

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	20 September 2016
Classification:	General Release
Title:	Fund Financial Management
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1. Executive Summary

- 1.1 This report presents a variety of information that will assist the Pension Fund Committee in monitoring key areas to ensure effective control of the Fund's operations and help inform strategic decisions.

2. Recommendations

- 2.1 The Committee is asked approve the updated risk register for the Pension Fund.
- 2.2 The Committee is asked to note the Fund's compliance with the limits specified in Schedule 1 of the LGPS (Management and Investment of Funds) Regulations 2009.
- 2.3 The Committee is asked to note the cashflow position of the Fund.

3. Risk Register Monitoring

- 3.1 The risk register has been reviewed by officers and is attached as Appendix 1 for information. The rationale for the changes is set out on the first page of the Appendix.

4. Investment Regulations Limits Review

- 4.1 As at 30 June 2016, the Fund complied with the LGPS (Management and Investment of Funds) Regulations 2009 as documented in the Statement of Investment Principles.
- 4.2 In particular, the Fund had no self-investments (regulatory maximum of 5%), it had no single segregated holding great than 10% and its largest investment in a single vehicle was 22.83% with Majedie against the limit of 35%. The LGIM holding is split between two vehicles.

5. Consultations / Legislation Changes

LGPS Investment Regulations

- 5.1 This consultation which ran until 19 February 2016, proposed to revoke and replace the regulations that currently govern the management and investment of funds in the local government pension scheme.
- 5.2 The DCLG are still analysing the feedback which was received nationally from the consultation and an update will be provided to the Pension Fund Committee once more information is available.

6. Cashflow Monitoring

- 6.1 The cashflow forecast which was previously presented to the Pension Fund Committee at the last meeting has been updated to reflect the actual position to the end of July 2016, which was the latest available as at the time of writing the report. This is included at Appendix 2.
- 6.2 At the meeting in June, the Committee approved the realisation of assets totalling £18 million during 2016/17 from the overweight equity mandates, identified as being Baillie Gifford and Longview.
- 6.3 Officers have been monitoring the cash balance and it is now expected that additional funds will likely be needed in order to meet the cashflow requirements within the next two months. Therefore, the necessary arrangements will be put in place to dis-invest £4.5 million from both the Baillie Gifford mandate (managed by the London CIV) and the Longview mandate.
- 6.4 The expenses forecasted at the start of the year for 2016/17 was estimated to be £5,260k which was largely attributable to the performance fee paid by the Fund on out-performance by one fund manager. However, the actual performance fee which is now payable this year is considerably less than expected (approximately £2,700k less), therefore the forecast for the remainder of the year has been adjusted to reflect this.

- 6.5 Officers will continue to monitor the cash balance on a regular basis and will take the appropriate action to liquidise the assets in order to fulfil the cashflow requirement as stated above.

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 – Pension Fund Risk Register Review, September 2016
Appendix 2 – Cash Flow Monitoring