

City of Westminster Pension Fund

Proposed changes to the Statement of Investment Principles

Introduction

This note has been prepared for the Superannuation Committee of the City of Westminster Pension Fund with regard to the proposed changes to the Statement of Investment Principles for the pension fund (“the Fund”).

Schedule 1 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (“the Regulations”) sets out limits on holdings for a range of different types of investments. These limits, as applied to the Fund, should be reviewed and documented in the Fund’s Statement of Investment Principles.

The advice given in this note is purely from an investment perspective.

Proposed changes

The Regulations set out for a range of different investments limits on the amount that may be invested at the time the investment is made. However, the Regulations also include provision for these limits to be increased.

The table below sets out the proposed changes.

Investment Type	Regulatory limits	Election for increased limits
Any single sub-underwriting contract	1%	
All contributions to any single partnership	2%	5%
All contributions to partnerships	5%	30%
All loans and any deposits with local authorities or their preceptors	10%	
All investments in unlisted securities of companies	10%	15%
Any single holding unless guaranteed by Her Majesty’s Government	10%	
All deposits with any single bank, institution or person, (other than the National Savings Bank)	10%	
All sub-underwriting contracts	15%	
All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body	25%	35%
All investments in open ended investment companies where the collective investment schemes constituted by the companies are managed by any one body	25%	35%
All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body	25%	35%
Any single insurance contract	25%	35%
All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements	25%	

Our advice

Clearly any decision to invest in any particular asset class and associated structure needs to be considered in the context of the investment opportunity, the efficiency of implementation, liquidity and diversification benefits.

Our advice is provided on the assumption that any investments will be into products or strategies operated by well-resourced investment management organisations that are subject to regulation and regular review by a range of market participants, where the underlying investments are diversified by geography and sector, as the investment adviser to the Fund. On this basis we are comfortable with the proposed changes to the limits set out in the table from an investment perspective.

While the limits apply to the proportion of the Fund at the time the investment is made, we would suggest that careful consideration is given at the time of investment to how the allocation could change over time and whether the limits could be breached as a result of market movements. We would advocate that the actual position relative to the limits is reviewed and monitored on a regular basis by the Committee.

Risk Warnings

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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