



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	12 October 2017
Classification:	General Release
Title:	Investment Strategy and Pooling Update
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	<p>Full year savings of approximately £0.5m per annum are forecast for 2017/18 from the transfer of the Majedie and Baillie Gifford assets to the CIV and the reduction of fees by Legal & General to match the CIV fees.</p> <p>The tender for a new Fixed Income Contract, in liaison with the CIV, could also deliver additional savings.</p>
Report of:	<p>Steven Mair <i>City Treasurer</i></p> <p>smair@westminster.gov.uk 020 7641 2904</p>

1. EXECUTIVE SUMMARY

1.1 This paper updates Members on:

- a. Progress towards meeting the Government's targets for pooling investments, in particular the transfer for assets to the London CIV.
- b. Work being undertaken to replace the Fixed Income contract which expires at the end of 2017.

2. RECOMMENDATIONS

2.1 That the Committee note:

- a. The progress on the transfer of assets to the London CIV and associated fee savings this brings;
- b. The progress being made, in liaison with the London CIV, in the replacement process and timescales for the fixed Income mandate

- c. The present asset allocations compared to the agreed Asset Allocation Strategy.
- d. That the Committee note the comments made to the Investment Strategy Statement by the Pensions Board and approve the minor changes recommended.

3. REASONS FOR DECISION

- 3.1 The Department for Communities and Local Government (DCLG) published its requirements and guidance in November 2015 for local government pension fund assets to be managed via supra-fund asset pools in order drive down manager fees across the local government pension scheme. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require local government pension funds to set out their approach to pooling investments including the use of collective investment vehicles, and the guidance accompanying the Regulations expects funds to have made significant progress to establishing asset pools and transferring assets by April 2018.
- 3.2 This report sets out those funds available for use at the present time and the City of Westminster Pension Fund's movement into these instruments.

4. PROPOSALS AND ISSUES

Asset Pooling Present Position

- 4.1 As at the 30 June 2017, 76.2% of the City of Westminster Pension Fund assets had either transitioned to the London CIV or were achieving the same fees as the CIV or were about to be moved to the CIV as set out below:

Fund Manager	Mandate	Date of transition	Value £m	Percentage of CoW Fund	Estimated full year fee savings £m
Bailie Gifford	Global Equities	April 2016	244.6	19.0%	0.070
Majedie	UK Equities	May 2017	302.6	23.5%	0.212
Legal & General	Global Equities	Same fee as CIV	290.9	22.6%	0.220
Longview	Global Equities	Deferred	142.8	11.1%	
Total			980.9	76.2%	0.502

- 4.2 In addition the fixed income mandate of a further £190.7m (14.8% of the Fund) was scheduled for joint procurement with CIV., which is a further 15.1% of the portfolio. The remaining assets held are in pooled property funds valued at £115.1m, which are currently outside asset pooling.
- 4.3 This percentage puts Westminster at the forefront of London Borough Pension Funds with assets in the London CIV.

Longview transition

- 4.4 Transferring the Longview mandate could potentially yield fee savings of 0.138% or £0.2m per annum depending on the total value of assets held by the CIV. However because the assets held by City of Westminster Pension Fund are not directly comparable, transitioning would potentially require additional one-off transaction costs. Negotiations are ongoing to try to resolve these additional costs.

Fixed Income Mandate

- 4.5 In December 2016, the City of Westminster Pension Fund extended its fixed Income Mandate for a year to December 2017 in order to allow the London CIV to on-board appropriate products. It is clear now, that due to different priorities, that an appropriate product will not be ready by December 2017.
- 4.6 Accordingly Deloitte have commenced the procurement process on behalf of the Pension Fund. The timetable is set out below.

Date	Stage
28 th September	Requests for Proposals sent to fund managers
9 th October	Deadline for questions from fund managers
16 th October	Deadline for fund manager Invitation to Tender responses
Early November	Evaluation and shortlisting of tenders
Mid/late November	Presentations from shortlisted tenderers Appoint fund manager

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: None