



City of Westminster

Committee Report

Decision Maker:	Pension Fund Committee
Date:	21 June 2016
Classification:	General Release
Title:	Asset Pooling and London Collective Investment Vehicle Update
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	Savings of approximately £65k per annum are expected from the transfer of the Baillie Gifford assets to the CIV.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

- 1.1 The paper discusses progress towards meeting the Government's targets for pooling investments, in particular the transfer for assets to the London Collective Investment Vehicle (CIV) and the proposed second response to the pooling criteria. At present pooling remains voluntary and transfers will only take place for existing mandates where fee savings are achieved. To date the Committee has fully supported the pooling of assets and this is reflected in the proposed response.

2. RECOMMENDATIONS

- 2.1 That the Committee agree the Westminster specific response set out in Appendix 2 for the submission to Government in July 2016.

3. REASONS FOR DECISION

- 3.1 The Government requires all Funds to respond to their criteria for pooling document by 15th July 2016. The draft response provided in Appendix 2 sets out data reflecting the current investment strategy.

4. PROPOSALS AND ISSUES

Asset Pooling Response

- 4.1 As reported to the Committee in March 2016, the Government published criteria for pooling in November 2015 setting out a requirement for all LGPS funds to invest their assets in pools of a minimum of £25bn which meet the published criteria. An initial response was submitted to the Government on 19th February 2016 by the London CIV on behalf of all the London authorities participating in the CIV including Westminster. This confirmed Westminster's commitment to pooling assets in the London CIV.
- 4.2 The Government issued a response to this and it is attached as Appendix 1. The main points to note are:
- According to Government, all 90 local authorities have made a commitment to pooling,
 - The scale and governance arrangements of the CIV are acceptable,
 - Using multiple pools is not encouraged,
 - With limited exceptions, all assets should be pooled. The rationale for any exclusions must be set out in the final submission,
 - Greater detail on infrastructure investments is also requested.
- 4.3 The Criteria for Pooling document requires a second more detailed response to Government by 15th July 2016. This will again be a joint response from the London CIV pool, as many of the details including governance structures, timetable, predicted cost savings etc. will be applicable to all participating in the pool. However there is also a requirement for a Fund specific appendix to be provided by each fund participating.
- 4.4 A draft of the specific response for Westminster is attached at Appendices 2 and 3 and the key sections contained in it are discussed below. Appendix 2 shows the current assets and costing information and Appendix 3 shows the estimated timing of movements of assets to the CIV.

Infrastructure

- 4.5 One of the pooling criteria the Government has published is "capacity to invest in infrastructure" and the Government is expecting Funds to provide details of their appetite for infrastructure investing. The information set out in the draft response shows the current target allocation of 5% as set out in the Pension Fund's Statement of Investments Principles. Non-binding comments are included that the infrastructure allocation will be reviewed in future. Without researching the opportunities, it is not possible to express a long term target.

CEM Benchmarking

- 4.6 The next set of data is the result of benchmarking work a company called CEM Benchmarking has carried out on behalf of all LGPS funds nationally. Information about costs and performance was provided by all LGPS funds and CEM have validated this with a view to ensuring as much consistency as possible in the information provided to the Government.

- 4.7 The cost data shown is the total cost of investing (excluding transaction costs) in the years 2012-13 and 2014-15 as required by the Government. The significant jump in the costs between the years is due to the performance fee paid to Majedie Asset Management for their outperformance. The benchmark cost figure is an average figure calculated to be what CEM would expect a fund the size of Westminster with the same investment strategy to pay, based on their research across the 350 clients they have.

Estimated Timing of Asset Movements

- 4.8 Appendix 3 shows the estimated timing of the movement of assets into the London CIV. This is indicative only and the Fund will not be held to these timings. The indicative movements shown for Westminster are based on known transfers to the CIV (see paragraphs 4.10-4.11 below) and when there are the maximum options available in each asset class.

London CIV Update

- 4.9 It was reported to the March 2016 Pension Fund Committee meeting that there was a proposal to transfer the assets the Fund has invested with Baillie Gifford to the London CIV. At the meeting on 22 March 2016, it was agreed that the decision to transfer assets to the CIV should be delegated to the City Treasurer, in consultation with the Chair, where the Fund had a pre-existing relationship with the manager and the transfer would be financially advantageous.
- 4.10 The transfer of Westminster's assets managed by Baillie Gifford to the CIV took place on 18 April 2016. This was agreed by the City Treasurer in consultation with the Chair.
- 4.11 It was reported in March 2016 that the transfer of the Fund's passive equity investments with LGIM to the CIV was expected to take place in June 2016. However due the number of Funds involved in this transition, we have been notified that this will now happen in September 2016.

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

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Letter from Marcus Jones MP to the Chairs of Pensions Committees in London 24 March 2016

Appendix 2 – Draft Westminster specific appendix for July 2016 submission to Government – Assets and costing information

Appendix 3 – Draft Westminster specific appendix for July 2016 submission to Government – Estimated timing of asset movements