



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	15 November 2016
Classification:	Public
Title:	Asset Pooling and London Collective Investment Vehicle Update
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	Savings of approximately £193k per annum are expected if the Majedie portfolio is transferred to the London CIV on the fee basis recommended and Majedie achieve performance in line with their target.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

- 1.1 The London Collective Investment Vehicle (CIV) has agreed with Majedie for the UK equity fund to be available on the platform. It is recommended that the current Majedie portfolio is transferred to the CIV on a base plus performance fee basis, saving an estimated £193k per annum.
- 1.2 The paper also provides an update on the extension of the contract for the Insight bond mandate until end 2017.

2. RECOMMENDATIONS

- 2.1 That the Committee note the contents of the paper.
- 2.2 That the Committee agree to transfer the Majedie Portfolio to the London CIV as soon as it is possible to do so.

- 2.3 That the Committee agree the fee basis for the Majedie UK Equity fund to be the base fee plus performance fee.

3. Transfer of Assets to London CIV

Majedie

- 3.1 At the September meeting, it was reported that Majedie had agreed a fee basis for the London CIV and that officers were investigating whether to retain a performance management fee or move to a flat management fee in respect of the current mandate. Those discussions with the fund manager have now concluded.
- 3.2 The fund currently pays a base fee plus a performance fee to Majedie. Exempt appendix 1 shows a comparison of the two fee arrangements and the level of outperformance which would be required to be equivalent with the base fee only option. The appendix sets out the reason for the recommendation.

Longview

- 3.3 Discussions between the London CIV and Longview are still on-going and the position is not expected to be agreed until Spring 2017. The Committee will be updated as further information becomes available.

4. Insight Investment Contract

- 4.1 At the September meeting, it was reported that the Insight Investment contract, which had previously been extended until the end of 2016, was again nearing its end date. Various options were discussed and ideally, the Insight contract would be extended until the London CIV's fixed income offering are known, which is anticipated by the end of 2017. The Committee agreed to a further extension of the Insight contract to the end of 2017, providing this option be ratified by procurement.
- 4.2 The Chief Procurement Officer has since confirmed that the Pension Fund can contract with the existing supplier without having to go through a tender exercise. Discussions are currently on-going with Legal Services, to put in place a 12 month extension to the current contract with Insight Investments.
- 4.3 The London CIV are due to hold a seminar on Fixed Income and Cashflow Considerations for London Local Authorities on the day of this Committee meeting, and it is hoped that the Tri-Borough Director of Treasury and Pensions will be able to provide a verbal update to the Committee.

5. Conclusion

- 5.1 Westminster will continue to transition Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous, as per the delegation approved by the Committee at the March 2016 meeting.

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 – EXEMPT – Majedie Fee Option Comparison
Appendix 2 – EXEMPT – Majedie Fee Options