

Fit for the Future: Strategic Development Plan

PUBLIC STATEMENT

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Introduction

London CIV welcomes the clarity of the proposals provided in the Government's *LGPS Fit for the Future* consultation, especially on pools being required to meet new minimum standards. In response, we have submitted a proposal to the government that sets out how London CIV will deliver the pooling model put forward, complete the transfer of all London LGPS assets and meet these new minimum standards.

These proposed requirements validate the journey London CIV began before the *Fit for the Future* consultation was published. In early 2024, the London LGPS agreed on a programme to work closer together as a community, which has resulted in London CIV now already meeting the Government's proposed minimum standards.

We have always taken a considered approach to the development of the service offering for our Partner Funds. We recognise that we need to be of value in meeting their needs, deliver value in our outcomes and show value for money in how we operate.

As such, any cost increases must be fully balanced with a growth in revenue, whilst delivering overall savings to the London LGPS. This approach is one of the reasons why London CIV is the most efficient of the FCA regulated pools to date, in terms of cost, headcount and capital.

Below, we provide a summary of London CIV's Strategic Development Plan and how each of these minimum standards are being met (minus the standard requiring pools be authorised and regulated by the FCA, as London CIV has long had these measures in place).

It follows robust engagement with all 32 of our Partner Funds throughout this consultation process at both a group level, as well as on a one-to-one basis.

Investment Strategy Advice

London CIV to act as the principal source of advice on our Partner Funds' investment strategy

London CIV has had its necessary FCA permissions in place since December 2023 and investment advice is already being delivered to a number of our Partner Funds. We are in the process of enhancing our resources to ensure full in-house investment strategy advice can be delivered to all Partner Funds within the next three years.

Our purpose

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

To further meet this objective, we are evolving London CIV's existing Commercial Team into Partner Fund Advisory roles, which maintains the valuable in-house expertise and investment knowledge.

In addition, specialist investment and reporting resources will be brought in to support this investment strategy advice offering.

To meet the increasing demand from Partner Funds in the short to medium term, we will partner with an outsourced provider to offer services including capital market assumption models, asset allocation modelling, asset liability modelling, and cash flow budgeting.

Asset transition

Partner Funds to transfer all assets, including legacy assets, to the management of London CIV

The Government requires all assets to be either transferred to a London CIV fund or placed under London CIV management by March 2026. As a result, London CIV has adopted a two-stage approach to meet these requirements:

- *Stage 1 (next 12 months):*
We will move all off-pool assets into existing London CIV funds or a handful of new funds, while putting appropriate Investment Management Agreements (IMAs) in place for any remaining exposures held by Partner Funds.
- *Stage 2 (next 12 months and post-March 2026):*
Public market assets under IMA will be moved into London CIV funds as the proposition evolves to accommodate them. Private market assets under IMA will transfer to London CIV funds as the current exposures mature and the proceeds are invested into appropriate London CIV solutions.

Investment Strategy Implementation

Partner Funds to fully delegate the implementation of their investment strategy to London CIV

Whilst positioned as separate 'minimum standards', we believe the development of investment strategy implementation is explicitly linked with the transition of assets to London CIV.

Continues...

As set out above, the transition of assets to London CIV will take place through two stages. This model will dictate the pace at which we can fully develop the future state of the investment proposition.

We also take account the impact of the idiosyncratic requirements of Partner Funds beyond strategic asset allocation (SAA).

This includes areas such as passive/active splits within certain asset classes, responsible investment policies and other influencing factors. This will inherently lead to the need for an increased number of investment options to allow for implementation to meet Partner Fund requirements.

We are currently considering matrix-style models that can provide Partner Funds with alternative and complementary ways to implement SAA decisions and responsible investment goals. Any exact model will be developed further as the proposition evolves.

Local investment

London CIV to develop the capability to carry out due diligence on local investments and manage such investments

Of all the pool communities, London is the most geographically connected, making collective investment in local investment opportunities more achievable. London CIV currently has a team with 50 years' industry experience in place to undertake due diligence on local investment opportunities. What's more, we already invest c.53% of our private market funds in the UK.

We are currently working with the London Mayoral Authority on local investment opportunities. We will also continue to work with the Greater London Authority (GLA) on investment opportunities and pursue the development of a London Frontiers Fund, which would be available to both our Partner Funds and the broader LGPS community.

A number of our Partner Funds also need to define their own local investment strategy. It is therefore our intention to create asset class engagement forums to consider this matter through a pan-London perspective. This will avoid significant fragmentation of requests.

Cross pool collaboration

We are already working collaboratively with several other pools - our partnership with LPPI in the creation of the London Fund a prime example.

There is significant opportunity for further cross pool collaboration in future and with the right encouragement from the Government in certain areas (for example an outsourced authorised contractual scheme or ACS model) pools will converge naturally over the long-term, which we believe is preferable to enforced mergers.

Governance

Whilst London CIV has a robust governance model that meets the requirements and expectations of an FCA-regulated business, we recognise that an evolution of this model is likely, as the proposition and scale of the business expands.

This includes elements such as our existing plans to enhance shareholder and client roles on the Board, as well as continuing to strengthen beneficiary representation. This organic growth model we are adopting aids in mitigating risk and ensures we build the business in line with demand and revenue accretion.

This will enable London CIV to scale up the service and product offering, governance / oversight model, and required regulatory capital in a considered and controlled manner, as would be expected by our regulator.

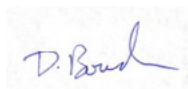
Final thoughts

Clear, articulate and timely expectations of LGPS constituent members will be critical factors, in terms of both speed and success, when it comes to the implementation of any new Government requirements.

Reemphasising that the London LGPS community had recognised the need for greater collaboration and homogeneity before the Government's consultation was published, London CIV is proud to show that we, with support and encouragement within our community, already deliver on the proposed minimum standards set out in the Fit for the Future consultation.

As ever, our plan continues to be seeking more ways to further accelerate efficiencies, increase savings and reduce fragmentation for local government pension schemes.

We remain privileged to be the stewards of London's LGPS.



Dean Bowden
CEO, London CIV

London CIV

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

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