



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 May 2015
Classification:	Public
Title:	Fund Administration and Operations
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Jonathan Hunt <i>Director of Corporate Finance and Investments</i> jonathanhunt@westminster.gov.uk 020 7641 1804

1. Executive Summary

- 1.1 This report presents a variety of information that has been requested from previous meetings, is relevant to the working of the Committee and Pension Fund, or relates to current contractual arrangements.

2. Recommendation

- 2.1 The Committee is asked to approve the note the contents of the report, approve the Risk Register in Appendix 4 and comment on any matters raised in this paper.

3. Amaces

- 3.1 The Fund has for over five years employed Amaces to keep under review certain transactions and performance by the Custodian – in particular the FX transactions carried out by the Custodian. In recent years, the Fund has moved to more pooled investments, with just the current Insight mandate remaining on a segregated basis. A report

prepared by Amaces, setting out their recent achievements and current matters relating to the Westminster Fund is attached as Appendix 1.

4. Class Actions

4.1 The Fund manages the relevant class actions through IPS. This is for relevant holdings that the Fund may have had, and for where there is now a class action in which the Fund can participate. Given the move to pooled investments, the numbers of class actions the Fund will participate in will decline – as such matters move to be managed more directly by the Fund Managers. A report from IPS on recent matters is attached as appendix 2.

5. Top Holdings

5.1 As at 31 March 2015, the top 25 holdings in the Fund's portfolio were:

Asset description	Market value (inc accruals) (£k)	% of total
LGIM KY – World Equity Index	282,340.4	26.7
Majedie units	256,510.7	24.3
Baillie Gifford units	180,728.6	17.1
Conventum Asset Management units (Longview)	109,568.8	10.4
Standard Life Long Lease units	47,912.9	4.5
Hermes Property Unit Trust	45,650.0	4.3
EIB 4.75% BDS 15/10/18	8,014.4	0.8
Insight Global Funds	5,970.0	0.6
KfW 5.5% MTN 07/6/21 GBP	5,291.5	0.5
Insight Global II Emerging market Debt Fund	4,456.3	0.4
Barclays Bank 10% Sub MTN 21/05/2021	3,776.1	0.4
EIB 5.375% EMTN 07/03/2019	3,512.8	0.3
EIB 5.375 GTD Bonds 07/06/2021	2,938.7	0.3
Legal & General GP 6.385%	2,793.6	0.3
HSBC 6.75% 09/28	2,086.6	0.2
Bank of America 4.25% 10/12/2026	1,970.5	0.2
Erste Group 5.5% 26/05/2025	1,865.7	0.2
Scottish Widows 5.5% 16/06/2023	1,856.6	0.2
Kon KPN 5.75% 17/9/2029	1,835.5	0.2
AXA 5.453%	1,756.3	0.2
Network Rail 4.75% 22/01/24	1,752.0	0.2
CBA 3.0% 04/09/2026	1,686.4	0.2
Insight Global Funds II Short Dated high yield	1,561.7	0.1
RWE Finance 6.25 03/06/30	1,540.2	0.1
RSA Insurance 5.125% 10/10/2045	1,507.0	0.1
Total for top 25 holdings	978,883.2	92.7
Total portfolio	1,056,169.8	100.0

6. Statement of Investment Principles

- 6.1 As at 31 March 2015, the Fund complied with the Statement of Investment Principles.
- 6.2 In particular, the fund had no self-investments (regulatory maximum of 5%), it had no single segregated holding great than 10% (as shown in the table above) and its largest investment in a single vehicle was 23.4% with Majedie (the LGIM holding is split between two vehicles).
- 6.3 In preparing the draft Statement of Investment Principles as discussed at the last meeting, the Fund is required to take the relevant professional advice in its discussions. This is formalised in the note from Deloitte attached as Appendix 3. The various admitted bodies to the Fund have been asked to comment on the SIP, and after allowing appropriate time for comment, none had been received. Thus the SIP as presented to the last Committee can now be considered as final.

7. Risk Register

- 7.1 It is best practice for Pension Funds to maintain a risk register to ensure that the risks the Fund faces are properly understood and where appropriate action is taken to mitigate them. Attached at Appendix 4 is the Pension Fund risk register which it is proposed is reported to members as part of the quarterly reporting cycle.
- 7.2 The first part of the register covers strategic risks to the Fund which in general have to be accepted and cannot be mitigated against, as they are inherent when running a Pension Fund. The Committee need to be aware of these risks particularly when making strategic decisions. The second part details operational risks which are mitigated through procedures and processes.
- 7.3 Officers will review the risk ratings in advance of each Committee meeting and alter the ratings when appropriate. Any changes to ratings will be highlighted in the scorecard summary in the quarterly update pack.

8. Cashflow

- 8.1 Committee members asked for a greater understanding of the Fund's cashflow. The table below sets out the cashflow for the fund on a monthly basis since 1 October 2014 (when Northern Trust took on the role as Custodian).

AGENDA ITEM:

Month	Contributions	Misc Receipts	Invoices Paid	Misc Payments	Pensiners Payroll	HMRC tax	Net Cash Flow
October 14	2,525,842	183,075	-35,842	- 436,522	-2,801,387	-527,114	- 1,091,949
November 14	2,644,625	569,331	-527,760	- 801,040	-2,791,767	-499,053	- 1,405,664
December 14	2,885,872	86,380	-37,192	- 698,621	-2,807,567	-506,239	- 1,077,368
January 15	2,704,829	75,703	-21,811	- 958,031	-2,819,344	-503,883	- 1,522,537
February 15	2,424,770	70,326	-665,335	-1,051,840	-2,810,162	-515,116	- 2,547,358
March 15	2,787,706	448,627	-92,735	-1,026,772	-2,831,086	-507,939	- 1,222,199
Total	15,973,643	1,433,441	- 1,380,675	-4,972,826	-16,861,313	- 3,059,345	- 8,867,075

Further details of miscellaneous receipts include Transfers in, Bank interest, Overpayments and Recharges.

Further details of miscellaneous payments include Transfers out, Lump Sums, Refunds and Death Grants.

This table does not include investment returns and reaffirms that the fund is cashflow negative before investment returns; it is however cashflow positive after investment returns.

AGENDA ITEM:

If you have any questions about this report, or wish to inspect one of the background papers, please contact:

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BACKGROUND PAPERS: None

Appendix 1

Amaces Report

Appendix 2

IPS Report

Appendix 3

Deloitte Report on the Statement of Investment Principles

Appendix 4

Draft Risk Register