from a return or ESG perspective. We suggest that any requirement to report on impact should evolve over time and await the outcome of the FCA's work on impact reporting to avoid conflicting definitions of what "impact" means and imposing a heavy reporting burden at a time of change.

As a pool company we also expect to report on UK and London investments and already do so as demonstrated by our 31 March 2024 year-end report.

Governance of funds and pools

Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Yes, we agree with the overall approach and the Executive Summary to this response sets out the general principles we currently follow and the direction of travel in the light of ongoing developments in the LGPS ecosystem and the LGPS Fit for Purpose review. We had already begun some work, in discussion with partner funds to refresh London CIV formal and informal governance arrangements and will now take this forward in the context of the Pension Review. We expect to consider the interplay with the new clarity in respect of partner fund and pool company responsibilities.

We suggest that the applicability of SAB's Good Governance proposals should be reviewed in the context of the proposed new operating framework. We would be pleased to contribute to this work.

Question 19: Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict-of-interest policy?

Yes, we agree with this requirement which builds on existing regulatory obligations. We envisage that it will ensure a more robust LGPS overall including exercise of their responsibilities by both AAs and pool companies and by the AAs in their oversight of the pools.

Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Yes, we agree with the proposal for an accountable LGPS senior officer. As we have explained in the response to question 18 we expect that the scope of this role, as part of the broader implementation of revised governance arrangements for the LGPS will be documented in a way which ensures that there is clarity about the mutual responsibilities of all the individuals with statutory and regulatory responsibilities including directors and SMFs of pool companies.

We expect that further work will need to be undertaken to ensure that the parameters of this role and other individuals and bodies are drawn appropriately both in LGPS legislation and in more detailed governance and constitutional documents bearing in mind FCA requirements. We would be pleased to contribute to any further work by SAB or MHCLG.

Question 21: Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Yes, we see this as providing useful clarity as regards the exercise of accountabilities and in identifying any areas where the SAB or MHCLG may need to offer further guidance going forward to ensure accountabilities are correctly exercised.

Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Yes, we agree and as part of the development of a broader service offer expect to work with partner funds to support them in this activity.

Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

We agree with the principle of an independent governance review. A requirement for a triennial independent review is currently typical for FCA regulated firms and we suggest considering limiting the frequency to every three years.

Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Yes, we agree. This is essential given their role. We would welcome the opportunity to contribute further to what the expectations might be including bearing in mind expectations in respect of pool companies.

Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Yes, we agree. We would welcome the opportunity to contribute further to guidance on what the expectations might be including bearing in mind expectations in respect of pool companies.

Question 26: What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Yes, we agree if the intention is to increase the levels of professional expertise on the committee. Bearing in mind the proposal in respect of the relative responsibilities of AAs and pool companies we would expect this to lead to a greater level of confidence that pool companies are able to deliver as the committees would benefit from greater expertise so be in a stronger position in approving investment strategies.

From the pools perspective the addition of more expertise to partner fund committees makes it more straightforward to opt up partner funds as professional clients.

Question 27: Do you agree that pool company boards should include one or two shareholder representatives?

Yes, we agree that shareholder representation within the pool governance framework is important. We believe that it is helpful to have flexibility in determining how this is achieved.

Our current shareholder representation arrangement is that we have two shareholder nominated NEDs who are Leaders plus one s151 (as an Observer).

We also have a Shareholder Committee formed of representative Pension Committee Chairs, s151 and a Trade Union member and the Chair is a proactive contributor to various governance forums. This complements our two General Meetings of all shareholders held annually.

Additionally, we hold an annual more informal strategy conference to which officers and elected members are both invited. There are further formal and informal engagement arrangements.

We are reviewing our governance framework as part of the implementation of the LGPS review and this includes the approach to shareholder representatives.

Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

We expect to evolve our current arrangements whereby we include a Trade Union member as a member of the Shareholder Committee, taking into account the existing governance involvement through individual partner funds Pension Boards. Our existing wider arrangements include briefing Pension Boards and the Trade Union side of the GLEF (London-wide employer/employee forum) on request.

This is part of an ongoing redesign of our overall governance and engagement forums.

Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Yes, we agree that pools should report consistently. We believe that there is already a high level of transparency. Most pools are FCA regulated companies and already obliged to report in line with companies act provisions, FCA requirements and TCFD requirements and (implicitly) on assets in a way which aligns with LGPS annual reporting expectations (UK investing and so forth). We are concerned to avoid adding to the burden of reporting on the LGPS which comes at a cost to the LGPS.

As we commented in the Executive Summary, we are keen that the LGPS is measured against an independent view of "what good looks like" and that it is possible to measure whether savings have been delivered and the intended benefits of pooling achieved.

We would be pleased to contribute further to work to develop suitable reporting that takes into account other reporting requirements, is robust and can be delivered in a cost effective and timely manner. This should also take account of existing reporting such as the Assessment of Value (AoV) which reports on performance and value.

Equality impacts

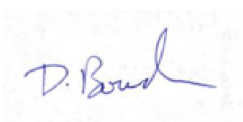
Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

No.

If you have questions about this response, please contact me on dean.bowden@londonciv.org.uk

I would be pleased to assist in taking forward proposals to the next stage of development and look forward to London CIV staff being able to contribute to that work.

Yours sincerely



Dean Bowden
Chief Executive

Disclaimer

Important information

London CIV Fourth Floor, 22 Lavington Steet, London, SE1 0NZ

Issued by London CIV Limited, which is authorised and regulated by the Financial Conduct Authority number 710618. London CIV is the trading name of London LGPS CIV Limited.

This material is for limited distribution and is issued by London CIV and no other person should rely upon the information contained within it.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be unlawful under the laws governing the offer of units in the collective investment undertakings.

Any distribution, by whatever means, of this document and related material to persons who are not eligible under the relevant laws governing the offer of units in collective investment undertakings is strictly prohibited.

Any research or information in this document has been undertaken and may have been acted on by London CIV for its own purpose. The result of such research and information are being made available only incidentally.

The data used may be derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy and completeness is not guaranteed, and no liability is assumed for any direct or consequential losses arising from its use.

The views expressed do not constitute investment or any other advice and are subject to change and no assurances are made as to their accuracy.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and you may not get back the amount you invested.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the

case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Level and basis of taxation may change from time to time.

Subject to the express requirements of any other agreement, we will not provide notice of any changes to our personnel, structure, policies, process, objectives or, without limitation, any other matter contained in this document.

London LGPS CIV Limited is a private limited company, registered in England and Wales, registered number 9136445.

London LGPS CIV Limited
Fourth Floor,
22 Lavington Steet,
London, SE1 0NZ
Company No. 9136445
www.londonciv.org.uk